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CERTIFIED ACCOUNTING TECHNICIAN
STAGE 3 EXAMINATIONS
S3.4 AUDIT AND ASSURANCE
DATE: TUESDAY 27, MAY 2025

INSTRUCTIONS:

1. Time allowed: **3 hours**
2. This examination has **three sections: A, B and C.**
3. Section **A** has **10** multiple choice questions equal to **2** marks each.
4. Section **B** has **2** questions equal to **10** marks each.
5. Section **C** has **3** questions equal to **20** marks each.
6. All questions are compulsory.
7. The question paper should not be taken out of the examination room.

SECTION A

QUESTION ONE

UMULISA is a graduate of secondary school in Mathematics and Chemistry, currently she is an audit trainee in KL CPA& associate, she attends the entrance meeting for her first time, during the meeting the audit manager told the auditee that the auditors have professional ethics. After the entrance meeting UMULISA approaches you as an audit senior in the team and ask you the meaning of professional ethics.

While explaining to UMULISA, **which of the following are fundamental principles of professional ethics?**

- i) Objectivity
- ii) Confidentiality
- iii) Skepticism
- iv) Integrity

- A (i), (ii) and (iii)
- B (i), (ii) and (iv)
- C (ii), (iii) and (iv)
- D (i), (iii) and (iv)

(2 Marks)

QUESTION TWO

In a system where employees are paid per hour, **which of the following controls would not provide assurance that the correct amounts are paid to employees?**

- A Recording of hours worked.
- B Comparing payroll and income tax returns.
- C Re-performance of payroll calculations.
- D Comparing bank transfer list with payroll.

(2Marks)

QUESTION THREE

The approach a professional auditor should use to plan audit coverage should be based on:

- A Risk.
- B Materiality.
- C Fraud monitoring.
- D Sufficiency of audit evidence.

(2Marks)

QUESTION FOUR

A strong internal control system helps an organization to achieve its objectives. **which of the following are limitations of a system of internal controls?**

- i)** Costs of implementing controls may outweigh benefits
- ii)** Mistakes may occur when controls are being operated.
- iii)** Controls may be bypassed by people acting in collusion
- iv)** Control procedures have to be updated over time

- A (i), (ii) and (iv)
- B (ii), (iii) and (iv)
- C (i), (ii) and (iii)
- D (ii), (iii) and (iv)

(2 Marks)

QUESTION FIVE

For the Internal Control Evaluation Questionnaires (ICEQs), many auditing firms have developed and implemented an evaluation technique more concerned with assessing whether specific errors (or frauds) are possible rather than establishing whether certain desirable controls are present. This is achieved by reducing the control criteria for each transaction stream down to a handful of key questions (or control questions).

Which of the following is not relevant control question for sales cycle?

- A Sales are properly authorized?
- B Receipt of goods or services is required in order to establish a liability?
- C Sales are made to reliable payers?
- D Cash and cheques received are properly recorded and deposited?

(2 Marks)

QUESTION SIX

You are at the final stage of CAT and you are joined MR CPA& Co. a new audit firm operating in Rwanda. During the audit, the audit manager told you that every issue raised by an auditor must be supported sufficient and appropriate audit evidence.

Which of the following is the least reliable source of audit evidence?

- A Audit evidence from external sources (eg confirmation received from a third party)
- B Audit evidence obtained from the entity's records
- C Original documents
- D Photocopied documents, emails, telexes or facsimiles

(2 Marks)

QUESTION SEVEN

You are part of team auditing JK University and you are assigned to audit revenues (application fees, school fess and registration fees). The audit manager told you that where necessary you have to increase sample size.

Which of the following would have the least effect on a sample size?

- A Increase in the required confidence level
- B Increase in number of invoices in population
- C Increase in tolerable misstatement
- D Increase in assessed risk

(2 Marks)

QUESTION EIGHT

You are audit trainees in NH CPA & Co. the audit senior told you that the objective of final overall review is to ensure that evidence gathered in course of the audit support the audit opinion.

Which of the following questions are answering the objective of final overall review?

- i) Was the audit plan suitably modified to allow for changing circumstances?
- ii) Has the audit firm's continued independence been considered?
- iii) Is other information published within the annual report consistent with the financial statements?
- iv) Has work been performed in accordance with relevant auditing, legal and professional standard?

- A (i) and (iv)
- B (i) and (ii)
- C (ii) and (iii)
- D (iii) and (iv)

(2 Marks)

QUESTION NINE

You are drafting an audit report for KAREKEZI Company and the audit supervisor has reminded you that the report will need to reflect the requirements of ISA 701 *Communicating key audit matters in the independent auditor's report*.

According to ISA 701, which of the following should be included in the key audit matters' paragraph of the auditor's report?

- A Matters which required significant auditor attention.
- B Matters which result in a modification to the audit opinion.
- C All matters which were communicated to those charged with governance.
- D All matters which are considered to be material to the financial statements.

(2 Marks)

QUESTION 10

Referring to the case of the above question nine (9), which of the following would be appropriate tests of controls in the audit of inventory?

- i) Agree on a sample of inventory items to purchase invoices
- ii) Obtain details of the last goods out at the inventory count
- iii) Review the system for safeguarding inventory
- iv) Review the overhead allocation system

- A (i) and (ii)
- B (ii) and (iv)
- C (iii) and (iv)
- D (i) and (iv)

(2 Marks)

SECTION B

QUESTION 11

You are Junior auditor of KVG CPA& Associate an audit firm operating in Rwanda, the audit manager selected you to help him during the audit planning and guiding the audit trainees in the team to prepare the audit program to be used during the audit of MUHIZI Ltd a company dealing with exportation of tea.

Required:

- a) Identify to the audit trainees the THREE purposes of the audit program (3 Marks)**
 - b) Enumerate to the audit trainees any FOUR benefits of audit planning (4 Marks)**
 - c) You are requested by audit manager to prepare the audit engagement letter, identify THREE contents to be included in the audit engagement letter (3 Marks)**
- (Total: 10 Marks)**

QUESTION 12

You have been appointed as internal auditor of KARIMA Ltd a company operating in Rwanda dealing with purchase of spare parts from neighboring countries and selling them in all districts of Rwanda and in the city of Kigali. The major purpose of hiring you is to design the internal controls over purchases and sales.

Required:

- a) Explain to KARIMA Ltd the FOUR management objectives that internal control system over sales aims to achieve (4 Marks)**
- b) Discuss any THREE control objectives and THREE control activities you would recommend KARIMA Ltd over purchase system (6 Marks)**

Note: Prepare your answer using two columns headed by control objectives and control activities. **(Total: 10 Marks)**

SECTION C

QUESTION 13

You are the audit senior during the audit of IWACU Products Ltd, a large manufacturing company, as at 31 December 2022. You noted the following changes in respect of certain aspects of IWACU products Ltd while comparing prior year figures and current year figures of the financial statements.

Description	31 December 2022	31 December 2021
	FRW''000''	FRW''000''
Revenues	56,000	50,000
Cost of sales	40,000	37,400
Receivables	9,600	10,400
Inventory	14,00	11,000
trade payables	9,800	8,400

Required:

- a) Based on analytical procedures on the above information of IWACU products Ltd, **list TWO items you believe would require particular investigation during your final audit, explaining in each case why you believe them to require such investigation** (4 Marks)
- b) For receivables and inventory of IWACU products Ltd, **state TWO audit enquiries you would make in order to satisfy yourself that the figure appearing had been properly stated** (4 Marks)
- c) You are Senior auditor in KNV & Associates. Currently you are in audit of NDIMWAMI Ltd a big manufacturing operating in RWANDA for the year ended 31 December 2022. The audit was conducted in February 2023. The audit report was signed on 20 April 2023 and the financial statements issued on 25 May 2023. Below material events occurred between the balance sheet date and 31 March 2023.
 1. On 1 March 2023, customer called Mugisha owing FRW 85,000,000 was declared bankrupt and no recovery of this amount was expected.
 2. On 20 March 2023, NDIMWAMI Ltd lost a law suit amounting to FRW 45,000,000 which was filed in 2020 due to forged invoices declared to RRA.
 3. On 25 February 2023, uninsured moto vehicles with values of FRW 87,000,000 were total damaged due to road accidents. And the police concluded that the accident was due to high speed.

Required:

- i) As senior auditor, explain the appropriate treatment of each of the above events as per IAS 10 – Events after the reporting period. (6 Marks)**
 - ii) Explain FOUR audit procedures that can help an auditor to identify material post-balance sheet events (6 Marks)**
- (Total: 20 Marks)**

QUESTION 14

MIGAMBI Group Lt is a big transportation company located in Kigali city. This company owns 12,000 motor vehicles using in transport of people and goods within the country and outside of the country especially in neighboring countries of East African Community (EAC). Your audit firm INZOBERE CPA&Co. is the auditor of MIGAMBI Group Ltd for the year ended 31 December 2022. You have been assigned by the audit manager to audit the non-current assets including motor vehicles, plant and machinery and buildings. Below is an extract of MIGAMBI Group Ltd non-current assets:

Description	December 2022	December 2021
	“000”	“000”
Good will	12,000	-
Motor vehicles	5,000,000	3,500,000
Plant and Machinery	2,500,000	1,800,000
Land and buildings	40,000,000	56,000,000

The following material items have been included in the notes to financial statements of non-current of MIGAMBI Group Ltd for the year ended 31 December 2022.

- 1. There are additions of FRW 700,000,000 in plant and machinery for the year ended 31 December 2022
- 2. A depreciation charges of FRW 500,000,000 for motor vehicles
- 3. The company disposed land with value of FRW 16,000,000,000

Required:

- a) Explain FOUR audit procedures you would carry out to confirm completeness and existence of plant and machinery (6 Marks)**
 - b) Explain FOUR audit procedures that would be carried on the following:**
 - i) Additions in plant and machinery (4 Marks)**
 - ii) Depreciation charges for motor vehicles (6 Marks)**
 - iii) Disposal of non-current assets (4 Marks)**
- (Total: 20 Marks)**

QUESTION 15

You are auditor of DUSHAKUBUKIRE Ltd a company specialized in juice processing, you are carrying out a review of the accounts for the year ended 30 September 2023, the audit manager informed you that at the end of the audit you are supposed to prepare the audit reports.

The following were noted during the review of DUSHAKUBUKIRE Ltd:

1. The directors of this company failed to apply the accounting standards because the accountants of this company are not familiar with the accounting standards (all accountants graduated from veterinary school).
2. The audit noted that the most of debtors are company staff and family members of company management and the directors of the company did not permit the auditors to carry out the debtor's circularization letters.
3. The company owned ten (10) motor vehicles with value of FRW 300,000,000, but company's motor vehicles were not disclosed in books of accounts for the year ended 30 September 2023.
4. No depreciation charged on the plant and machinery using in juice processing. The directors feel that they have enough money on banks accounts to buy other plant and machinery any time the existing ones will be damaged and they think that no need to charge depreciation for existing plant and machinery.

Required:

- a) State and explain the audit opinion that you would express on each of the above circumstances. (8 Marks)
- b) Highlights FOUR basic elements you will put in the audit report of DUSHAKUBUKIRE Ltd. (4 Marks)
- c) With reference to International Standard on Auditing (ISA) 570 (Going concern), highlight FOUR factors that may cast about a company to trade as a going concern and describe reasons why these factors may indicate that a company may not be a going concern. (8 Marks)

(Total: 20 Marks)

End of Question Paper

