



NATIONAL OPEN UNIVERSITY OF NIGERIA
Plot 91 Cadastral Zone Nnamdi Azikiwe Express Way, Jabi-Abuja
FACULTY OF MANAGEMENT SCIENCES
DEPARTMENT OF FINANCIAL STUDIES
2024_2 EXAMINATION

COURSE CODE: ACC411

CREDIT UNIT: 3

COURSE TITLE: AUDITING II

TIME ALLOWED: TWO AND HALF HOURS

INSTRUCTIONS: Answer questions one (1) and any three (3) others. Question one carries 25 marks and other questions carry 15 marks each. Present all your points in coherent and orderly manner.

Question One

- (a) State five (5) action an auditor will take in the event of non-compliance by a client company (10 marks)
- (b) What are the laws and regulation an auditor should take into consideration in auditing a company's financial statement in the Nigerian environment. (15 marks)

Total = (25 marks)

Question 2

- a. The table below shows that type of standards issued by (IAASB) International Auditing and Accounting Standards Board.
You are required to state when they are applied.

	Types of Standard	When Applied
i.	International Standards on Auditing (ISAs)	
ii.	International Standards on Review Engagements (ISREs)	
iii.	International Standards on Assurance Engagement (ISAEs)	
iv.	International Standards on Related Services (ISRSs)	
v.	International Standards on Quality Control (ISQCs)	

5points x 1 ½

=(7.5marks)

- (b) What are the steps involved in assessing the risks associated with money laundry?
(7.5marks) **Total = (15marks)**

Question Three

Muze business owns a chain of outlets in North-East Nigeria. Each outlet is operated by a separate subsidiary company. All subsidiaries buy from the parent company. The auditors of Luze shop, a subsidiary of Muze business, are reviewing the accounts for the year ending 31 December, 2022 before starting the audit and have computed some ratios in their analytical review exercise.

Explain the possible reasons for the following changes found at the planning stage of the audit:

- a. A decrease in gross profit percentage (3 marks)
- b. An increase in inventory holding period (3 marks)
- c. An increase in current ratio (3 marks)
- d. An increase in dividend cover (3 marks)
- e. An increase in capital gearing (3 marks)

Total = 15 marks

Question Four

- (a) Outline the areas to be critically considered by an auditor when assessing the quality of audit evidence? (10 marks)
- (b) ISA 540 is on Audit of Accounting Estimates, State eight (8) examples of areas where accounting estimates are widely used. (5 marks)

Total = (15 marks)

Questions Five

- (a) What are the risks faced in a related party transactions where an auditor may not detect all material related party transactions (10 marks)
- (b.) State the objectives of the auditor as regards to the provisions of ISA 580 written representations (5 marks)

Total = (15 marks)