

# Tutorial letter 101/3/2014

## The internal audit process: Tests of Controls

### AUI3702

### Semesters 1 & 2

### Department of Auditing

**IMPORTANT INFORMATION:**

Please activate your *myLife* email address and ensure you have regular access to the *myUnisa* module site for AUI3702 since this is a fully online module.

Note: This is an online module, and therefore your module is available on myUnisa. However, in order to support you in your learning process, you will also receive some study materials in printed format.

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# 1 INTRODUCTION

Dear Student

Welcome to the **FULLY ONLINE** module AUI3702. We shall do our best to make your study of this course interesting and rewarding. You will be well on your way to success if you start studying early in the year and resolve to do your assignments properly.

Students must be registered for a myLife email address and must be able to access *myUnisa* to be able to access their study material, submit assignments, gain access to the Library functions and various learning resources, download study material, “chat” to their lecturers and fellow students about their studies and the challenges they encounter, and participate in online discussion forums.

No tutorial letters will be posted to students, and all information is available on *myUnisa*. This tutorial letter is the only tutorial letter made available in printed form. Please also note that no study guide will be supplied to you. In the fully online environment you will be guided through the content by working through the learning units on *myUnisa*.

We hope that you will have a very enjoyable and successful year of study.

## 1.1 To get started on myUnisa

For this module you will only receive this tutorial letter 101. All study material for this module will only be available on *myUnisa*. You must be registered on *myUnisa* to be able to access study material, submit your assignments, gain access to the library functions and various learning resources, to “chat” to your lecturer or teaching assistant and fellow students about your studies and the challenges that you might encounter, and to participate in online discussion forums, blogs or self assessments. Importantly, *myUnisa* contains the Learning Units tool from which you will only be able to access the study material for this module if you have registered and have access to *myUnisa*.

In addition to registering on *myUnisa*, it is crucial that you activate your myLife email address, as all your official correspondence regarding this module will be sent to your myLife address and not your private email address. Please consult with the *my Studies @ Unisa* publication for more information on the activation of your myLife email address as well as obtaining access to the *myUnisa* module site.

Go to the website <https://my.unisa.ac.za> and login with your student number and password. Then you will see **AUI3702** in your row of modules, in the orange bar across the top of the webpage.

## 1.2 How to study this module online

This module is fully taught online — this means that they are different from some of your other modules at Unisa.

- **This means that all your study material and learning activities are online, on *myUnisa*.** In other words, there are no printed study material from Unisa — no tutorial letters (except for this one) and no study guide.

- **This means that all of your assignments can be submitted online.** This means that you can do all your activities and submit all your assignment on *myUnisa* in the required format (PDF). You may however still submit a written assignment.
- **This means that all of the communication between yourself and the university also happens online** — by email, in the Discussion forums and through Questions and Answers tool. You can use all of these ways to ask questions. This also means that your lecturer will communicate with you in the same way — through emails, with Announcements, in the Discussion forums and on the Questions and Answers tool.

## 2 PURPOSE OF THE MODULE

The purpose of the module is to enable the students to demonstrate detailed knowledge, specific skills and applied competency in testing for controls as part of the internal audit process.

## 3 LECTURER(S) AND CONTACT DETAILS

### 3.1 University information

If you need to contact the University about matters not related to the content of this module, please consult the publication *my Studies @ Unisa* that you received with your study material. This booklet contains information on how to contact the University (e.g. to whom you can write for different queries, important telephone and fax numbers, addresses and details of the times certain facilities are open).

Always have your student number at hand when you contact the University.

### 3.2 Lecturer information

Your lecturer for this module:

Lecturer's name      Ms D Sebastian

You may contact her in the following ways:

Tel:                      012 429 4074

E-mail:                 [sebasd@unisa.ac.za](mailto:sebasd@unisa.ac.za)

Please do not hesitate to consult lecturer(s) by e-mail or personally (by prior arranged appointment only), should you experience specific problems regarding the **content of this course**. Please have your study material open online when you contact us. Please note that enquiries with regards to matters not relating to the **content of the course** (e.g. *myUnisa* or *myLife* access, enquiries in respect of examination dates, venues, etc) must **not be directed to your lecturer** but should be directed to the relevant department. The contact details are available in the *my Studies @ Unisa* brochure.

## 4 MODULE-RELATED RESOURCES

For library service request procedures, please consult *my Studies @ Unisa* brochure.

### 4.1 Prescribed books

Your prescribed textbooks for this course for this year are:

- Jackson RDC & Stent WJ 2012. *Auditing Notes for South African Students*. Latest edition. Durban: LexisNexis.
- Gowar H 2012. *Graded Questions on Auditing 2012*. Latest edition. Durban: LexisNexis
- *Auditing: Legislation and Standards 2012*. Latest edition. Durban: LexisNexis.
- Reding KF 2009. *Internal Auditing: Assurance & Consulting Services*.

Please consult the list of official booksellers and their addresses listed in *my Studies @ Unisa*.

**Please note:**

It is **essential** that you either acquire or have the prescribed textbooks at your disposal.

We recommend that you purchase the prescribed books as you will have to study it thoroughly and refer to it frequently. **We suggest that you try to obtain the book as soon as possible.**

#### 4.2 Recommended books

It is important to note that as a student it is your responsibility to enrich your studies by reading as extensively as possible and to use other sources to supplement the prescribed textbook. Periodical articles can also be used as sources of information when answering your assignment and examination questions. Please remember to always acknowledge your information sources.

## 5 STUDENT SUPPORT SERVICES FOR THE MODULE

Important information appears in your *my Studies @ Unisa* brochure. Please also visit myUnisa for announcements and additional information resources.

## 6 ASSESSMENT

### 6.1 Assignments and learning

Assignments and tutorial letters form an integral part of your tutorial matter and must also be studied for examination purposes.

### 6.2 Compulsory assignment

The submission of the compulsory assignment and the marks earned will be relevant as it will prove that you are an active student and will therefore earn you admission to the examination. Admission to the examination will be obtained by submitting the compulsory assignment and not by the marks obtained for it. You will undoubtedly realise the importance of commencing your study programme in good time so that you can obtain admission to the examination and earn a good year mark.

### 6.3 General remarks

- Assignments are available on myUnisa on the left select 'Home' then click on the link provided for each assignment.
- The **compulsory assignment** (number 01), must be submitted on or before the due date to obtain admission to the examination. Make sure that it is marked as "01".

- (c) It is in your own interest to **retain a copy of proof that the compulsory assignment (number 01) was submitted** so that you can produce this in the event that there should afterwards be any dispute concerning whether or not the assignment was received.
- (d) A **year-mark** of 10% will contribute to your final mark. This year-mark will be calculated as an average of the marks obtained for Assignment 01 and Assignment 02 **(if you obtain at least 40% in the examination)**.
- (e) **Plagiarism:**  
 Plagiarism is the act of taking words, ideas and thoughts of others and passing them off as your own. It is a form of theft which involves a number of dishonest academic activities. The *Disciplinary Code for Students* (latest version) is given to all students at registration. Students are advised to study the Code. Kindly read the University's *Policy on Copyright Infringement and Plagiarism* as well.

**PLEASE NOTE: Enquiries about assignments must be addressed to [assign@unisa.ac.za](mailto:assign@unisa.ac.za).**

#### 6.4 Due dates of assignments

The closing dates for the submission of the assignments are:

Assignments: First Semester	Due date	Unique Number
01 ( <b>Compulsory</b> for examination admission)	6 March 2014	<b>357439</b>
02 ( <b>Compulsory</b> )	14 April 2014	<b>357601</b>
Assignments: Second Semester	Due date	Unique Number
01 ( <b>Compulsory</b> for examination admission)	28 August 2014	<b>359854</b>
02 ( <b>Compulsory</b> )	15 September 2014	<b>360071</b>

#### 6.5 Submission of assignments

You may submit assignments electronically via *myUnisa*. Although assignments may still be submitted by post, we would like to encourage you to submit your assignment in a PDF format online on *myUnisa*, since this is a **fully online module**.

##### Submit assignments using *myUnisa*:

- Go to <http://my.unisa.ac.za>
- Enter your student number and password
- Select the module.
- Click on assignments in the left-hand menu.
- Click on the assignment number you want to submit.
- Follow the instructions on the screen.

#### 6.6 Assignments

The assignment questions are available on *myUnisa*. From the menu on your left select 'Home' then click on the link provided for each assignment.

**6.6.1 Semester 1: Compulsory Assignment 01****ASSIGNMENT 01: MULTIPLE-CHOICE QUESTIONS (compulsory)****UNIQUE ASSIGNMENT NUMBER: 357439****DUE DATE: 06 March 2014****Instructions:**

- (1) Write the correct unique assignment number in the six blocks provided on the mark reading sheet.
- (2) Write the ordinary assignment number (01) in the two blocks provided on the mark reading sheet.
- (3) Consult *My studies @ Unisa* for an example of how a computer mark reading sheet should be filled in.
- (4) If you do not follow these instructions, the computer will reject your answer sheet and it will be returned to you unmarked. Also consult *My studies @ Unisa* when you answer multiple-choice assignments.

**Special instructions regarding the answering of this assignment**

- (1) This assignment consists of 20 multiple choice questions.
- (2) This assignment covers topics 1-7 of the study guide.

**QUESTION 1****20 marks****REQUIRED**

Select for each question only **ONE** option that you consider to be the most correct and then mark on *myUnisa* or on the mark reading sheet the digit that corresponds to the digit of the option which you have selected as your answer. Answer the sub-sections of this question in numerical sequence, for example, as follow:

1. 1
2. 3

(1 mark per question)

- 1.1** Which one of the following types of audit tests would be the **most** persuasive if an internal auditor wanted assurance of the **existence** of inventory stored in a warehouse?
- 1 Physically inspecting the inventory in the warehouse.
  - 2 Obtaining written confirmation from management as to the existence of the inventory.
  - 3 Examination of the warehouse receipts contained in the auditee's records.
  - 4 Examination of the shipping documents supporting recorded transfers to and from the warehouse.
- 1.2** Which one of the following is the best source for an internal audit team to use in identifying common external risks faced by a company?
- 1 Questionnaires.
  - 2 Current research reported in professional journals and textbooks.
  - 3 Flowcharts.
  - 4 Review lists or reminder lists.
- 1.3** Working papers should include ...
- 1 all working papers prepared during a previous audit.
  - 2 documentation substantiating the examination and evaluation of the adequacy and effectiveness of the system of internal control.
  - 3 copies of all procedures that were reviewed during the internal audit.
  - 4 copies of all source documents examined in the course of the internal audit.
- 1.4** An internal auditor found that the supervisor does not properly approve employee time records in one department. Which one of the following errors can result from this?
- 1 Duplicate pay cheques might be issued.
  - 2 The wrong hourly rate could be used to calculate gross wages.
  - 3 Employees might be paid for hours they did not work.
  - 4 Payroll cheques might not be distributed to the appropriate payees.
- 1.5** Which one of the following is an audit objective?
- 1 Recalculate each month's bank reconciliation.



- 2 Analyse the pattern of any cash shortages.
- 3 Observe the deposit of the day's cash receipts.
- 4 Evaluate whether cash receipts are adequately safeguarded.

**1.6** Which of the following conduct violates the **integrity** principle of the Code of Ethics?

- 1 The internal auditors perform a detailed risk assessment and identify the key controls with regard to credit sales before they decided on the tests to be performed.
- 2 An internal auditor is assigned to an audit of controls in the procurement section, which is headed by his father.
- 3 While auditing the controls over wage pay-outs, an auditor finds that some controls have been circumvented. She discusses her finding of a possible fraud with her colleague in the canteen over lunch.
- 4 The internal auditor uses an unrevised audit programme, used three years ago, to conduct an organisation-wide audit on credit sales.

**1.7** Observation is considered a reliable audit procedure, but one that is limited in usefulness. However, it is used in a number of different engagement situations. Which of the following statements is true regarding observation as an engagement technique?

- 1 It is the most effective audit method to use in filling out internal control questionnaires.
- 2 It is the most persuasive technique for determining if fraud has occurred.
- 3 It is rarely sufficient to satisfy any assertion other than existence.
- 4 It is the most persuasive methodology to learn how transactions are really processed during the period under review.

**1.8** An internal auditor has set an engagement objective of determining whether mail room staff is fully productive. Which of the following engagement techniques will best meet this objective?

- 1 Inquiry.
- 2 Observation.
- 3 Analytical review entailing comparison between this mail room staff's productivity levels with similar organisations.
- 4 Inspection of documents.

- 1.9** Which of the following does **not** describe one of the functions of the audit working papers?
- 1 Facilitates third-party reviews.
  - 2 Aids in the professional development of the operating staff.
  - 3 Aids in the planning, performance and review of audits.
  - 4 Provides the principal support for audit communications.
- 1.10** Which of the following are elements included in the control environment described in the COSO internal control framework?
- 1 Integrity and ethical values, management's philosophy and operating style, and human policies.
  - 2 Organisational structure, commitment to competence and planning.
  - 3 Competence of personnel, backup facilities, laws and regulations.
  - 4 Risk assessment, assignment of responsibility and human resource practices.
- 1.11** The policies and procedures helping to ensure that management directives are executed and actions are taken to address risks to achievement of objectives describes...
- 1 control activities.
  - 2 risk assessments.
  - 3 control environments.
  - 4 monitoring.
- 1.12** In a final audit report, which attribute should be addressed by the recommendation?
- 1 Condition.
  - 2 Cause.
  - 3 Effect.
  - 4 Criteria.
- 1.13** According to the IIA Standards, final engagement communication should be distributed to those members of the organisation who are able to ensure that engagement results are given due consideration. For higher-level members of the organisation, that requirement can be usually satisfied with...
- 1 oral reports.

- 2 interim reports.
- 3 summary reports
- 4 final written reports only.

**1.14** Which option best describes why, during an internal audit assignment, an internal auditor compares the inventory turnover rate of a company with established industry standards?

- 1 To evaluate the accuracy of internal financial reports of the company.
- 2 To test the company's controls designed to safeguard assets.
- 3 To assess the reasonableness of the disclosed performance (profits) of the company and to determine where additional audit work may be needed.
- 4 To determine whether the company is complying with established procedures regarding inventory levels.

**1.15** An internal auditor has set an audit objective of determining whether all cash receipts are deposited daily. To achieve this objective, the internal auditor interviewed the supervisor, who assured him that all cash receipts are deposited as soon as is reasonably possible. The assurance of the supervisor can be used as evidence that is...

- 1 sufficient but not reliable or relevant.
- 2 sufficient, reliable and relevant.
- 3 not sufficient, reliable or relevant.
- 4 relevant but not sufficient or reliable.

**1.16** The identification of damaged and obsolete inventory is important when valuing inventory. The best auditing procedure to discover damaged inventory included in closing inventory is to...

- 1 compare the physical quantities of slow-moving items with corresponding quantities of the previous year.
- 2 review management's inventory certificate for accuracy.
- 3 test the overall fairness of the inventory values by comparing the company's inventory turnover ratio with the industry average.
- 4 inspect inventory during the physical inventory count.

- 1.17** Statistical sampling differs from other sampling methods in the sense that...
- 1 an auditor does not have to exercise professional judgement when applying statistical sampling as he/she must when applying other sampling methods.
  - 2 statistical sampling produces representative samples, whereas the other methods do not.
  - 3 statistical sampling can deliver absolute assurance, which is not possible with other sampling methods.
  - 4 statistical sampling is based on the theory of probability, which is not the case with other sampling methods.
- 1.18** Which form of audit evidence would the internal auditor consider to be the **most** reliable?
- 1 A sales invoice of the organisation together with a delivery note signed by the customer.
  - 2 Direct confirmation from a debtor of his account balance after the internal auditor has mailed the account personally to the debtor.
  - 3 A crossed cheque and bank statement submitted by the auditee to the internal auditor upon his request during the audit.
  - 4 A paysheet prepared by the wage clerk and checked and approved by the accountant.
- 1.19** The main reason for issuing an internal audit report is to...
- 1 give auditees an opportunity to respond to the matters addressed by the report.
  - 2 report to interested parties on audit findings and recommendations.
  - 3 give management an opportunity to take corrective action for reported findings.
  - 4 provide the external auditors with a basis for relying on the work of the internal auditor.
- 1.20** All the members of your audit team received training that enables them to discuss the conclusions and recommendations during an exit interview with the appropriate manager before the final audit report is issued. What is a primary reason for such an exit interview?
- 1 The notes on the interview can be a valuable aid if disputes arise during the discussion of the final audit report.
  - 2 The notes of the interview become a basis for follow-up audits.

- 3 The IIA Standards require an exit interview.
- 4 The information learnt can be used to utilise scarce audit resources better in future audits.

**Some questions were adapted from Gleim: CIA Exam Review**

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### 6.6.2 Semester 1: Compulsory Assignment 02

#### ASSIGNMENT 02: ESSAY TYPE QUESTIONS

UNIQUE ASSIGNMENT NUMBER: 357601

DUE DATE: 14 April 2014

#### Instructions:

- (1) Consult *My studies @ Unisa* for instructions on how to submit written assignments.

#### Special instructions regarding the answering of this assignment

- (1) This assignment covers the whole syllabus.
  - (2) All questions must be answered.
  - (3) Only **selected** questions will be marked.
- This assignment forms part of your final examination preparation and is a timely opportunity to identify any topics that may be causing you problems.
  - Make sure that you answer all the questions. Only a selection of questions will be marked by your lecturers and the marks you receive for these questions will constitute the mark for the assignment. No marks will be given for any questions that have been left unanswered.
  - Please assess those questions that have not been marked by your lecturers on your own by comparing your answers to the key for this assignment, which will be provided in Tutorial Letter 202/1/2014.
  - Your marks for this assignment will give you an indication of your knowledge of the module and you will be left with enough time to refine your knowledge before the beginning of the examinations.

## QUESTION 1

15 marks

### REQUIRED

For each subquestion of this question, select only **one** option that you consider the most correct answer. In your answer book, write down the number of the subquestion, and next to it the letter representing the option you have selected. Answer the subquestions in numerical sequence, for example:

1.1 A

1.2 C

Each question is worth 1½ marks.

1.1 Which one of the following options violates the objectivity principle of the Code of Ethics?

- A. The internal audit activity publishes an informative article on the organisation's intranet, setting out the advantages of introducing a time-management clock-in system for the administrative staff.
- B. Since everyone in the organisation is aware of the IT department's inability to arrange suitable back-up facilities for the financial systems of the organisation, the internal auditor makes no mention of the fact in his report following an audit of the general IT controls.
- C. An internal audit activity appoints a chartered accountant who has recently completed her articles with an auditing firm and assigns her to lead an audit of control of the purchasing and implementation of new IT systems.
- D. While auditing controls over wage pay-outs, an auditor finds that some controls have been circumvented. She discusses her finding of a possible fraud with the internal audit manager in his office.

1.2 Two organisations have recently merged. The audit committee has asked the internal auditors from both organisations to assess risks that should be addressed after the merger. One manager has suggested that the engagement teams jointly examine the organisational culture and the "tone at the top" to identify control risks associated with the proposed merger. Which one of the following statement is true?

- A. The organisational culture is not a part of the control environment and therefore should not be considered for a proposed engagement.
- B. Although the organisational culture could be considered part of the control environment, the assessment of such an environment would be highly subjective and therefore not useful.
- C. Differences in the organisational culture should be systemically identified because the difference may present major risks to the success of the merger. However, identifying difference is not an appropriate activity because it is political and subjective.
- D. None of the answers are correct.

- 1.3** The primary purpose of an engagement working paper prepared in connection with payroll expense is to...
- A. verify the work done by the internal auditor.
  - B. record the names of all the employees.
  - C. record payroll data and analyses to support reported recommendations.
  - D. provide documentation to support payroll taxes due.
- 1.4** An internal auditor's working paper should support the observations, conclusions and recommendations to be communicated. One of the purposes of this requirement is to...
- A. provide support for the internal audit activity's financial budget.
  - B. provide control over working papers.
  - C. permit the audit committee to review observations, conclusions and recommendations.
  - D. facilitate quality assurance reviews.
- 1.5** An organisation's directors, management, external auditors and internal auditors all play important roles in creating a proper control environment. Senior management is primarily responsible for...
- A. establishing a proper organisation culture and specifying a system of internal control.
  - B. ensuring that external and internal auditors adequately monitor the control environment.
  - C. implementing and monitoring controls designed by the board of directors.
  - D. designing and operating a control system that provides reasonable assurance that established objectives and goals will be achieved.
- 1.6** There are certain types of IT risks that tend to be common across organisations and industries. Which one of the following risks can be defined as unauthorised disclosure of business partners' proprietary information or individual's personal information that may result in loss of business, lawsuits and reputation impairment?
- A. Access risk.
  - B. Availability risk.
  - C. Confidentiality and privacy risk.

D. System reliability and information integrity risk

**1.7** The internal audit activity customarily has a dual relationship with management and the audit committee. This means that...

A. management should help the internal audit activity by revising and forwarding engagement communications to the audit committee.

B. the accuracy of engagement communications should be verified with management and the internal audit activity should then report to management and the audit committee.

C. the internal audit activity should report directly to the audit committee without corroborating engagement communications with management.

D. ideally, the internal audit activity works under the audit committee but reports to the chief operating officer on all engagement relating to operations.

**1.8** When planning an attribute sampling application, the difference between the expected error rate and the maximum tolerable error rate is the planned ...

A. skewness.

B. dispersion.

C. reliability.

D. precision.

**1.9** In preparing a sampling plan for an inventory pricing test, which of the following describes an advantage of statistical sampling over nonstatistical sampling?

A. Requires non quantitative expression of sample results.

B. Provides a quantitative measure of sampling risk.

C. Minimises nonsampling risk.

D. Reduces the level of tolerable error.

**1.10** A specified range is based on an estimate of a population characteristic calculated from a random sample. The probability that the range contains the true population value is the...

A. error rate.

B. confidence level.

C. standard error of the mean.



D. lower precision limit.

## QUESTION 2

7 marks

You are the chief audit executive of Maximise Ltd, a company listed on the Johannesburg Stock Exchange (JSE). Recently, during a discussion with one of the executive directors, he was unsure about the COSO framework.

### REQUIRED

Marks

- 2.1 List and briefly explain the components of internal control in terms of the COSO framework. (7)

## QUESTION 3

43 marks

### Part A

You have recently been appointed as a junior internal auditor at Bits & Bobs (Pty) Ltd. To prepare for your job interview you did some desktop research on the company and found that a leading business magazine rated Bits & Bobs (Pty) Ltd as the leading retailer in its field. The journalist evaluated the performance and short-term liquidity ratios of 90% of the companies in the same industry and found Bits & Bobs (Pty) Ltd to be the most successful.

The company is a retailer that sells spare parts for small electrical appliances

On your first day at Bits & Bobs (Pty) Ltd, one of the internal audit managers informs you that in accordance with the internal audit plan, an internal audit of the revenue and receipts' cycle for the period 1 April 2013 to 31 March 2014 is scheduled to commence within the next week and that you have been assigned to the audit. The internal audit manager has compiled the following narrative description of the cycle:

- The company receptionist is responsible for opening the daily incoming mail. All the orders received from customers are placed in a box marked "Incoming Orders". The box is then sent to the senior warehouse clerk who initiates the collection of the items ordered.
- Some customers fax their orders directly to the senior warehouse clerk prior to sending their orders through the mail. The company does not accept telephonic orders – when customers phone to place an order they are requested to either fax or submit a hardcopy order.
- Sales are only made on credit. No cash sales are permitted.
- On receipt of the customer orders/faxes, the senior warehouse clerk makes a photocopy of each. He files the originals alphabetically (by customer name) in a file. He divides the photocopies of orders roughly into two piles and hands a pile to each of the junior warehouse clerks who, among other duties, are responsible for collecting the ordered items from the shelves in the warehouse.

**REQUIRED****Marks**

- 3.1** In respect of the revenue and receipts cycle of Bits and Bobs (Pty) Ltd as described in the scenario (Part A) above, identify **four (4)** weaknesses and indicate the business risks related to each weakness. (9)

Structure your answer to question 3.1 as follows:

<b>3.1</b>	<b>Weakness (4)</b>	<b>Business Risk (4)</b>

- 3.2** Based on the risks identified in 2.3 above, formulate **four (4)** audit objectives for the audit of the revenue and receipts cycle. (6)

The internal audit manager provides you with the following information of Bits and Bobs (Pty) Ltd:

<b>Income statement for the year ended 31 March</b>	<b>2013</b>	<b>2014</b>
	R' 000	R' 000
Credit sales	21 450	19 720
Cost of sales	16 130	15 187
Average inventory holding	1 306	1 108

The company's sales policy requires the gross profit percentage to be 24% of sales

**REQUIRED****Marks**

- 3.3** Discuss the importance of ratio analysis for internal auditors. Your answer should address the following: (3)
- Why and at what stage of the internal audit process is ratio analysis used by an internal auditor?
- 3.4** Calculate the following ratios for 2013 and 2014 **and** discuss how the results should be interpreted:
- 3.4.1 Stock turnover ratio (5)
- 3.4.2 Gross profit ratio (6)

**PART B**

The sales manager asked the internal audit activity to assist him with an evaluation of the financial soundness of the company, based on the financial statements of Bits and Bobs (Pty) Ltd for the most recent financial year.

From the statements you determine that the current ratio was 2.8 compared with 1.9 in the previous financial year, and an increase in the net operating loss was reported for the current financial year

<b>REQUIRED</b>	<b>Marks</b>
<b>3.5</b> Explain why the increase in the current ratio is unexpected.	(3)
<b>3.6</b> List <b>two (2)</b> possible causes that may account for the increase in the current ratio.	(2)
<b>3.7</b> Explain why the acid test ratio may be better than the current ratio as a measure of the company's ability to pay for purchases as the accounts become due.	(3)
<b>3.8</b> State <b>three (3)</b> ratios and their formulae which could be used to assist in the evaluation of working capital.	(6)

**QUESTION 4****29 marks**

You are a member of the internal audit team Housewife (Pty) Ltd. The internal audit activity uses ACL (audit software) for their audits. The internal audit manager informed you that you will be performing an inventory audit in the next month and that you will be responsible for the inventory count. You have gathered the following information:

- a) The company operates from premises in a shopping centre in Pretoria, which consists of a showroom and adjoining warehouse.
- b) The company sells a large range of general kitchen appliances, e.g. fridges, stoves and microwaves, some of which are imported.
- c) A well-designed computerised inventory system is maintained and physical control over inventory is efficient. The only weakness is that cycle counts are not conducted. Other than fridges, stoves, etc on the shop floor, inventory is kept in its original packaging. The warehouse is well laid out, with different appliances being kept in designated areas and stacked by make and model.
- d) The inventory count is planned for the close of business on 30 April 2014 at 16:00.
- e) The method for counting inventory will be as follows:
  - Sequenced inventory count sheets will be printed off the inventory master file but will reveal only the inventory item number, description and location of the inventory. The theoretical quantity on hand will not be shown.
  - The warehouse will be divided into ten designated areas and ten, two-person teams will perform the count.
  - As each item is counted, the first count team member will attach a bright pink label to it and the second member will record the quantity of the items on hand on the inventory sheet.
  - Once the count is completed, the count teams will return the inventory count sheets to John Khumalo, the warehouse manager, who will be in charge of the count.

- While the count teams have a break, the quantities recorded on the inventory count sheets will be compared to the quantities recorded on the inventory master file, and a list of differences will be printed out. The count teams will then recount/follow up on items for which there is a difference. Where there are physical quantity errors, they will be corrected on the inventory count sheets so that, by the end of the count, John Khumalo will be satisfied that the inventory count sheets accurately represent the physical inventory on hand.
- f) Subsequent to the inventory count, any quantity differences resulting from errors in the inventory records will be investigated and the master file amended accordingly. Once this has been done, the final inventory count sheets will be produced and the value of inventory will be calculated from the inventory master file.
- g) Around mid-April, count teams were provided with written count information and instructions by John Khumalo.

## REQUIRED

## Marks

- 4.1** Describe the audit procedures you as internal auditor will be expected to conduct while attending the inventory count of Housewife (Pty) Ltd. (18)  
(1½ marks per valid audit procedures)
- 4.2** Using the ACL audit software, describe the substantive procedures that can be performed on the inventory system. (8)
- 4.3** The Information Technology (IT) Control Framework consists of governance, management and technical controls. List the components of each of these controls: (3)
- a) Governance controls
  - b) IT Management controls
  - c) IT Technical controls

## QUESTION 5

## 6 marks

You are a senior internal auditor at Irrega (Pty) Ltd, a company that manufactures equipment and supplies used for residential irrigation systems. The chief audit executive wants to implement an induction course for newly appointed internal auditors and he has requested you to assist with the compilation of the induction manual and programme.

He gave you a case study which he intends to include in the programme and has requested you to compile the solution.

<b>IRREGA (Pty) Ltd</b>		Prepared by: ME 10 April 2014 Reviewed by: JS 12 April 2014
Internal audit of the payroll/salaries department		
Wages for February 2014		
<b>Audit objective</b>	<b>Audit procedure</b>	<b>Results</b>
Ensure that all the overtime paid in February 2014 was properly approved.	Select a sample of overtime payments from the February 2014 payslips and ensure that the applicable workers' clock cards were signed by the foreman as evidence of his approval of the overtime.	Monetary unit sampling was used to select a sample of 20 overtime payments. The total overtime paid amounted to R65 800. Of the 2000 factory workers only 250 were paid overtime in February 2014. Overtime payments to the value of R850 (two instances) were not approved.
<b>Conclusion:</b> The overtime paid in February 2014 was approved in all material respects.		

**REQUIRED****Marks**

- 5.1 Review the working paper in the case study above and state, with reasons, whether the audit procedure would lead to the achievement of the audit objective. (3)
- 5.2 Discuss whether the conclusion as stated in the working paper above is supported by the evidence as described under conclusion. (3)

---X---

**6.6.3 Semester 2: Compulsory Assignment 01****ASSIGNMENT 01: MULTIPLE CHOICE QUESTIONS (compulsory)****UNIQUE ASSIGNMENT NUMBER: 359854****DUE DATE: 28 August 2014****Instructions:**

- (1) Write the correct unique assignment number in the six blocks provided on the mark reading sheet.
- (2) Write the ordinary assignment number (01) in the two blocks provided on the mark reading sheet.

- (3) Consult My studies @ Unisa for an example of how a computer mark reading sheet should be filled in.
- (4) If you do not follow these instructions, the computer will reject your answer sheet and it will be returned to you unmarked. Also consult My studies @ Unisa when you answer multiple-choice assignments.

### Special instructions regarding the answering of this assignment

- (1) This assignment consists of 20 multiple choice questions.
- (2) This assignment covers topics 1-7 of the study guide.

### QUESTION 1

20 marks

#### REQUIRED

Select for each question only **ONE** option that you consider to be the most correct and then mark on *myUnisa* or on the mark reading sheet the number that corresponds to the number of the option which you have selected as your answer. Answer the sub-sections of this question in numerical sequence, for example, as follow:

1. 1
2. 3

(1 mark per question)

**1.1** Which one of the following alternatives violates the **integrity** principle of the Code of Ethics?

- 1 In loyalty to her organisation which is experiencing financial difficulty, a chief audit executive (CAE) ignores the scheduled audit of the final tax return for the current tax year, knowing that management is understating taxable income.
- 2 While auditing controls over wage pay-outs, an auditor finds that some controls have been circumvented. She discusses her finding of a possible fraud with her colleague in the canteen over lunch.
- 3 An internal auditor is assigned to an audit of controls in the procurement section, which is headed by his father.
- 4 While auditing controls over wage pay-outs, an auditor finds that some controls have been circumvented. She discusses her finding and the possibility of fraud with the internal audit manager in his office.

**1.2** When reviewing the average collection period of the debtors' accounts of the company, the internal auditor observes an increase from 30 to 60 days in the collection period for the current financial year.

Which one of the following alternatives is the **most** likely cause of this happening?

- 1 Slackening of the organisation's credit control.

- 2 Rising of the profit margin on sales.
- 3 An increase in the organisation's sales volume.
- 4 A smaller incidence of slow-moving inventory.

**1.3** Due professional care implies reasonable care and competence, not infallibility or extraordinary performance. Thus, which of the following is **unnecessary**?

- 1 The conduct of examinations and verifications to a reasonable extent.
- 2 The conduct of extensive examinations.
- 3 The reasonableness assurance that compliance does exist.
- 4 The consideration of possibility of material irregularities.

**1.4** An internal auditor observes that a receivables clerk has physical access to and control of cash receipts. This has alerted him but he worked with the clerk several years before and has a high level of trust in the individual. Therefore, the auditor notes in the working papers that controls over receipts are adequate. Has the auditor exercised due professional care?

- 1 Yes, reasonable care has been taken.
- 2 No, irregularities were not noted.
- 3 No, alertness to conditions most likely indicative of irregularities was not shown.
- 4 Yes, the working papers were annotated.

**1.5** In evaluating the effectiveness and efficiency with which resources are employed, an internal auditor is responsible for...

- 1 verifying the existence of assets.
- 2 determining the extent to which adequate operating criteria have been established.
- 3 reviewing the reliability of operating information.
- 4 verifying the accuracy of asset valuation.

**1.6** Controls should be designed to ensure that ...

- 1 management's plans have not been circumvented by worker collusion.
- 2 management's planning, organising and directing processes are properly evaluated.

- 3 operations are performed efficiently.
- 4 the internal audit activity's guidance and oversight of management's performance is accomplished economically and efficiently.

**1.7** Developing engagement observations, conclusions and recommendations involves comparing the condition with the relevant standard or criterion. Which of the following choices **best** represents an appropriate standard or criterion to support engagement observations, conclusions and recommendations?

- 1 An internal accounting control principle cited and copied from a public accounting reference.
- 2 A sound industry practice, based on the internal auditor's knowledge and experience obtained during many engagement assignments within the organisation.
- 3 A quality standard operating procedure (number and date) for the department.
- 4 All the answers represent an appropriate standard or criterion to support engagement observations, conclusions and recommendations..

**1.8** According to King III Report, which of the following is **not** the audit committee's responsibility regarding combined assurance?

- 1 Monitoring the appropriateness of the company's combined assurance model.
- 2 Ensuring all the significant risks facing the company are adequately dealt with.
- 3 Monitoring the relationship between the external assurance providers and the organisation.
- 4 Providing an independent assurance on risk management and systems of internal control.

**1.9** In combined assurance, which of the following is **not** an external assurance provider?

- 1 Sustainability assurance providers.
- 2 External auditors.
- 3 The risk management function.
- 4 Regulators.



- 1.10** For good internal control in the revenue and receipts cycle, company policy should clearly indicate that defective merchandise returned by customers is to be delivered to the ...
- 1 sales clerk.
  - 2 inventory control clerk.
  - 3 goods receiving clerk.
  - 4 accounts receivable clerk.
- 1.11** The use of incorrect audit procedures in a sample for a given internal audit objective is an example of....
- 1 alpha risk.
  - 2 sampling risk.
  - 3 non-sampling risk.
  - 4 beta risk.
- 1.12** Which one of the following analytical trends indicates the possibility of an increase in obsolete inventory on hand?
- 1 A decrease in the ratio of inventory to accounts payable.
  - 2 A decrease in the inventory turnover rate.
  - 3 A decrease in the ratio of inventory to accounts receivable.
  - 4 A decrease in the ratio of gross profit to sales.
- 1.13** The cash receipts function should be separated from the related recordkeeping function in an organisation in order to...
- 1 physically safeguard the cash receipts.
  - 2 minimise undetected misappropriations of cash receipts.
  - 3 prevent paying cash disbursements from the cash receipts.
  - 4 establish accountability when cash is first received.
- 1.14** Which one of the following situations represents an internal control weakness in the payroll department?
- 1 Pay cheques are distributed by employees' immediate supervisors.

- 2 Payroll department personnel are rotated in their duties.
- 3 Payroll records are reconciled with quarterly tax reports.
- 4 The timekeeping function is independent of the payroll department.

**1.15** Select the correct option to complete the following sentence:

Controls are only effective and useful if ...

- 1 they are developed and implemented in order to achieve a specific objective.
- 2 they are recommended by internal and external auditors.
- 3 they are applied to financial transactions of an organisation.
- 4 they eliminate the possibility that irregularities can occur.

**1.16** Which one of the following statements is an appropriate internal audit objective?

- 1 To determine whether inventory on hand is sufficient to meet the projected sales targets.
- 2 To observe the physical inventory count.
- 3 To include information about stock-out situations in the internal audit report.
- 4 To search for the existence of obsolete inventory by computing inventory turnover by product line.

**1.17** Which one of the following activities **may** be performed by an internal auditor?

- 1 Drafting procedures for systems of control.
- 2 Designing systems of control.
- 3 Reviewing systems of control before implementation.
- 4 Installing systems of control.

**1.18** The International Standards for the Professional Practice of Internal Auditing, Standard 2420 states seven qualities for good communications. Avoiding unnecessary technical language is best associated with which of the following qualities of communication?

- 1 Concise.
- 2 Complete
- 3 Clear.

4 Accurate.

**1.19** During an audit of the **receiving operations** of a manufacturing organisation, an internal auditor will be most concerned with the risk that the function has ...

- 1 received goods that were ordered.
- 2 an insufficient staff complement to perform all the tasks.
- 3 failed to detect the receipt of goods of poor quality
- 4 paid inflated prices for goods from related parties.

**1.20** An internal auditor is observing cash sales to determine if customers are given written receipts. The objective of this test is to ensure that ...

- 1 cash received equals the total of the receipts.
- 2 customers are charged authorised prices.
- 3 cash balances are correct.
- 4 all cash sales are recorded.

**Some questions were adapted from Gleim: CIA Exam Review**

---X---

#### 6.6.4 Semester 2: Compulsory Assignment 02

##### **ASSIGNMENT 02: ESSAY TYPE QUESTIONS**

**UNIQUE ASSIGNMENT NUMBER: 360071**

**DUE DATE: 15 September 2014**

#### **Instructions:**

(1) Consult *My studies @ Unisa* for instructions on how to submit written assignments.

#### **Special instructions regarding the answering of this assignment**

- (1) This assignment covers the whole syllabus.
- (2) All questions must be answered.
- (3) Only selected questions will be marked.

- This assignment forms part of your final examination preparation and is a timely opportunity to identify any topics that may be causing you problems.
- Make sure that you answer all the questions. Only a selection of questions will be marked by your lecturers and the marks you receive for these questions will constitute the mark for the assignment. No marks will be given for any questions that have been left unanswered.
- Please assess those questions that have not been marked by your lecturers on your own by comparing your answers to the key for this assignment, provided in Tutorial Letter 202/2/2014.
- Your marks for this assignment will be an indication to you of your knowledge of the module and you will be left with enough time to refine your knowledge before the beginning of the examinations.

## QUESTION 1

15 marks

### REQUIRED

For each subquestion of this question, select only **one** option that you consider the most correct answer. In your answer book, write down the number of the subquestion, and next to it the letter representing the option you have selected. Answer the subquestions in numerical sequence, for example:

1.1 A

1.2 C

Each question is worth 1½ marks.

- 1.1 When sampling methods are used, the concept of sufficiency of information means that the sample selected provides \_\_\_\_\_.
- A. reasonable assurance that the sample is representative of the sampled population.
  - B. reasonable assurance that the evidence has a logical relationship with the internal audit objective.
  - C. absolute assurance that the sample is representative of the population.
  - D. the best evidence that is reasonably obtained.
- 1.2 Which of the following are elements included in the control environment described in the COSO internal control framework?
- A. Integrity and ethical values, management's philosophy and operating style, and strategic alignment.
  - B. Organisational structure, commitment to competence and planning.

- C. Commitment to competence, backup facilities, board of directors or audit committee.
  - D. Management's philosophy and operating style, assignment of responsibility and human resource practices.
- 1.3** The attitudes and actions of the board and management regarding the significance of control within the organisation describes ...
- A. risk assessments.
  - B. control environments.
  - C. control activities.
  - D. monitoring.
- 1.4** When an internal auditor uses monetary-unit statistical sampling to examine the total value of invoices, each invoice ...
- A. has an equal probability of being selected.
  - B. has an unknown probability of being selected.
  - C. can be represented by no more than one monetary unit.
  - D. has a probability proportional to its monetary value of being selected.
- 1.5** An organisation's directors, management, external auditors and internal auditors all play important roles in creating a proper control environment. Senior management is primarily responsible for ...
- A. establishing a proper organisation culture and specifying a system of internal control.
  - B. ensuring that external and internal auditors adequately monitor the control environment.
  - C. implementing and monitoring controls designed by the board of directors.
  - D. designing and operating a control system that provides reasonable assurance that established objectives and goals will be achieved.

**1.6** Which of the following represents the best statement of responsibilities for risk management?

	<u>Management</u>	<u>Internal Audit</u>	<u>Board</u>
A.	Responsibility for risk	Oversight role	Advisory role
B.	Oversight role	Responsibility for risk	Advisory role
C.	Responsibility for risk.	Advisory role	Oversight role
D.	Oversight role	Advisory role	Responsibility for risk

**1.7** The internal audit activity customarily has a dual relationship with management and the audit committee. This means that ...

- A. management should help the internal audit activity by revising and forwarding engagement communications to the audit committee.
- B. the accuracy of engagement communications should be verified with management and the internal audit activity should then report to management and the audit committee.
- C. the internal audit activity should report directly to the audit committee without corroborating engagement communications with management.
- D. ideally, the internal audit activity works under the audit committee but reports to the chief operating officer on all engagement relating to operations.

**1.8** In a sampling application, the group of items about which the auditor wants to estimate some characteristic is called the ...

- A. attribute of interest.
- B. population.
- C. sample.
- D. sampling unit.

**1.9** Monetary-unit sampling (MUS) is most useful when the internal auditor...

- A. is concerned with overstatements.
- B. is testing the accounts payable balances.
- C. expects to find several material misstatements in the sample.

D. cannot cumulatively arrange the population items.

**1.10** One payroll audit objective is to determine whether segregation of duties is proper. Which of the following activities is incompatible?

A. hiring employees and authorising changes in the pay rates.

B. preparing the payroll and filling payroll tax forms.

C. signing and distributing the payroll cheques.

D. preparing attendance data and preparing the payroll.

**(Questions adapted from Gleim: CIA Exam Review)**

**QUESTION 2**

**20 marks**

The King III Report states that *the board should ensure that the company has an effective and independent audit committee.*

**REQUIRED**

**Marks**

**2.1** List the composition of the audit committee **and** its responsibilities as recommended by the *King III Report*. (10)

The objective of the PFMA is to provide for effective corporate governance of national and provincial government and its agencies and entities, by regulating direction and control and improving transparency and accountability.

**2.2** List the composition of the audit committee **and** its duties as required by the *Public Finance Management Act No 1 of 1999* and the *Treasury Regulations*. (10)

**QUESTION 3**

**18 marks**

You were recently employed as an internal auditor by Virtual Books, an organisation that sells books through the internet. The customers must open an account on the website, providing personal and credit card details. You are aware that credit card fraud is very common and that it could occur in any organisation. Credit card details provided are verified before the purchase is confirmed. An email is sent to the customer confirming purchase details, estimated delivery details and the reference number. A company ensuring website security for purchases, Websure, is used to prevent any attempted fraud.

When a customer places an order, an email is sent to the order clerk. The order clerk issues internal sales orders that are filed and sent to the warehouse. The picker uses the internal sales order to pick the goods requested. When goods are out of stock, this is indicated on the picking slip. The goods and documentation are given to the store clerks. The store clerk issues a delivery note for goods sold. If there are items that are not in stock, a back order note is

completed and sent to the buying department. The goods are sent with the delivery note to despatch. At despatch the order is verified, prepared and despatched via courier service to the customer.

## REQUIRED

Marks

Describe the internal controls you would expect to be in place in the sales system of Virtual Books. Focus on the internal controls of the following functions:

- Receiving of orders
  - Warehouse (Picking of the order items)
  - Despatch and delivery
- (18)

## QUESTION 4

10 marks

You are employed in the internal audit department of ADF Mining Limited as the internal audit supervisor. Your chief audit executive (CAE) informed you that you are scheduled to start a payroll audit in two weeks. He provided you with a description of the employee payroll process that was captured by the external auditors when they performed their audit previously. The process description is as follows:

Payroll division of ADF Mining Limited Ltd consists of three employees:

- Two payroll clerks (Dina van der Schyff and Piet Koekemoer),
- The payroll manager (Thando Modisa)

For timekeeping of the employees, ADF Mining Limited uses a computerised clocking system. The company uses a biometric reader for identification of employees and recording hours worked. This biometric system is controlled by the human resources section. The employee is required to place his or her thumb on the scanner at the entry/exit point to the workplace. The capturing of time of entry and exit will only be recorded if there is a match of the thumb print to the employee's thumb print stored on the computer. When the payroll is processed, the file of hours worked is imported and the wage application software automatically calculates the hours worked by the employee for the wage period.

At the end of the wage period, the payroll is prepared. The hours that have been worked, both normal and overtime for each employee, will be on the system against the employee's hourly wage rate to arrive at the gross amount to be paid. Before the payroll preparation commences, a schedule of normal and overtime hours for the weeks is printed out and sent to the supervisor for approval. The supervisor checks the schedule for any incorrect or unusual hours recorded and that overtime hours recorded were authorised prior to being worked. Once satisfied, he approves the hours worked schedule on the system. Access to the hours worked file is restricted and the supervisor has no write access to the file.

The payroll is prepared automatically by the computer system from the following:

1. Employee details updated by the human resources section, including new appointments and resignations.
2. Access to the payroll system is restricted to authorised personnel through use of a valid username and password.



3. Details of deductions to be made from employees' gross wages are updated by the payroll clerk. Dina is responsible for the payroll of the employees with surnames A-L and Piet is responsible for employees with surnames N-Z. The payroll clerk has no write access to the masterfile data (such as name, level, hourly rates, etc) applicable to the employee.
4. Once the payroll is processed, the payroll and a number of supporting schedules will be produced for final review by Thando. As the manager, Thando has only read access to the system.
5. Once the payroll manager is satisfied with the payroll file, he will select the "approve" option and there will be no further write access to the file. The payroll will then be processed for payment to employees by EFT transfers.
6. The payroll system is set up to print out automatically an activity report of access gained to the payroll system, and an exception report of any unsuccessful attempts. These reports are generated at the end of each week and are only accessible to the payroll manager. The payroll manager is responsible for reviewing and following up on issues indicated in the report.

**REQUIRED****Marks**

Formulate the tests of controls that you will perform to test the automated internal controls described in the scenario. (10)

**QUESTION 5****20 marks**

You are busy with an internal audit of the acquisition and expenditure cycle of your organisation. The purchasing manager (auditee) answered the following questions, which appear in the standard internal control questionnaire:

<b>INTERNAL CONTROL QUESTIONNAIRE</b>		
<b>Internal control questions</b>		<b>Auditee response</b>
a)	Is a written order, duly authorised, produced for all purchases?	<b><i>Sometimes.</i></b>
b)	Do the receiving clerks prepare and sign a goods received note in respect of goods received?	<b><i>I have told them to.</i></b>
c)	Do inventory custodians countersign a copy of the goods received note on receipt of purchases from the receiving department?	<b><i>That is what the policy requires.</i></b>
d)	Are payments for purchases supported by a properly authorised order, a suppliers delivery note, a goods received note and a purchase invoice?	<b><i>Always.</i></b>

e)	Are all supporting documents stamped “paid” or “presented” once they have been presented for signature?	<i>I think so.</i>
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**REQUIRED**

**Marks**

- 5.1 State the risk that is addressed by each of the internal control questions above. (5)
- 5.2 Compile two tests of control to test the reliability of each of the controls identified in the above internal control questionnaire. (15)

**QUESTION 6**

**10 marks**

A fellow internal audit student comes to you for assistance with audit sampling concepts. You undertake to assist him with some of his questions.

**REQUIRED**

**Marks**

Answer the following questions which were posed to you by a new junior internal auditor during a mentoring session.

- 6.1 What is the difference between non-statistical sampling and statistical sampling? (4)
- 6.2 What factors will have a direct influence on the nature and size of sampling? (Mention at least **eight (8)** factors) (4)
- 6.3 How should one formulate a conclusion based on a monetary unit sample of accounts payable where the monetary precision is set at R8 500, the confidence level at 63% and the result of the test led to an adjusted monetary precision of R8 628? (2)

**QUESTION 7**

**7 marks**

In response to a special request by the financial manager, you are required to briefly review the reasonableness of the accounts receivable (debtors) balance at the end of June 2014. The financial manager is concerned with the collectability of debtors after the debtors’ age analysis suddenly worsened in May.

During your review you uncover the fact that the debtors’ statements were posted two weeks later than usual in May as a result of a problem encountered with the information system. The server that housed all the accounts receivable information was hit by lightning.

Owing to the volume of journals and in an attempt to ensure that the system would be able to go live as soon as possible, the accounts receivable manager gave a blanket approval of all the journals processed to update the system. This is contrary to company policy.

You have collected the following information during your audit:

- The total amount of disputed transactions comes to 5% of the monthly turnover.
- The total debtors balance was R360 500 in May and R450 300 in June.
- Credit sales for May and June respectively amounted to R1 700 000 per month.

You also discovered that some of the payments received from debtors, while the accounts receivable system was down, were subsequently not updated.

You have discussed the matter with the accounts receivable manager, who commented that he is aware of some of the problems. Owing to the massive backlog created by the breakdown, his staff is simply unable to cope with more than their current workload.

## REQUIRED

**Marks**

Compile an audit finding based on the above scenario. Your finding should include any recommendations you might have. (7)

---X---  
UNISA 2014

## 7 EXAMINATION

Use your *my Studies @ Unisa* brochure for general examination guidelines and examination preparation guidelines.

### 7.1 Examination admission

The submission of the compulsory assignment and the mark earned will be relevant as it will prove that you are an active student and will therefore earn you admission to the examination. Admission will be obtained by submitting the compulsory assignment and not by the marks you obtain for it. Late submission of this assignment will result in you not being admitted to the examination.

### 7.2 Format of the examination paper

The duration of the examination is 2 hours. The exam paper consists of multiple choice questions as well as essay-type questions.

For your convenience, the **Official Study Material** folder on *myUnisa* contains copies of previous examination papers so that you may get an idea of the format of the examination.

## 8 CONCLUSION

You are now equipped to begin studying the AUI3702 module and we trust that you will approach your studies with enthusiasm! Should you experience any problems with your studies, you are welcome to contact us.

We hope that you will enjoy this module and we wish you success with your studies.