



NATIONAL OPEN UNIVERSITY OF NIGERIA
Plot 91 Cadastral Zone Nnamdi Azikiwe Express Way, Jabi-Abuja
FACULTY OF MANAGEMENT SCIENCES
DEPARTMENT OF FINANCIAL STUDIES
2019_1 EXAMINATION

Course Code: ACC411 **Credit Unit: 3**
Course Title: AUDITING II
Time Allowed: 2 ½ Hrs

INSTRUCTIONS:

- 1. Attempt question number one (1) and any other three (3).**
- 2. Question number 1 is compulsory and carries 25 marks, while the other questions carry 15 marks each**
- 3. Present all your points in coherent and orderly manner**

QUESTION 1

- a) Some steps have been taken to harmonize the regulation of the auditing profession internationally. Classify these steps with reference to the European Union, USA and Nigeria. **(4 marks)**
- b) Discuss the means through which audit and assurance services are regulated in Nigeria. **(6 marks)**
- c) The Sarbanes-Oxley act (SOX) 2002 is a public accounting reform and investor protection act that was targeted to regulate the companies registered in the United States of America. But, is now recognized and accepted world-wide. Explain the major provisions of the Act relating to audit and accounting. **(10 marks)**
- d) Explain the prohibited services by public accounting firms to the same company where they are engaged as external auditors. **(5 marks)**

QUESTION 2

Explain in details the following fundamental ethical principles that guide the professional conduct of an auditor as prescribed by ICAN, ANAN and IFAC.

- a) Integrity
- b) Objectivity
- c) Professional competence and due care
- d) Confidentiality **(15 marks)**

QUESTION 3

- a) Auditors can incur civil liability under various statutes. But, it is far more likely that they will incur liability for negligence under the common law. Auditors must therefore be cautious of steps they must take to avoid the danger of professional negligence claims. Explain any 5 strategies auditors can adopt to avoid litigation or the danger of claims against them for negligent work. **(10 marks)**
- b) Many claims and litigation cases against auditors are usually not publicized because of out-of-court settlement with clients. Explain two advantages and 3 disadvantages of out-of-court settlement. **(5 marks)**

QUESTION 4

- a) The misconceived role of the auditor by the public is referred to as Audit expectation gap. This is the gap between what users of auditor's reports believe to be the purposes of the audit and what the actual nature of the assurance reported to them by the auditors. Discuss 5 common areas of the expectation gaps. **(10 marks)**
- b) Mention any 5 steps that auditors should take when fraud or error is suspected. **(5 marks)**

QUESTION 5

- a) Audit plan is drafted before the start of work at the client's office but may be modified throughout the engagement as special problems that are encountered and areas requiring more or less audit work emerge. Give 5 points on the content of a typical audit plan. **(5 marks)**
- b) The audit strategy/approach sets the scope, timing and direction of the audit and guides the development of detailed audit plan. Explain in details the three broad audit approaches. **(10 marks)**

QUESTION 6

Audit sampling involves the application of audit procedures to less than 100% of items within an account balance or class of transactions such that all sampling units have a chance of selection.

- a) What are the circumstances in which sampling can be meaningful? **(2 marks)**
- b) Identify 6 cases where audit sampling is inappropriate. **(3 marks)**
- c) Explain in details the two major approaches to selecting samples. **(10 marks)**