



Department of Commercial Accounting

**INTERNAL AUDITING
BID33B3**

**Final Summative Assessment Opportunity
November 2014**

Time: 3 hours

Marks: 100

Assessor: Mr C Ackermann

Moderator: Mr M. Pete

INSTRUCTIONS:

- This paper consists of three pages (including the cover page).
- Answer all questions. Show all calculations and workings clearly (if applicable).
- Start each question on a new page.
- Silent, non-programmable calculators may be used.

QUESTION 1

[39]

The inventory and production cycle is at the heart of the business. The controls implemented within the system should contribute to a valid, accurate and complete inventory balance at the end of a financial year.

REQUIRED:

- 1.1) List the stages in the inventory and production cycle. (5)
 - 1.2) For each of the stages list above, list the risks which could occur within each stage. (24)
 - 1.3) For each of the stages listed in 1.1), list two internal control activities which could be implemented by management. (10)
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QUESTION 2

[42]

The Human Resources and Payroll Cycle involves the appointment and employment, as well as the payment, of all employees of the organisation. The cycle is unique in the sense that it forms an integral part of all five of the business cycles. No one cycle can function with people who are critical for the achievement of all operational objectives.

REQUIRED:

- 2.1) List the major stages in the Human Resource and Payroll Cycle. (4)
 - 2.2) Describe the stages of a typical Human Resource and Payroll Cycle. (30)
 - 2.3) For each of the stages listed in 2.1), list two risks which could occur in each stage. (8)
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QUESTION 3

[8]

Briefly list and describe the principles and rules of conduct as prescribed by the Institute of Internal Auditors' Code of Ethics.

QUESTION 4

[11]

During the preliminary survey, the internal auditor should obtain sufficient background information in order to allow him/her to identify the risk areas for a specific business unit. A thorough overview of the business unit or process under review will assist in formulating proper engagement objectives and criteria for the audit will be clearer.

REQUIRED:

- 4.1) Answer the following questions (True or False)
 - 4.1.1) A preliminary survey includes the identification of significant engagement issues that might require more in-depth examination. (1)
 - 4.1.2) During the preliminary survey no control deficiencies should be identified. (1)
 - 4.13) A walk-through test is not performed. (1)
 - 4.2) How will the internal auditor obtain background information on the company to better understand the client. (8)
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TOTAL

[100]