



**FACULTY OF BUSINESS MANAGEMENT**  
**END OF SEMESTER EXAMINATIONS - APRIL 2025**

**PROGRAMME: BBA**

**YEAR/SEM: YEAR 3/SEMESTER 2**

**COURSE CODE: ACC 3203**

**NAME: AUDIT PRINCIPLES AND PROCEDURE**

**DATE: 2025-04-10**

**TIME: 2:00-5:00PM**

**INSTRUCTIONS TO CANDIDATES:**

1. Read the instructions very carefully
2. The time allowed for this examination is STRICTLY three hours
3. Read each question carefully before you attempt and allocate your time equally between all the Sections
4. Write clearly and legibly. Illegible handwriting cannot be marked
5. Number the questions you have attempted
6. Use of appropriate workplace examples to illustrate your answers will earn you bonus marks
7. Any examination malpractice detected will lead to automatic disqualification.

**DO NOT WRITE ANYTHING ON THE QUESTION PAPER**

## Section A Attempt all parts of this question

### Question 1:

## Case Study 2: Audit Report and Opinion

### Case Scenario:

XYZ Corp. is a public company listed on the stock exchange. The company has experienced significant financial challenges over the last year, including a substantial decline in revenue and losses in certain product lines. During the audit, the auditors identified a significant error in the financial statements related to inventory valuation, which was not corrected by the management. Additionally, the company has a history of inadequate internal controls and frequent changes in senior management.

### Required:

- a) Explain the purpose of an audit report and why it is critical for financial statement users, particularly in the case of XYZ Corp.?  
(10marks)
- b) Differentiate between an unqualified opinion, a qualified opinion, and an adverse opinion in the context of XYZ Corp.'s financial statements.  
(10marks)
- c) Suppose the auditor has uncovered a significant error in the financial statements, but the client refuses to adjust the financials. How would the auditor report this in the audit opinion for XYZ Corp.?  
(10marks)
- d) Evaluate how an auditor's opinion can affect the company's reputation and stakeholders' confidence, particularly for XYZ Corp.?  
(10marks)

## Section B Attempt any 3 questions

### Question 1:

#### Question 3: (20 Marks)

- a) List and explain the types of audit procedures commonly used by auditors. (10 marks)
- b) Discuss the differences between substantive procedures and tests of controls. (10 marks)

### Question 2:

#### Question 10: (20 Marks)

- a) Evaluate the importance of maintaining proper audit documentation and its role in supporting the audit opinion.  
(10 marks)

- b) What is materiality in the context of auditing, and how does it affect audit planning? (10 marks)

**Question 3:**

Question 11: 20marks

- (a) Discuss the main objectives of an audit and how it benefits both the company and its stakeholders. (10marks)
- (b) Explain the concept of "audit risk" and identify the three components of audit risk. How can an auditor manage audit risk during the audit process? (10marks)

**Question 4:**

Question 1: Audit Planning and Engagement Letter (20 Marks)

- a) Define audit planning and explain its significance in the auditing process. (10 marks)
- b) Describe the key components that should be included in an engagement letter. (10 marks)

**Question 5:**

Question 9: (20 Marks)

- a) Discuss the different types of audit evidence and provide examples of each. (10 marks)
- b) How would an auditor gather sufficient and appropriate evidence for verifying the existence of inventory in a manufacturing company? (10 marks)

**Question 6:**

Question 7: (20 Marks)

- a) Define the purpose of the audit report and its significance. (10 marks)
- b) Identify and explain the key components of an unqualified audit report. (10 marks)