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Mid Term Examinations - October 2026

Date: 07/10/2026 **Time:** 02:00 PM - 03:30 PM

Course Code: COM2063 **Course Name:** Advanced Audit and Assurance

Semester: Fifth Semester **Max. Marks:** 50 **Weightage:** 50%

CO - Levels	CO1	CO2
Marks	18	72

PART A: Answer Following Questions. 10 M

Q.N.	Questions	M	CO	BT
1	Define assurance engagement and state any one of its five elements.	2	CO1	BT1
2	What is meant by professional scepticism?	2	CO1	BT1
3	State any two fundamental principles of professional ethics.	2	CO1	BT1
4	What are the three stages of money laundering?	2	CO1	BT1
5	Define NOCLAR.	2	CO2	BT1

PART B : Answer Any 1 Following Questions. 10 M

Q.N.	Questions	M	CO	BT
6	You are the audit senior on the audit of Sparkle Jewels Ltd, a cash-intensive jewellery retailer. A junior auditor, Ravi, reports that: 1. cash is deposited in small amounts across several bank accounts; 2. money is regularly transferred to a company in a tax haven with no clear commercial reason; 3. profits are much higher than those of comparable retailers; and 4. several large sales have poor documentation. Ravi tells you he plans to ask the finance director directly whether the company is laundering money and to inform the police. **Required:** (a) Describe the three stages of money laundering and explain the risk factors present at Sparkle Jewels. (b) Advise Ravi on the action he should take, with reference to tipping off and the role of the money laundering reporting officer (MLRO).	10	CO2	BT3

PTO (Please Turn Over)

7	You are an audit manager at Khan & Co. Lotus Retail Plc is a listed company and has been an audit client for many years. The following matters have arisen: 1. Ms Khan has been the engagement partner for the last eight years. 2. Your firm also prepares Lotus's financial statements. 3. Fees from Lotus have exceeded 15% of Khan & Co's total fees for two consecutive years. 4. Lotus's chairman has sent the audit team an expensive gift and a note saying, "Hope we can count on your support again." **Required:** (a) Identify and explain the ethical threats arising from each matter. (b) Recommend safeguards or actions your firm should take to address each threat.	10	CO1	BT3

PART C: Answer Any 1 Following Questions. 10 M				
Q.N.	**Questions**	**M**	**CO**	**BT**
8	You are a partner at Rao & Associates. Orbit Mining Co, a company in a sector where your firm has no experience, has invited you to tender for its audit. The proposed fee would be about 20% of your firm's total annual fees. A background check shows that one of Orbit's directors was previously banned from acting as a company director. Orbit has told you that it does not want your firm to contact its current auditors. **Required:** (a) Discuss the matters your firm should consider before deciding whether to accept the audit appointment. (b) Explain the procedures that should be followed on communicating with the existing auditors, and state what your firm should do in this case.	10	CO2	BT3
9	You are an audit senior responsible for understanding the entity and its environmentand assessing the risk of material misstatements for the audit of Rock Co for the year-ending 31 December. Rock Co is a company listed on a stock exchange. Rock Co is engaged in the wholesale import, manufacture and distribution of basic cosmetics andtoiletries for sale to a wide range of stores, under a variety of different brand names.You have worked on the audit of this client for several years as an audit junior. **Required:** 1. Describe the information you will seek. 2. Procedures you will perform in order to understand the entity and its environment and assess risk for the audit of Rock Co.	10	CO2	BT3

PART D: Answer Any 1 Following Questions. 10 M				
Q.N.	**Questions**	**M**	**CO**	**BT**

10	You are the auditor of BearsWorld, a company which manufactures and sells smallcuddly toys by mail order. The company is managed by Mr Kyto although due toother business commitments Mr Kyto only visits the office once a week. BearsWorldemploys two assistants. One assistant maintains the payables ledger, orders inventoryand pays suppliers. The other assistant receives customer orders and despatchescuddly toys. Mr Kyto authorises important transactions such as wages and largeorders. At any time, about 100 different types of cuddly toys are available for sale. Allsales are paid for at the time of ordering. Customers pay using credit cards andoccasionally by sending cash. Revenue is over $5.2 million. You are planning theaudit of BearsWorld and are considering using some of the procedures for gatheringaudit evidence recommended by ISA 500 Audit Evidence as follows Analytical procedures • Inquiry • Inspection • Observation • Recalculation. **Required:** (i) For each of the above procedures in relation to the audit of Bearsworld Explain its use in gathering audit evidence. (ii) Describe one example how it could be used. (iii) Explain the benefits of each procedure. (iv) Explain the limitations of each procedure	10	CO2	BT3
11	Describe the main contents and importance of an engagement letter.	10	CO2	BT3

PART E: Answer Any 1 Following Questions. 10 M				
Q.N.	**Questions**	**M**	**CO**	**BT**
12	Explain management and auditor responsibilities in an Organisation.	10	CO2	BT3
13	You are an audit manager at Patel & Co. Jupiter Foods Co, a food manufacturer, plans to open three new factories and has applied to Metro Bank for a loan. The bank has asked Jupiter to obtain independent assurance on its three-year cash flow forecast. The forecast is based on management's assumptions about sales growth, raw material prices and the opening dates of the factories. Jupiter's finance director has asked your firm to "confirm that the forecast is accurate". **Required:** (a) Describe the elements of an assurance engagement, with reference to the engagement requested by Jupiter Foods Co. (b) Explain why your firm could not give a positive assurance conclusion on the forecast, and explain how you would apply professional scepticism when evaluating the sales growth assumption.	10	CO2	BT3