

Tutorial Letter 102/3/2017

Introduction to Auditing

AUE1501

Semesters 1 & 2

Department of Auditing

IMPORTANT INFORMATION:

This tutorial letter contains important information about your module.

BARCODE

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1. INTRODUCTION

In this tutorial letter we include additional questions that cover all the relevant topics of the module and the solutions to the questions are provided in Tutorial letter 103/3/2017. These are self-evaluation questions and the level and types of questions, like your assignment questions, are an indication of what you can expect in the examination. These questions will also assist you in evaluating your progress made during the semester and to test your knowledge. There is still time to improve your performance.

You can decide how you would like to use these questions, for example, whether to answer the questions relating to each topic after having studied the specific topic or to select questions to simulate an examination paper after having studied several topics.

Please note: The secret to passing the examination is to be positive, believe in yourself and study consistently – do not wait until the last minute! Use these additional questions as an opportunity to attempt as many questions as possible and expose yourself to different types of questions.

2. TEXTUAL AMENDMENTS AND ADDITIONS TO TOPICS IN YOUR STUDY GUIDE

At the time of compiling this tutorial letter, the latest version of Jackson & Stent (2016) was not yet available. Many of you may be referring to the 2014 version of Jackson & Stent. Therefore, the 2014 references are set out below. For those of you who purchased the 2016 version, the amended references will be posted on *myUnisa* as an announcement.

Note: You must please go to your study guide, strike off the old references and write in the new references (refer to the table below) to avoid confusion when you are studying.

Study guide		Previous reference	New reference 2014
Study unit 1.1	page 5,	Jackson & Stent (2012: 3/66)	Jackson & Stent (2014: 3/67)
	page 5,	Jackson & Stent (2012: 3/68)	Jackson & Stent (2014: 3/69)
	page 6	Jackson & Stent (2012: 3/15)	Jackson & Stent (2014: 3/15)
	page 7, feedback on activity 2	Jackson & Stent (2012: 3/15)	Jackson & Stent (2014: 3/15)
	page 7, feedback on activity 2	Jackson & Stent (2012: 3/15-3/16)	Jackson & Stent (2014: 3/15)
	page 7, feedback on activity 4	Jackson & Stent (2012: 3/15)	Jackson & Stent (2014: 3/15)
Study unit	page 9	Jackson & Stent (2012: 4/3)	Jackson & Stent (2014: 4/3)
	page 9	Jackson & Stent (2012: 4/3-	Jackson & Stent (2014: 4/3-

Study guide		Previous reference	New reference 2014
1.2		4/7)	4/7)
	page 9	Jackson & Stent (2012: 4/7)	Jackson & Stent (2014: 4/7)
	page 9	Jackson & Stent (2012: 4/9-4/10)	Jackson & Stent (2014: 4/9-4/10)
	page 10, feedback on activity 1	Jackson & Stent (2012: 4/5-4/6)	Jackson & Stent (2014: 4/5-4/6)
	page 10, feedback on activity 2	Jackson & Stent (2012: 4/5)	Jackson & Stent (2014: 4/5)
	page 11, feedback on activity 3	Jackson & Stent (2012: 4/6)	Jackson & Stent (2014: 4/6)
	page 11, feedback on activity 4	Jackson & Stent (2012: 4/9)	Jackson & Stent (2014: 4/9)
Study unit 1.3	page 12, introduction	Jackson & Stent (2012: 5/3)	Jackson & Stent (2014: 5/3)
	page 12, study	Jackson & Stent (2012: 5/3-5/5)	Jackson & Stent (2014: 5/3-5/5)
	page 12, feedback on activity 1	Jackson & Stent (2012: 5/5)	Jackson & Stent (2014: 5/5)
	page 13, components of internal control	Jackson & Stent (2012: 5/5)	Jackson & Stent (2014: 5/5)
	page 13, study	Jackson & Stent (2012: 5/4-5/19)	Jackson & Stent (2014: 5/4-5/19)
	page 13, feedback on activity 2	Jackson & Stent (2012: 5/4-5/5)	Jackson & Stent (2014: 5/4-5/5)
	page 14, feedback on activity 3	Jackson & Stent (2012: 5/13-5/14)	Jackson & Stent (2014: 5/13-5/14)
	page 14, feedback on activity 4	Jackson & Stent (2012: 5/12-5/16)	Jackson & Stent (2014: 5/12-5/16)

Study guide		Previous reference	New reference 2014
	page 14, feedback on activity 5	Jackson & Stent (2012: 5/7-5/8)	Jackson & Stent (2014: 5/7-5/8)
Study unit 2.4	page 29, introduction	Jackson & Stent (2012: 4/7-4/32)	Jackson & Stent (2014: 4/7-4/32)
	page 29, study	Jackson & Stent (2012: 4/30)	Jackson & Stent (2014: 4/30)
	page 30, feedback on activity 1	Jackson & Stent (2012: 4/30)	Jackson & Stent (2014: 4/30)
	page 30, feedback on activity 2	Jackson & Stent (2012: 4/31)	Jackson & Stent (2014: 4/31)
	page 30, feedback on activity 3	Jackson & Stent (2012: 4/32)	Jackson & Stent (2014: 4/31)
	page 31, feedback on activity 4	Jackson & Stent (2012: 4/32)	Jackson & Stent (2014: 4/31)
Study unit 3.1	page 35, the external auditing profession	Jackson & Stent (2012: 3/79)	Jackson & Stent (2014: 3/80)
	page 35, study	Jackson & Stent (2012:1/13-1/14)	Jackson & Stent (2014: 1/10-1/11)
	page 35, study	Jackson & Stent (2012: 1/14-1/15)	Jackson & Stent (2014: 1/11-1/12)
	page 35, study	Jackson & Stent (2012:1/15)	Jackson & Stent (2014: 1/11-1/12)
	page 35, study	Jackson & Stent (2012:1/18)	Jackson & Stent (2014: 1/16)
	page 35, study	Jackson & Stent (2012:1/19)	Jackson & Stent (2014: 1/17)
	page 35, study	Jackson & Stent (2012:1/19)	Jackson & Stent (2014: 1/17)

Study guide		Previous reference	New reference 2014
	page 36, feedback on activity 1	Jackson & Stent (2012: 1/14–1/15)	Jackson & Stent (2014: 1/11–1/12)
Study unit 3.2	page 38, study	Jackson & Stent (2012: 1/5)	Jackson & Stent (2014: 1/6–1/7)
	page 38, study	Jackson & Stent (2012: 1/5–1/6)	Jackson & Stent (2014: 1/13–1/14)
	page 38, study	Jackson & Stent (2012: 3/66–3/67)	Jackson & Stent (2014: 3/67–3/68)
	page 38, study	Jackson & Stent (2012: 1/7–1/10)	Jackson & Stent (2014: 1/6–1/9)
	page 39, study	Jackson & Stent (2012: 1/5–1/9)	Jackson & Stent (2014: 1/5–1/9)
	page 40, the financial statement audit engagement	Jackson & Stent (2012: 1/16)	Jackson & Stent (2014: 1/13)
	page 40, study	Jackson & Stent (2012: 1/16–1/18)	Jackson & Stent (2014: 1/13–1/16)
	page 40, feedback on activity 2	Jackson & Stent (2012: 1/16)	Jackson & Stent (2014: 1/15)
Study unit 3.3	page 41, introduction	Jackson & Stent (2012: 2/3)	Jackson & Stent (2014: 2/3)
	page 41, study	Jackson & Stent (2012: 2/3–2/5)	Jackson & Stent (2014: 2/3–2/5)
	page 41, study	Jackson & Stent (2012: 2/5–2/9)	Jackson & Stent (2014: 2/6–2/10)
	page 41, study	Jackson & Stent (2012: 2/9–2/10)	Jackson & Stent (2014: 2/10–2/11)
	page 41, study	Jackson & Stent (2012: 2/11)	Jackson & Stent (2014: 2/12)
	page 42, feedback on activity 1	Jackson & Stent (2012: 1/16)	Jackson & Stent (2014: 2/5)
	page 42, feedback on activity 2	Jackson & Stent (2012: 2/6)	Jackson & Stent (2014: 2/7–2/8)

Study guide		Previous reference	New reference 2014
Study unit 3.4	page 44, introduction	Jackson & Stent (2012: 16/4)	Jackson & Stent (2014: 16/5)
	page 44, study	Jackson & Stent (2012: 1/2–1/3)	Jackson & Stent (2014: 1/2–1/4)
	page 44, study	Jackson & Stent (2012: 16/4–16/5)	Jackson & Stent (2014: 16/5–16/8)
	page 44, feedback on activity 1	Jackson & Stent (2012: 1/2–1/3)	Jackson & Stent (2014: 1/5–1/7)
	page 45, feedback on activity 2	Jackson & Stent (2012: 16/5)	Jackson & Stent (2014: 16/6)
Study unit 4.1	page 49, introduction	Jackson & Stent (2012: 1/19)	Jackson & Stent (2014: 1/16)
	page 49, study	Jackson & Stent (2012: 1/19–1/20)	Jackson & Stent (2014: 1/17–1/18)
	page 49, study	Jackson & Stent (2012: 5/22–5/25)	Jackson & Stent (2014: 5/23–5/25)
	page 50, feedback on activity 1	Jackson & Stent (2012: 5/23)	Jackson & Stent (2014: 5/24)
	page 50, diagram 4.1	Completeness should also have a X under account balances.	
Study unit 4.2	page 51, introduction	Jackson & Stent (2012: 5/20)	Jackson & Stent (2014: 5/20)
	page 51, study	Jackson & Stent (2012: 5/20–5/22)	Jackson & Stent (2014: 5/20–5/22)
	page 51, feedback on activity 1	Jackson & Stent (2012: 5/20–5/21)	Jackson & Stent (2014: 5/20–5/21)
	page 52, feedback on activity 2	Jackson & Stent (2012: 5/22)	Jackson & Stent (2014: 5/22)
	page 53, feedback on activity 3	Jackson & Stent (2012: 5/20–5/21)	Jackson & Stent (2014: 5/20–5/21)
Study unit	page 56, introduction	Jackson & Stent (2012: 7/4)	Jackson & Stent (2014: 7/4)

Study guide			Previous reference	New reference 2014
4.3	page study	56,	Jackson & Stent (2012: 7/4–7/7)	Jackson & Stent (2014: 7/4–7/7)
	page feedback activity 1	56, on	Jackson & Stent (2012: 7/4)	Jackson & Stent (2014: 7/4)
	page feedback activity 2	57, on	Jackson & Stent (2012: 7/4)	Jackson & Stent (2014: 7/4)
	page feedback activity 3	57, on	Jackson & Stent (2012: 7/5)	Jackson & Stent (2014: 7/5)
	page feedback activity 4	58, on	Jackson & Stent (2012: 7/6)	Jackson & Stent (2014: 7/6)
	page materiality	58,	Jackson & Stent (2012: 7/20)	Jackson & Stent (2014: 7/21)
	page feedback activity 5	58, on	Jackson & Stent (2012: 7/20)	Jackson & Stent (2014: 7/21)
	page study	58,	Jackson & Stent (2012: 7/20)	Jackson & Stent (2014: 7/21–7/22)
Study unit 4.4	page study	60,	Jackson & Stent (2012: 7/7–7/8)	Jackson & Stent (2014: 7/7–7/10)
	page feedback activity 1	60, on	Jackson & Stent (2012: 7/7)	Jackson & Stent (2014: 7/7)
	page feedback activity 2	61, on	Jackson & Stent (2012: 7/8)	Jackson & Stent (2014: 7/8)
	page feedback activity 3	61, on	Jackson & Stent (2012: 7/8–7/9)	Jackson & Stent (2014: 7/8–7/10)
	page feedback activity 4	61, on	Jackson & Stent (2012: 7/9)	Jackson & Stent (2014: 7/9)
	page study	62,	Jackson & Stent (2012: 5/25–5/27)	Jackson & Stent (2014: 5/25–5/28)
	page feedback activity 5	63, on	Jackson & Stent (2012: 5/25)	Jackson & Stent (2014: 5/25–5/26)

Study guide		Previous reference	New reference 2014
	page 63, Example 1	Jackson & Stent (2012: 5/25)	Jackson & Stent (2014: 5/26)
	page 64, feedback on activity 6	Jackson & Stent (2012: 5/25)	Jackson & Stent (2014: 5/27)
	page 64, feedback on activity 7	Jackson & Stent (2012: 5/2)	Jackson & Stent (2014: 5/27-5/28)
	page 65, feedback on activity 8	Jackson & Stent (2012: 5/27)	Jackson & Stent (2014: 5/28)
Study unit 5.1	page 70, study	Jackson & Stent (2012: 6/2-6/5)	Jackson & Stent (2014: 6/6-6/8)
	page 70, study	Jackson & Stent (2012: 6/2)	Jackson & Stent (2014: 6/6)
	page 70, feedback on activity 1	Jackson & Stent (2012: 6/3)	Jackson & Stent (2014: 6/6-6/7)
	page 70, preliminary engagement activities	Jackson & Stent (2012: 6/5)	Jackson & Stent (2014: 6/7)
	page 71, study	Jackson & Stent (2012: 6/5-6/6)	Jackson & Stent (2014: 6/9)
	page 71, feedback on activity 2	Jackson & Stent (2012: 6/5)	Jackson & Stent (2014: 6/9)
Study unit 5.2	page 72, study	Jackson & Stent (2012: 6/8-6/16)	Jackson & Stent (2014: 6/13-6/21)
	page 72, feedback on activity 1	Jackson & Stent (2012: 6/8)	Jackson & Stent (2014: 6/13)
	page 72, feedback on activity 2	Jackson & Stent (2012: 6/8)	Jackson & Stent (2014: 6/13)
	page 73, feedback on activity 3	Jackson & Stent (2012: 6/9)	Jackson & Stent (2014: 6/14)

Study guide		Previous reference	New reference 2014
	page 73, feedback on activity 4	Jackson & Stent (2012: 6/10)	Jackson & Stent (2014: 6/15)
	page 74, feedback on activity 5	Jackson & Stent (2012: 6/11)	Jackson & Stent (2014: 6/16- 6/17)
	page 74, feedback on activity 6	Jackson & Stent (2012: 6/11)	Jackson & Stent (2014: 6/16)
	page 74, feedback on activity 7	Jackson & Stent (2012: 6/12)	Jackson & Stent (2014: 6/17- 6/18)
	page 75, feedback on activity 8	Jackson & Stent (2012: 6/15)	Jackson & Stent (2014: 6/21)
Study unit 5.3	page 77, evaluating, concluding and reporting	Jackson & Stent (2012: 6/16)	Jackson & Stent (2014: 6/21- 6/23)
	page 77, study	Jackson & Stent (2012: 6/16-6/18)	Jackson & Stent (2014: 6/21- 6/23)
	page 78, feedback on activity 1	Jackson & Stent (2012: 6/17 & 6/18)	Jackson & Stent (2014: 6/22- 6/23)
Study unit 6.1	page 81, introduction	Jackson & Stent (2012:5/12)	Jackson & Stent (2014: 5/12)
	page 81, study	Jackson & Stent (2012:10/2, 11/2, 12/2, 13/2, 14/2)	Jackson & Stent (2014: 10/2, 11/2, 12/2, 13/2, 14/2)
	page 81, feedback on activity 1	Jackson and Stent (2012:10/2) sec 1) Jackson and Stent (2012:11/2) sec 1 Jackson and Stent (2012:12/2) sec 1 Jackson and Stent (2012:13/2) sec 1 Jackson and Stent (2012:14/2) sec 1	Jackson and Stent (2014: 10/2) sec 1) Jackson and Stent (2014: 11/2) sec 1 Jackson and Stent (2014:12/2) sec 1 Jackson and Stent (2014: 13/2) sec 1 Jackson and Stent (2014: 14/2) sec 1
Topic 7	page 85, study	Jackson & Stent (2012:10/2)	Jackson & Stent (2014: 10/2)

Study guide		Previous reference	New reference 2014
Study unit 7.1	page 87, introduction	Jackson & Stent (2012:10/2)	Jackson & Stent (2014: 10/2)
	page 87, study	Jackson & Stent (2012: 10/2–10/7)	Jackson & Stent (2014: 10/2–10/7)
	page 87, feedback on activity 1	Jackson & Stent (2012: 10/2)	Jackson & Stent (2014: 10/2)
	page 88, feedback on activity 2	Jackson & Stent (2012: 10/3–10/5)	Jackson & Stent (2014: 10/3–10/5)
	page 88, diagram 7.1	Jackson & Stent (2012: 10/2–10/5)	Jackson & Stent (2014: 10/2–10/5)
	page 89, feedback on activity 3	Jackson & Stent (2012: 10/3–10/5)	Jackson & Stent (2014: 10/3–10/5)
	page 90, feedback on activity 4	Jackson & Stent (2012: 10/6–10/7)	Jackson & Stent (2014: 10/6–10/7)
	page 90, feedback on activity 5	Jackson & Stent (2012: 10/6–10/7)	Jackson & Stent (2014: 10/6–10/7)
Study unit 7.2	page 92, introduction	Jackson & Stent (2012:10/10–10/15)	Jackson & Stent (2014: 10/10–10/15)
	page 92, study	Jackson & Stent (2012:10/10–10/15)	Jackson & Stent (2014: 10/10–10/15)
	page 93, feedback on activity 1	Jackson & Stent (2012: 10/10–10/11)	Jackson & Stent (2014: 10/10–10/11)
	page 94, feedback on activity 2	Jackson & Stent (2012: 10/12)	Jackson & Stent (2014: 10/12)
Study unit 7.3	page 95, introduction	Jackson & Stent (2012:10/16–10/19)	Jackson & Stent (2014: 10/16–10/19)
	page 95, study	Jackson & Stent (2012:10/16–10/19)	Jackson & Stent (2014: 10/16–10/19)
	page 95, feedback on activity 1	Jackson & Stent (2012: 10/16–10/19)	Jackson & Stent (2014: 10/16–10/19)

Study guide		Previous reference	New reference 2014
Study unit 7.4	page 97, introduction	Jackson & Stent (2012:10/57)	Jackson & Stent (2014: 10/57)
	page 97, study	Jackson & Stent (2012:10/57-10/59)	Jackson & Stent (2014: 10/57-10/59)
	page 98, feedback on activity 1	Jackson & Stent (2012:10/57-10/59)	Jackson & Stent (2014: 10/57-10/59)
	page 100, feedback on activity 1	Jackson & Stent (2012:10/57-10/59)	Jackson & Stent (2014: 10/57-10/59)
Topic 8	Topic overview Page 103	Jackson & Stent (2012:11/12)	Jackson & Stent (2014: 11/12)
Study unit 8.1	page 105, introduction	Jackson & Stent (2012:11/2)	Jackson & Stent (2014: 11/2)
	page 105, study	Jackson & Stent (2012:11/2-11/8)	Jackson & Stent (2014: 11/2-11/8)
	page 106, feedback on activity 1	Jackson & Stent (2012: 11/2-11/3)	Jackson & Stent (2014: 11/2-11/3)
	page 106, feedback on activity 2	Jackson & Stent (2012: 11/3-11/4)	Jackson & Stent (2014: 11/3-11/4)
	page 106, feedback on activity 3	Jackson & Stent (2012: 11/5-11/6)	Jackson & Stent (2014: 11/5-11/6)
	page 107, feedback on activity 4	Jackson & Stent (2012: 11/5-11/6)	Jackson & Stent (2014: 11/5-11/6)
	page 109, feedback on activity 5	Jackson & Stent (2012: 11/5-11/6)	Jackson & Stent (2014: 11/5-11/6)
Study unit 8.2	page 110, introduction	Jackson & Stent (2012:11/9-11/11)	Jackson & Stent (2014: 11/9-11/11)
	page 110, study	Jackson & Stent (2012: 11/9-11/11)	Jackson & Stent (2014: 11/9-11/11)
	page 110, feedback on activity 1	Jackson & Stent (2012: 11/9)	Jackson & Stent (2014: 11/9)

Study guide		Previous reference	New reference 2014
Study unit 8.3	page 113, introduction	Jackson & Stent (2012:11/12-11/13)	Jackson & Stent (2014: 11/12-11/13)
	page 113, study	Jackson & Stent (2012: 11/12-11/13)	Jackson & Stent (2014: 11/12-11/13)
	page 113, feedback on activity 1	Jackson & Stent (2012: 11/12-11/13)	Jackson & Stent (2014: 11/12-11/13)
	page 114, feedback on activity 1	Jackson & Stent (2012: 11/12-13/12)	Jackson & Stent (2014: 11/12-11/13)
Study unit 8.4	page 115, introduction	Jackson & Stent (2012:11/44)	Jackson & Stent (2014: 11/44)
	page 115, study	Jackson & Stent (2012:11/44-11/45)	Jackson & Stent (2014: 11/44-11/45)
	page 116, feedback on activity 1	Jackson & Stent (2012:11/44-11/45)	Jackson & Stent (2014: 11/44-11/45)
Study unit 9.1	page 121, introduction	Jackson & Stent (2012:10/5)	Jackson & Stent (2014: 10/5)
	page 121, introduction	Jackson & Stent (2012:11/4)	Jackson & Stent (2014: 11/4)
	page 121, introduction	Jackson & Stent (2012:10/2)	Jackson & Stent (2014: 10/2)
	page 121, study	Jackson & Stent (2012:10/5)	Jackson & Stent (2014: 10/5)
	page 121, study	Jackson & Stent (2012:10/6)	Jackson & Stent (2014: 10/5-10/6)
	page 122, feedback on activity 1	Jackson & Stent (2012:10/5)	Jackson & Stent (2014: 10/5)
	page 122, feedback on activity 2	Jackson & Stent (2012:10/6)	Jackson & Stent (2014: 10/6)
	page 122, study	Jackson & Stent (2012:11/4-11/5)	Jackson & Stent (2014: 11/4-11/5)
page 122, study	Jackson & Stent (2012:11/5-11/6)	Jackson & Stent (2014: 11/5-11/6)	

Study guide		Previous reference	New reference 2014
	page 123, feedback on activity 3	Jackson & Stent (2012:11/4-11/5)	Jackson & Stent (2014: 11/4-11/5)
	page 123, study	Jackson & Stent (2012:10/70-10/71)	Jackson & Stent (2014: 10/70-10/71)
	page 124, feedback on activity 4	Jackson & Stent (2012:10/70)	Jackson & Stent (2014: 10/70)
Study unit 9.2	page 127, introduction	Jackson & Stent (2012:10/60)	Jackson & Stent (2014: 10/60)
	page 127, study	Jackson & Stent (2012:10/70-10/72)	Jackson & Stent (2014: 10/70-10/72)
	page 127, feedback on activity 1	Jackson & Stent (2012:10/70-10/72)	Jackson & Stent (2014: 10/70-10/72)
	page 128, feedback on activity 3	Jackson & Stent (2012:10/71-10/72)	Jackson & Stent (2014: 10/71-10/72)
	page 129, feedback on activity 4	Jackson & Stent (2012:10/72)	Jackson & Stent (2014: 10/72)
Study unit 10.1	page 133, introduction	Jackson & Stent (2012:13/2)	Jackson & Stent (2014: 13/2)
	page 133, study	Jackson & Stent (2012:13/2-13/6 &13/29)	Jackson & Stent (2014: 13/2-13/6 & 13/29)
	page 133, feedback on activity 1	Jackson & Stent (2012:13/2)	Jackson & Stent (2014: 13/2)
	page 134, feedback on activity 2	Jackson & Stent (2012: 13/5)	Jackson & Stent (2014: 13/5)
	page 135, feedback on activity 3	Jackson & Stent (2012: 13/5-13/6)	Jackson & Stent (2014: 13/5-13/6)
Study unit 10.2	page 136, introduction	Jackson & Stent (2012:13/37)	Jackson & Stent (2014: 13/37)
	page 136, study	Jackson & Stent (2012:13/38-13/41)	Jackson & Stent (2014: 13/38- 13/41)

Study guide		Previous reference	New reference 2014
	page 136, feedback on activity 1	Jackson & Stent (2012: 13/38)	Jackson & Stent (2014: 13/38)
	page 137, feedback on activity 3	Jackson & Stent (2012: 13/39- 13/40)	Jackson & Stent (2014: 13/39-13/40)
	page 138, feedback on activity 4	Jackson & Stent (2012: 13/40- 13/41)	Jackson & Stent (2014: 13/40-13/41)
Topic 11	page 139, topic overview	Jackson & Stent (2012:12/2)	Jackson & Stent (2014: 12/2)
Study unit 11.1	page 141, introduction	Jackson & Stent (2012:12/2)	Jackson & Stent (2014:12/2)
	page 141, study	Jackson & Stent (2012:12/2- 12/5)	Jackson & Stent (2014: 12/2- 12/5)
	page 142, feedback on activity 1	Jackson & Stent (2012: 12/3- 12/4)	Jackson & Stent (2014: 12/3- 12/4)
	page 142, feedback on activity 2	Jackson & Stent (2012: 12/4- 12/5)	Jackson & Stent (2014: 12/4- 12/5)
Study unit 11.2	page 144, introduction	Jackson & Stent (2012:12/18)	Jackson & Stent (2014: 12/18)
	page 144, introduction	Jackson & Stent (2012:12/22)	Jackson & Stent (2014: 12/22)
	page 144, study	Jackson & Stent (2012:12/18)	Jackson & Stent (2014: 12/18)
	page 144, study	Jackson & Stent (2012:12/22- 12/24)	Jackson & Stent (2014: 12/22-12/24)
	page 145, feedback on activity 1	Jackson & Stent (2012:12/18)	Jackson & Stent (2014: 12/18)
	page 145, feedback on activity 3	Jackson & Stent (2012: 12/23)	Jackson & Stent (2014: 12/23)
	page 146, feedback on activity 4	Jackson & Stent (2012: 12/23- 12/24)	Jackson & Stent (2014: 12/23-12/24)

3. ADDITIONAL STUDY GUIDANCE

The following are aspects that you should keep in mind regarding your Auditing studies:

3.1 Food for thought:

- Keep your study environment neat, organised and quiet.
- Be positive.
- Stay calm.
- Believe that you can.
- Do as many questions as possible.
- PASS the examination.

3.2 Study methods to help you:

- Plan your studies.
- It is imperative to work thoroughly through the module and ask yourself what you have learned after each topic/study unit and if anything has remained un-clear; you have to understand the study unit before progressing to the next study unit – contact us for assistance, we are here to help and will gladly do so.
- Read through the learning outcomes at the beginning of each topic.
- Complete the self-assessment questions at the end of each study unit.
- Do and submit your assignments.
- Complete the questions in this tutorial (do them without consulting the study guide).

3.3 Examination technique guidelines

Use the following guidelines when answering the questions in the examination.

- Allocate your time. Remember that the available time in the examination is limited to two hours to earn 100 marks. You therefore have 1.2 minutes available to earn 1 mark (for example, spend 12 minutes to earn 10 marks). Calculate your time for each question and keep to the time allocated for each question. Time management is the critical factor between passing and failing – each question needs to receive the allocated time it deserves.
- Read the required section thoroughly and make sure that you understand what is required from you. Underline or highlight the key concepts.
- Read through the content if/where applicable.
- Read the required section again.
- Presenting your answer (Important!)
 - Layout: Answer the question in the correct format. For example, use a table to present your answer if the answer should be presented in a table; use a letter or a memorandum when required (marks are allocated for presentation).
 - Use bullets and leave spaces between different headings and sentences.
 - Do not use SMS language.
 - Make sure that your handwriting is neat and clear.

4. ADDITIONAL QUESTIONS

TOPIC 1: The business world and corporate governance

QUESTION 1.1

Thabo Maloi has just matriculated and would like to start his own information technology (IT) business. He is not sure whether he should conduct the business as a sole proprietor, company or in partnership with his brother.

Thabo Maloi asked you to give him some background on the different types of entities for operating a business, as well as the advantages and disadvantages of each. This will enable him to make the appropriate choice.

REQUIRED**Marks**

1.1.1 Name **five (5)** types of business entities found in South Africa. **(5)**

1.1.2 List **three (3)** advantages and **three (3)** disadvantages of a sole proprietor and a partnership. (Present your answer in a tabular format.)

Sole proprietor

Advantages	Disadvantages

Partnership

Advantages	Disadvantages

(12)

1.1.3 Tabulate **six (6)** differences between a private company and a close corporation as indicated below:

Private company	Close corporation

(16)**QUESTION 1.2**

In 1994 the King Report on Corporate Governance was issued which formalised an approach to corporate governance by recommending a Code of Corporate Practices and Conduct.

REQUIRED**Marks**

1.2.1 Name the three key aspects for good corporate governance as identified in the King III Report. **(3)**

QUESTION 1.3**Internal Control**

Nickerballs Sweets (Pty) Ltd asked you to explain some auditing concepts to them during a client planning meeting to assist with the efficiency of the audit. The client specifically asked for clarity on the following concepts.

- What impact the built in limitations of internal controls will have on test of controls.
- Internal controls

REQUIRED**Marks**

1.3.1 List and describe **three (3)** examples of activities that may be classified as control activities **(6)**

1.3.2 Mention **four (4)** inherent limitations of an internal control system. **(6)**

TOPIC 2: The internal auditor

QUESTION 2.1

The Code of Ethics for Internal Auditors describes behavioural norms expected of internal auditors. These rules aid and are intended to guide the ethical conduct of internal auditors.

REQUIRED

Marks

Describe the principles of the Code of Ethics for Internal Auditors under the following headings:

- | | | |
|-------|------------------|-----|
| 2.1.1 | Objectivity. | (3) |
| 2.1.2 | Integrity. | (6) |
| 2.1.3 | Confidentiality. | (2) |
| 2.1.4 | Competency. | (3) |

TOPIC 3: The development of the profession of external auditing

QUESTION 3.1

You are currently busy with the audit of Chocolate Inc. Your audit partner suggested that you rely on the work of internal audit. The audit partner further explained that when the external auditor intends to rely on the work of the internal auditors, the external auditor evaluates and performs audit checks on the work performed by the internal auditors. By doing this check, the external auditor is confirming the work's relevance to their purpose.

REQUIRED

Marks

- | | | |
|-------|---|------|
| 3.1.1 | List the differences between internal and external auditors and list their common characteristics. (Present the differences in a tabular format.) | (10) |
| 3.1.2 | Describe the aspects that the external auditor should consider to evaluate the adequacy of the work of internal audit for the external auditor's purposes. | (6) |

QUESTION 3.2

Registered external auditors are auditors who express an **independent opinion** on whether the annual financial statements of a company fairly present the financial position and results of the company's operations. The external auditor is **not** an employee of the company.

REQUIRED

Marks

- | | | |
|-------|--|-----|
| 3.2.1 | Describe the overall objectives of the auditor in a financial statement audit. | (5) |
| 3.2.2 | How will an entities public interest score be calculated? | (4) |

QUESTION 3.3

The purpose of a code of ethics is to reinforce the moral principles and commitments of individual auditors and to spell out acceptable and responsible behaviour. It also tells others what the individual auditor and audit firm stand for and what to expect when using their services. Therefore, consider the following unrelated cases:

- (a) Auditor A has not participated in any type of professional development activities since he started working as an auditor three years ago.
- (b) Auditor C's uncle works in a department which Auditor C is assigned to audit, he takes the assignment so that he can talk about family matters with his uncle.

REQUIRED**Marks**

- 3.3.1** Name the five fundamental ethical principles mentioned in the SAICA Code of Professional Conduct. **(5)**
- 3.3.2** For each of the above listed cases, **state** whether the condition is a violation of the auditor's code of ethics and **justify** your answer. **(5)**
- 3.3.3** List the types of threats which may arise. **(5)**

TOPIC 4: Auditing concepts**QUESTION 4.1**

The external auditor gathers sufficient appropriate evidence to substantiate the fair presentation of the assertions of management embodied in the financial statements.

REQUIRED**Marks**

- 4.1.1** Explain the following assertions about classes of transactions or events:
- Occurrence
 - Completeness
 - Accuracy
 - Cut-off
 - Classification
 - Presentation

NB: For each assertion, give an example relevant to sales transactions. **(12)**

QUESTION 4.2

The auditor has a duty to gather evidence to support his or her opinion on whether the assertions of the directors, embodied in the annual financial statements, are fairly presented.

REQUIRED	Marks
4.2.1 Mention the audit procedures that can be performed to obtain audit evidence.	(5)
4.2.2 Discuss the sufficiency and appropriateness of audit evidence.	(4)

QUESTION 4.3

During a coffee break with the junior trainee auditors you were discussing that the International Standards on Auditing direct the audit process and it therefore follows that compliance with the standards will result in audit risk being kept to an acceptable level.

It came to your attention that one of the trainee auditors did not properly understand the concept of *audit risk*.

REQUIRED	Marks
4.3.1 Define audit risk.	(2)
4.3.2 Name the components of audit risk.	(3)

TOPIC 5: The auditing process

QUESTION 5.1

The planning stage is an important phase in the auditing process, consisting of certain steps.

REQUIRED	Marks
5.1.1 List the steps to be included in the planning of an audit.	(5)
5.1.2 List the steps to be included in the preliminary stage of the audit.	(4)
5.1.3 Name four (4) sources and/or procedures that can be used to obtain preliminary information about a prospective client.	(4)

QUESTION 5.2

At the conclusion of the external audit, the engagement partner must decide on the appropriate report based on the evidence gathered during the audit.

REQUIRED	Marks
5.2.1 Explain the following aspects of an audit strategy: <ul style="list-style-type: none"> • Scope • Timing • Direction. 	(16)

TOPIC 6: Systems and Cycles within a business entity

There are no questions on this topic. The aim of this topic is to understand various business cycles as part of the accounting system over which internal controls are implemented.

Refer to your study guide for activities on different systems and cycles within a business entity. Do Activity 1 in your Study Guide (*Reference: study unit 6.1.1; page 81*). Specific questions on different cycles will be dealt with in the different cycles below.

TOPIC 7: Revenue and receipts cycle

QUESTION 7.1

You are an accounts clerk at Thete General Dealer, a business that sells its products to customers on credit and for cash. The revenue and receipts cycle includes processes ranging from the initiation of a sales transaction to shipping a product, billing the customer and collecting cash for the sales.

REQUIRED

Marks

Identify the information reflected on the following documents and explain the purpose of each of the following documentation used in the revenue and receipts cycle.

7.1.1 Credit application form

7.1.2 Sales order

7.1.3 Invoice

7.1.4 Delivery note

7.1.5 Debtors' statement

7.1.6 Receipt

7.1.7 Credit note

7.1.8 Deposit slip

Hint: Use the following table format in answering this question:

Source document	Information reflected on document	Why there is a need to prepare this source document
------------------------	--	--

(30)

QUESTION 7.2

You are part of the audit team to audit the year-end financial statements of Home Limited. As part of the procedures for obtaining an understanding of the entity and its environment, your audit senior noted the following weaknesses from a client's revenue system:

1. **Selling to customers who is not credit worthy.**
2. **Customers denied receiving goods.**

REQUIRED

Marks

- 7.2.1** (a) For each of the two (2) risks noted from the staff meeting at Home Limited, describe **two (2) internal controls** that can be implemented to eliminate or mitigate those identified risks.
- (b) For each of the internal controls identified provide a **test of control**.

Use the format below:

(1 mark will be awarded for presentation)

Risks (in the scenario)	a) Internal controls	b) Tests of control
1. Selling to customers who are not credits worthy.	1.(1½) 2.(1½)	1.(1½) 2.(1½)
2. Customer denies receiving goods.	1.(1½) 2.(1½)	1.(1½) 2.(1½)

(13)

QUESTION 7.3

Tests of controls are carried out during the audit in order to collect audit evidence regarding the design of accounting and internal control systems and the operation of these systems.

REQUIRED

Marks

- 7.3.1** Describe the tests of controls that can be performed by the auditor to “test the effectiveness of the internal controls below” in the revenue and receipts cycle (invoicing and recording of sales)

Take note: Some controls may have more than one test of control.

1. The sales order is processed and a pre-numbered delivery note is printed with the address of the customer, quantity and price of the goods ordered. The same information appears on the invoice.	
2. All items carry a pre-approved price. The item is linked to the price.	
3. The debtors’ clerk will match the sales invoice with the pre-numbered delivery note signed by the customer.	
4. The sales journal is updated with each sale. (The sales invoice and signed delivery note are used.)	
5. The accounting clerk performs a debtors’ control account reconciliation. The reconciliation is checked by a senior official.	
6. When a sales order is received, the order is passed to the senior person for credit approval.	
7. Sales invoices are pre-printed with a fixed serial number by the sales clerk.	
8. The accounts clerk sends a monthly customer statement by the end of the month.	

(16)

TOPIC 8: Purchases and payment cycle**QUESTION 8.1**

You are a junior trainee assigned to the audit of Cricket SA (Pty) Ltd, a large manufacturing company. While the audit senior was discussing the audit of the purchases and payment cycle with you, he asked if you could think of the following to aid you in performing the audit of the purchases and payment cycle:

- Associated risks.
- Internal controls that should be in place to mitigate the identified risks to an acceptable level.
- Common documents used in the purchases and payment cycle.

REQUIRED**Marks**

- 8.1.1** List the risks associated with the payment for goods. **(15)**
- 8.1.2** Explain the difference between the requisition form and the order form. **(5)**
- 8.1.3** List the controls that can be implemented to mitigate the following identified risks associated with the receipt of goods (purchases/payment cycle).

Risk	Related controls
• The risk that goods may be taken for personal use.	(3 marks)
• The risk that the types of goods received are not the type of goods ordered.	(1½ marks)
• The risk of poor quality and/or defective goods being received. • Also that the incorrect goods or an incorrect quantity may be received.	(4½ marks)
• The risk of goods being stolen.	(1½ marks)

(10)**TOPIC 9: Cash and bank balances cycle****QUESTION 9.1**

Bank and cash usually consist of cash in the bank, investment accounts and petty cash. You are a junior trainee assigned to the audit of Mixit (Pty) Ltd, a large manufacturing company. While the audit senior was discussing the audit of the cash and bank cycle with you, he asked if you can explain the activities as well as the assertions pertaining to the cash and bank cycle balances as at year-end.

REQUIRED**Marks**

- 9.1.1** Describe the activities that are usually performed in the cash and bank cycle. **(9)**
- 9.1.2** Discuss the assertions relating to the cash and bank balance as at year-end. **(10)**

TOPIC 10: Payroll cycle

QUESTION 10.1

You are on the audit team of Blackberry (Pty) Ltd, a flower seedling nursery. As the business is labour intensive, “wages” is the major expense item.

REQUIRED	Marks
10.1.1 Discuss the assertions of management with regard to the payroll transactions.	(12)
10.1.2 List four(4) documents used in the payroll preparation function	(5)
10.1.3 Describe three (3) risks associated with the payroll preparation function.	(5)

TOPIC 11: Inventory cycle

QUESTION 11.1

You are a trainee accountant and have just started with your training contract. Your first client is Soccer 2010 (Pty) Ltd, a company which supplies sportswear. You will be responsible for auditing the inventory cycle with the assistance of the audit senior. You need to set up a working paper to document your audit procedures and the work to be performed.

REQUIRED	Marks
11.1.1 Describe nine (9) basic tasks on which the auditor should focus during the audit of trading inventory.	(15)