



Department of Commercial Accounting

AUDITING AND INTERNAL CONTROL

AIC22B2

FINAL SUMMATIVE ASSESSMENT OPPORTUNITY

November 2014

Time: 3 hours

Marks: 100

Assessor: D J DE VILLIERS; I MTHEMBU; K MODISAGAE
Moderator: C ACKERMANN (Internal)

INSTRUCTIONS:

- Please hand in the question paper with the answer sheet.
- This paper consists of 4 pages (including the cover page).
- Answer all questions. Show all calculations and workings clearly.
- Start each question on a new page.
- Silent, non-programmable calculators may be used.

QUESTION 1

[9 MARKS – 16 MINUTES]

At the conclusion of a lecture on internal control which you recently attended, the lecturer summarised the lecture by indicating that control activities are the actions supported by policies and procedures which are carried out to manage or reduce the risks so that the objectives of the organization can be met.

REQUIRED:

- 1.1) Define Internal Control (5)
 - 1.2) Identify and list the functions surrounding the purchase of inventory that should be segregated in order to ensure that the duties of employees dealing with the purchase are properly segregated starting from the acquisition identification to the recording of the purchase. (4)
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QUESTION 2

[22 MARKS – 40 MINUTES]

When conducting an audit, either of a new or an established client, the entire process can be broken down into distinct stages. As an audit is a continuous process the stages are interlinked and are: (i) the preliminary stage, (ii) the planning stage, (iii) the responding to the assessed risk stage, and (iv) the concluding stage.

REQUIRED:

- 2.1) List the procedures that the external auditor performs in each of the sub stages of the audit process. (12)
 - 2.2) List the aspects that should be considered in an engagement letter to properly stipulate the terms of the external audit engagement with those charged with governance of the enterprise. (10)
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QUESTION 3

[10 MARKS – 18 MINUTES]

Screened aids can be built into the application software to assist users by watching the computer screen to capture the information that is related to their job description accurately and completely into the computerised system. This is done to reduce the risk of input error.

REQUIRED:

- List and describe possible screen aids to reduce the risk of input error. (10)
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QUESTION 4

[23 MARKS – 41 MINUTES]

When considering credit sales as a source of revenue of an entity it is essential to consider the common documents used for such sales that can assist in ensuring effective and efficient operations of such a cycle.

These common documents are the (i) customer order, (ii) internal sales order, (iii) goods delivery note, (iv) sales invoice, (v) monthly statement and (vi) sales transaction file (Journal).

REQUIRED:

- 4.1) Describe the nature of these documents as listed above. (12)
- 4.2) What can go wrong (risks) in the warehouse function during the picking of goods at a wholesaler supplying goods to retailers? (5)
- 4.3) Describe to your friend what needs to be done by a credit manager performing the credit management function of credit sales. (3)
- 4.4) What are the risks that need to be mitigated in the credit management department in (4.3) above. (3)

QUESTION 5

[20 MARKS – 36 MINUTES]

REQUIRED:

- 5.1) List and describe the purpose of seven (7) documents used in the acquisitions (purchases) and payment cycle. (14)
- 5.2) What are the risks regarding the receiving of goods from a supplier? (6)

QUESTION 6

[16 MARKS – 29 MINUTES]

Abqua Construction (Pty) Ltd is a newly established company. The company is busy building a dam in a remote area. The company is planning to implement a payroll system. The following functions need to be implemented in such a payroll system:

- (i) Personnel and human resources function,
- (ii) Timekeeping function,
- (iii) Payroll preparation function,
- (iv) Payment preparation and payout function and
- (v) Deductions payment and recording function.

QUESTION 6 Continued

[16 MARKS – 29 MINUTES]

REQUIRED:

- 6.1) Describe risks associated (what can go wrong) with the:
 - 6.1.1) Personnel and human resource function (4)
 - 6.1.2) Timekeeping function (3)
 - 6.1.3) Payroll preparation function (3)
 - 6.2) What risks need to be mitigated to ensure proper cash wage payout procedures at the dam building site? (6)
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Total: 100