

Question 1

You are a partner in Messrs Humood Al Busaidi & Co, ^{ex Jernal auditor} Certified Accountants. You are approached by Mr. Amber, the managing director of Munawwar Enterprises Ltd, who asks your firm to become the auditors of his company. In return for giving you this appointment Mr Amber says that he will expect your firm to waive fifty percent of your normal fee for the first year's audit. The existing auditors, Messrs Sannoor & Co have not resigned but Mr. Amber informs you that they will not be re-appointed in the future.

Required:

- i. Critically evaluate what action should be taken by Messrs Humood Al Busaidi & Co. in response to the request from Mr. Amber to reduce their first year's fees by fifty per cent. 6 marks
- ii. Explain the procedure a company must go through to remove its auditors and appoint another firm in their place. 18 marks
- iii. Is Messrs. Sannoor & Co within the rights for not resigning when they know Mr. Amber wishes to replace them? Give reasons for your answer. 6 marks

(Total marks 30)

Question 2

The examination of evidence is fundamental to the audit process. SAS 400 Audit evidence states that: "the auditors should obtain sufficient appropriate audit evidence to be able to draw reasonable conclusion on which to base the audit opinion". Evidence is available to the auditors from sources under their own control, from the management of the company and from third parties. Each of these sources presents the auditors with differing considerations as to the quality of the evidence to produce.

Required:

- a. Discuss the quality of the following types of audit evidence giving two examples of each form of evidence.
- i. Evidence originated from the auditors
 - ii. Evidence created by third parties
 - iii. Evidence created by management of the client. 20 marks
- b. Describe the general considerations which the auditors must bear in mind when evaluating audit evidence. 10 marks
- Total marks 30**

Question 3

Ms. Maram is always very busy. She is the owner of a very successful fashion design business. One of their regular suppliers is Chritina Richards. On Fridays she likes to play golf just to keep an eye on her competitors. Amna is a trusted accountant. It is Amna's job to list the purchase invoices which need paying and to prepare the cheques for Ms Maram's signature, which she does on a weekly basis. Maram always makes sure that there is an invoice correctly listed for every cheque signed. However it is sometimes important for Amna to pay an invoice quickly in order to receive exclusive materials which are often used for designing. For this reason Maram leaves a number of blank cheques with Amna.

Required:

- Identify a number of major weaknesses in the case. 8 marks
- What is the implication of this system? 4 marks
- Suggest what measures you could take to improve the system 8 marks
- Total marks 20**

Question 4

Critically evaluate the standard statement made about the auditors, "It is not enough to be independent; the auditor must be seen to be independent".

Total marks 20

GULF COLLEGE – MUSCAT – SULTANATE OF OMAN
UNDERGRADUATE BUSINESS PROGRAMME
ACADEMIC YEAR: 2015-2016(June)
AUDIT AND FINANCIAL REPORTING ASSESSMENT GUIDE

STUDENT ID NO.....

QN. NO	DESCRIPTION	ASSESSMENT CRITERION	Max Marks in %	MARKS AWARDED		
				I Marker	II Marker	Agreed marks
1	Request regarding reduction in fees Procedure to remove the auditor Reasons for not resigning	<ul style="list-style-type: none"> ➤ General Introduction – marks 3 ➤ Reduction in fees issue 4 ➤ Procedure to remove auditor 18 ➤ Reasons for not resigning 7 ➤ Conclusion - 6 ➤ Reference – 2 	30			
2	Types of audit evidences Evaluation of audit evidences	<ul style="list-style-type: none"> ➤ Introduction marks 4 ➤ Types of audit evidences 15 ➤ Evaluation of audit evidences 5 ➤ conclusion 3 ➤ references 3 	30			
3	Internal control	<ul style="list-style-type: none"> ➤ General Introduction – 3 ➤ Types of internal control violated 4 ➤ Implication – 4 ➤ Improvement of the system – 4 ➤ Conclusion – 3 ➤ Reference – 2 	20			
4	"It is not enough to be independent, the auditor must seen to be independent"	<ul style="list-style-type: none"> ➤ Introduction – marks 2 ➤ Expecting 7 comments with brief description - 14 ➤ Conclusion – 2 ➤ Reference – 2 	20			
	Total		100			
		Total Marks awarded	100			