

ACC311- Fundamental of Accounting

Final term Subjective

Prepared By

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Fall 2015

1. Discuss Purchase order is tested while testing the purchase system of entity. (3)
2. How control over payments made through cheque while testing the cash system.
3. What is letter of representation Write a small note on audit of small entities.
4. Situation is given in one question. We have to identify the weaknesses in cash handling and recommend possible remedies to management (5)
5. Write 5 valid points which determine invoicing and credit notes are typical control procedures.
6. What are the auditor's responsibilities with respect to basic elements of auditors report.

Aug 30, 2014

1. Write the test of controls of petty cash book.
2. Control Procedures of cash receipts?
3. What is management letter?
4. Letter of representation? Role and nature?
5. Test of controls of ledger book and ledger account?
6. Enlist few examples of matters that auditor will consider and plan audit strategy?
Explain one example.
7. Suppose you have been appointed as the auditor of a company and have started examining the entity by taking initial interviews of the concerned personnel. During this course, one of the person from management has asked you the following information:
 1. What are the matters about which an auditor may disagree with the management?
 2. What should an auditor do if such disagreements are material?Give your answers in brief

8. According to your knowledge, what tests of controls auditors usually perform for the evaluation of Purchase Invoice of an entity?
9. What matters should the auditor consider for developing an overall audit plan for the expected scope and control of an audit?
10. A company has hired auditors at the year end. Auditors used audit sampling techniques which made them enable to gather audit evidence efficiently. State the objectives auditors might have defined first to achieve by using sampling techniques and also briefly explain further steps the auditors might undertake to complete the sampling process.
11. An unlisted public limited company undergoing expansion intends to create an internal audit department. The Managing Director (MD) has asked your advice and comments on each of the matters listed below:
 1. The fundamental differences in the scope, approach, and responsibility between the internal and external auditor.
 2. Whether it would be advisable to assign the responsibility of development of systems and Procedures to the internal auditor?

March 1, 2014

1. What steps an auditor should take in order to ensure that the reserves are properly classified and described in the accounts in accordance with the Companies Ordinance, 1984?
2. Throughout the 1960s and 70s, the largest accounting firms devoted extensive resources to the development and implementation of statistical sampling procedures. Enlist several sample selection methods now available to an auditor for selecting items in the populations.
3. Suppose you have been appointed as an auditor of a manufacturing company. You are at the stage of testing the purchase system. According to your knowledge of Auditing Standards, what control objectives would you develop in respect of the Purchase system of the entity?
4. Discuss the factors which influence auditor's judgment regarding sample size for tests of control.
5. Suppose that your supervisor has asked you to carry out an internal control review of the inventory system of a manufacturing company. What internal control procedures would you examine in respect of the following functions of the inventory system?
 1. Arithmetical Accuracy
 2. Control Accounts
 3. Access to Assets and Records
6. A company has hired auditors at the year end. Auditors used audit sampling techniques which made them enable to gather audit evidence efficiently. State the

objectives auditors might have defined first to achieve by using sampling techniques and also briefly explain further steps the auditors might undertake to complete the sampling process.

March 2, 2014

1. What is the difference between Flexible Policy and Restrictive Policy regarding size of investment in current assets while making short-term financial policy?
2. Differentiate between Systematic Risk and Unsystematic Risk. Which of them can be eliminated by diversification?
3. Suppose common stocks of a company are currently selling for Rs.30 per share. Stock market analysts estimated a dividend of Rs.2 per share for the next year and it is expected that the dividend will grow by 10% more or less indefinitely. What return does this stock offer?
4. A bank is offering 12% interest rate compounded quarterly on its saving account. What would be the Effective Annual Rate (EAR) ?
5. “An investment is acceptable if the IRR exceeds the required return. It should be rejected otherwise.” Explain.
6. Sumi Inc. has outstanding Rs.1, 000- face –value bond with a 16 percent coupon rate and 6 years remaining until final maturity. Interest payments are made quarterly. What would be the value of this bond if your nominal annual required rate of return is : (i) 13 %, (ii) 19 %.
7. S&T Company just paid a dividend of Rs.2 per share and has a share price of Rs.30. The dividends are expected to grow @ 10% forever. S&T Company has Rs.75 million in equity and Rs.75 million in debt in its total capital. The tax rate for the firm is 35% and the Cost of debt is 8%. What will be the Weighted Average Cost of Capital (WACC) for S&T Company?

March 10, 2014

1. What are the various types of verification which an auditors can select while developing tests of control for audit work? Also differentiate between them? 3marks
2. Suppose you have been appointed as an auditor of a listed company. Before starting control tests of the payroll system, what control objectives would you define in respect of the payroll system? 3marks
3. The accounting records of a company are no more verifiable due to the major IT system collapse during the current financial year. The company does not have proper manual records. Although the integrity of the management is not in doubt, but the auditor is not in a position to substantiate management’s assertions contained in the financial statements. What type of opinion should be expressed in these circumstances? 3marks

4. Suppose you have been appointed as an auditor of a trading company. Explain any three substantive procedures you might carry out in the verification of inventory of this company. 3marks
5. What internal control procedures can be implemented over payroll system of a manufacturing concern in compliance with prevailing auditing standards? 5marks
6. Suppose you have been appointed as auditor of Chand Sitara Textile Limited. During the testing of procurement system you found some discrepancies in the records. According to your knowledge of auditing standards, why you will check numerical sequence during the test of control and also name at least four examples of purchase documents on which numerical sequence should be checked for Chand Sitara Textile Limited? 5marks
7. Discuss the factors which influence auditor's judgment regarding the sample size for applying tests of control. 5marks
8. Discuss different types of limitation of scope of an audit that may result in a modified opinion giving suitable instances of each. 5marks

March 13, 2014

1. Purpose of audit planning 3
2. Control accounts of inventory system 3
3. Monetary unit sampling 3
4. Control accounts of payroll system 3
5. Audit engagement letter 5
6. Negative confirmation Scenario 5
7. Procedures for the audit of inventories 5
8. Procedures for control of petty cash system 5

February 20, 2013

1. Control procedures of petty cash book? 5 Marks
2. Define unqualified opinion and Qualified Opinion of an Auditor? 3 Marks
3. How Auditor will verify the internal control of a firm which sanction loans to customers according to their needs? 5 Marks