



**CERTIFIED PUBLIC ACCOUNTANT
INTERMEDIATE LEVEL EXAMINATIONS**

I1.4: AUDITING

DATE: FRIDAY 28, NOVEMBER 2025

MARKING GUIDE AND MODEL ANSWERS

SECTION A

QUESTION ONE

Marking guide:

Qn	Description	Marks
a)	Award 1 Mark for every explained audit procedure provided by candidate Note: only 4 audit procedures were required Maximum of 4 marks means (4 points* 1 Marks each) Other correct audit procedures provided by candidate not in the model answers are acceptable.	4
b)	Award 1 Mark for every explained audit procedure provided by candidate Note: only 4 audit procedures were required Maximum of 4 marks means (4 points* 1 Marks each) Other correct audit procedures provided by candidate not in the model answers are acceptable.	4
c)	Award 1 Mark for every explained audit procedure provided by candidate Note: only 4 audit procedures were required Maximum of 4 marks means (4 points* 1 Marks each) Other correct audit procedures provided by candidate not in the model answers are acceptable.	4
d)	Award 1 Mark for every explained audit procedure provided by candidate Note: only 4 audit procedures were required Maximum of 4 marks means (4 points* 1 Marks each) Other correct audit procedures provided by candidate not in the model answers are acceptable.	4
e)	Award 1 Mark for every explained audit procedure provided by candidate Note: only 4 audit procedures were required Maximum of 4 marks means (4 points* 1 Marks each) Other correct audit procedures provided by candidate not in the model answers are acceptable.	4
Total Marks		20

Model Answers

a) Audit procedure related to General and Administrative expense

- To test for completeness of Ruhango Mining Ltd General and Administrative expense, the auditor assistant should sample purchase orders, receiving reports, and invoices and trace them to the purchase journal (the purchase journal should reconcile with expenses in the financial statement)
- Occurrence checks: On a sample basis of selected transactions, review supporting documents such as contract, invoices, goods/service received notes, receipts, payroll records) to confirm the occurrence of the expense
- Classification, Assistant Auditor will be required to verify that General and Administrative expense transactions for Ruhango Mining Ltd are correctly classified according the approved chart of account
- Cut off assertion is an audit procedure whereby auditors check that General and Administrative expenses of Ruhango Mining ltd are recorded in the correct accounting period.

b) Audit procedure for Cost of Sales

- Cut-off testing. Review supplier invoices received from suppliers close to the year-end to ensure inventories and purchases are recorded in the correct period.
- Completeness and accuracy: Reconcile the cost of sales to the opening stock, purchases and closing stock to confirm the cost of sales was properly computed
- Observe the physical inventory count. Counting inventory can also be one of the most integral part of the accounting process for Ruhango Mining Ltd. In this regard, the auditor should be aware of the procedures that are used to count the inventory. This requires him or her to discuss the counting procedure with the accountants, observe the accounting process, and apply random sampling to check for any inconsistencies
- Reconcile the inventory count to the general ledger. Assistant Auditor also will be ensure that He/she is able to trace the valuation that is compiled from the physical inventory count to the Ruhango Mining Ltd general ledger, to verify that the counted balance was carried forward into the company's accounting records.
- Test item costs. it is also fundamentally important to ensure that the purchased costs in your accounting records are physically traceable. This can then be compared with supplier invoices to the costs listed in your inventory valuation
- Direct labor analysis. In the case of manufacturing company like Ruhango Mining Ltd , it should be ensured that if direct labor is included in the cost of inventory, then the auditor will w trace the labor charged during the production process on time cards or labor routings to the cost of the inventory
- Test for lower of cost or market. Cost of Sales involves inventory mainly; it is important to have all the relevant values correctly. Therefore, this requires the Assistant auditor to follow the lower of cost or market rule. It should be ensured that inventory items are recorded at lower of cost or net realizable value.

c) Audit procedure of Sales

- Confirm completeness and accuracy: This is performing by obtaining the sales transactions recorded in the financial statements of Ruhango Mining Ltd during the period and the sales report that links to the financial statements.
- Occurrence: On a sample basis of sales made, confirm they are appropriately supported through review of quotation, sales orders, invoices, contracts, and goods delivery noted.
- Completeness: Obtain production report, details of opening balance, closing balance, and sales reports. Recomputed expected sales quantities and agree to the actual sales quantities and investigate any variance. Further Obtain price lists tariff and sales reports, and computed expected sales revenue which is compared to the actual reported sales revenue. Investigate the variance (if any)
- Review the sales price authorization: on a sample basis of sales invoice, confirm the invoices were reviewed and approved by the competent authority

- Review the sales recognition, whether the recognition of sales during the period are respecting the IFRS 15 or not. It is important to assess that the future economy related to sales will be inflow into the company and the sales amount is measurable.

d) Audit procedure for Tax and Statutory Deduction

- Obtain Monthly Payroll and confirm that RUHANGO Mining Ltd Computes PAYE on all employment Income
- Check whether RUHANGO Mining Ltd collects withholding tax on payments of services to entities and persons not domiciled in Rwanda (Service fees including management and technical service, goods supplied by companies or physical persons not registered in tax administration
- Check whether RUHANGO Mining Ltd Maintains records on Tax withheld
- Check pension contributions has been retained and paid as per the law
- Agree prior tax liabilities balance, current tax, tax paid during the year to the closing balance reported, and investigate any material variance.
- Obtain the detailed income tax computation and schedules of other statutory deductions such as PAYE, social security, pension, withholding, royalties. Re-calculate to confirm they were correctly computed
- Review tax returns filed, assessments, and correspondence with revenue authority to confirm reported tax liabilities are in line with the records at the revenue authority

e) Audit procedure for other revenues

- Recomputed exchange gains to ensure that the balance included in financial statement is accurate
- Confirm if the transaction is recorded in the correct account and accounting period
- Obtain full documentation of all other revenue disclosed in the financial statement of Ruhango Mining ltd

QUESTION TWO

Qn	Description	Total Marks
a)	Award 1 Mark per every role of auditor and award 1 mark per every role of audit committee Note: only 3 roles were required respectively for auditor and the audit committee with respect to Corporate Governance requirements Other correct roles provided by candidate not in the model answers are acceptable.	6
b)	Award 2 Mark per definition auditor's professional Scepticism Award 1 Mark per example of auditable areas that might require an auditor's professional Scepticism Note: only definition and 2 examples of auditable areas were required Maximum of 4 marks means 2 per definition and 2 example * 1 Mark each) Other correct definition and examples of auditable areas provided by candidate not in the model answers are acceptable	4
c)	Award 2 Marks per every Comparison and difference on roles of auditors and directors of Company in relation to the prevention of detection of frauds Note: only 5 comparison and difference points were required Maximum of 10 marks means (5 points* 2 Mark each) Other correct comparison and difference provided by candidate not in the model answers are acceptable	10
	Total Marks	20

Model answers

a) Describe three respective roles of auditor and the audit committee with respect to Corporate Governance requirements

The audit committee, among others, the following responsibilities:

- Consider and review the financial statements of the company to ensure their overall credibility
Monitoring the effectiveness of internal control or internal audit, as appropriate, and risk management of the company,
- Monitoring the statutory audit of annual financial statements
- Appraisal company auditors
- Oversee the implementation both internal and external audit recommendations
- Oversee the independence of the external auditor throughout the process from appointment to reporting of the audit results

Roles of auditors

- The primary role of the external auditor is to provide independent and objective assurance that the financial statements of the company were prepared in accordance with the applicable financial reporting framework
- Checking the company's financial statements, internal controls, and compliance procedures.
- Dig deep to verify that everything is accurate, and they're not afraid to uncover any potential fraud or noncompliance by the organization

- Monitoring and evaluation status of implementation of previous audit recommendations
- The auditor's experience will enable him to make recommendations on ways of improving the accounting and internal control system
- The auditor may assist in the prevention and detection of errors and fraud

b) Describe four examples of auditable areas that might require an auditor's professional scepticism

Professional scepticism is an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of evidence.

Professional scepticism includes being alert to, for example:

- Audit evidence that contradicts other audit evidence obtained.
- Information that brings into question the reliability of documents and responses to inquiries to be used as audit evidence.
- Conditions that may indicate possible fraud.
- Circumstances that suggest the need for audit procedures in addition to those required by the ISAs. (ISA 200 A.18).

c) Compare in FIVE points, responsibilities of auditors and those of directors of TUNGA Company in relation to the prevention and detection of frauds.

Aspect	Auditors' Responsibility	Directors' Responsibility
Primary responsibility	Auditors provide reasonable assurance that financial statements are free from material misstatement due to fraud or error (ISA 240).	Directors have primary responsibility for establishing systems to prevent and detect fraud
Objective	To obtain sufficient appropriate evidence to identify instances of any suspect of risk of fraud affecting the financial statements	To implement and maintain strong internal controls and ethical culture to minimize fraud risk.
Scope of work	Identify and assess fraud risks during audit and design and perform audit procedures that can detect any material misstatement due to fraud	Broader responsibility covering all aspects of company operations and control systems.
Reporting obligation	Must communicate any identified or suspected fraud to management and those charged with governance, and modify audit report if necessary.	Must report fraud to regulators, shareholders, and law enforcement when required by law.
Accountability	Accountable for expressing a true and fair opinion on financial statements.	Accountable for ensuring accurate financial reporting and safeguarding assets

QUESTION THREE

Qn	Description	Total Marks
a)	Award 2 marks per reasons given and explained responding to why auditors resign before their term. Award 1 mark for provided reason with no explanations Note: only 5 reasons were required Maximum of 10 marks means (5 points* 2 Mark each) Other correct reasons provided by candidate not in the model answers are acceptable.	10
b)	Award 2 Marks for a well explained ethical threats that KAD Associates should consider before accepting the audit engagement. (1 mark for ethical threat and 1 mark for explanation) Maximum of 10 marks means (5 points* 2 Mark each)	10
	Total Marks	20

Model answers

a) Five reasons why auditors resign before their term

There can be innumerable reasons for terminating the contract before the expiration of the term. Five instances when it becomes inevitable for auditors to resign before their term expires.

- Disagreement with management – Persistent disputes over accounting treatments, financial reporting, or audit scope (e.g., commission income in NDINDA Ltd).
- Lack of cooperation from management – When auditors are denied access to information, records, or explanations necessary for the audit.
- Loss of auditor independence – Arising from conflicts of interest, undue influence, or threats that cannot be mitigated.
- Discovery of unethical or illegal practices – If management fails to address identified fraud or regulatory breaches.
- Reputational or regulatory risk – When association with a client under investigation (e.g., by the Central Bank) may harm the auditor's reputation.
- Discovery that the client is involved into money laundering activities: The firm shall report it to the competent authority the incidence of money laundering of financing terrorism and resign from the engagement.

b) Ethical threats that KAD Associates should consider before accepting the audit engagement,

- Self – interest: If an auditor is concerned about losing a client or has any other business relationship with them, that may create self-interest threat for the auditor. This is against the ethical code requirement; the auditor must resign from the engagement.
- Self-review: If the auditor has recently been a director or officer of the client or has been in a position where he or she could have significant control over the subject for which the auditor has been engaged for then it will create a self-review threat. In such cases, the auditor should avoid taking up such assignments or resign from existing ones.

- **Advocacy:** Advocacy threat includes circumstances where the auditor is acting as a representative for a client in litigation or disputes. Therefore, auditor should consider resigning from their auditing assignments as there is a genuine intention of defending their client in litigation or disputes that may lead to biased opinion.
- **Familiarity:** There are cases when a member of the engaged auditing firm may be a relative of director or officer of the client. Such incidents will lead to familiarity threats that are against ethical practices.
- **Intimidation:** If the auditor is threatened or pressurized to resign from the engagement by the client wherein a client may push auditor to reduce their fees or can ask for any uncalled demand, It may lead to intimidation threat which is against the code of ethics and calls for the resignation of the auditor from such assignments.

SECTION B

QUESTION FOUR

Marking guide

Qn	Description	Total Marks
a)	Award 1 mark for a well stated risk (max 4 risks)	12
	Award 1 mark for a well stated control (max 4 controls)	
	Award 1 mark for a well stated auditing assertion (max 4)	
	Other correct detailed audit program on cash at bank balances describe by candidate the model answers are acceptable.	
b)	Award 1 Mark for every purpose provide and 1 Mark for correct explanation provided by candidate	8
	Note: only 4 purposes of audit program and their explanations were required	
	Other correct purpose of audit program provided by candidate not in the model answers are acceptable.	
	Total Marks	20

Model Answer

- a) Prepare a detailed audit program indicating the procedures you would use to satisfy yourself of the accuracy of the cash at bank balances on the client's financial statements**

Audit risk	Internal controls	Assertions
The client may overstate cash by failing to record the RWF 17,800,000 unpresented cheques, leading to an incorrect year-end balance.	Regular and independent bank reconciliations	Existence

Cheques drawn before year-end but not mailed until after could result in incorrect recording of payments in the wrong period	Authorization and sequential control of cheques	Completeness and cut off
The client is reluctant to disclose an overdraft, creating a risk of non-compliance with IAS 1 (presentation of financial statements).	Segregation of duties in cash handling	Accuracy / Valuation
Management may intentionally delay cheque mailing to window-dress liquidity or hide a cash deficit at year-end.	Periodic review by management	Presentation and Disclosure

b) Explain four purpose of Audit Program

Purpose of audit program are the following:

- Issue instructions: The purpose of audit program is to issue instructions to audit staff. Principal auditor issues instructions. The audit clerks can follow the instructions in order to complete their work.
- Control audit work: The purpose of audit program is to control the work of audit. It relates to supervision and direction. The auditor can watch activities of audit clerks while work is going on. The pace of audit must be according to the time fixed for audit.
- Responsibility of audit staff: The purpose of audit program is to fix responsibility of audit staff for carelessness. When given work is completed according to established standards there is no responsibility. There may be negligence of duty during audit work.
- Evidence for audit work: The purpose of audit program is to develop an evidence for work done by audit staff. It is a written record of audit work. The number of books and other record examined is stated in it. The auditing clerk puts his signatures as evidence.
- Guide to audit staff: The purpose of audit program is to guide audit staff in completing their work. The date, time and quantity of work are stated. The audit staffs are engaged according to the amount of work.
- Timetable: the purpose of audit program is to prepare a timetable for whole audit work. The auditor is successful if he completes audit work within the stated time period. The efficiency is noted with performance. The time fixed for work is most important.
- Control cost of audit: The purpose of audit program is to control cost-of audit work. The fee is settled with the client. The auditor is able to control the cost of audit work to be done within fixed time. The cost of an audit should not exceed fee of an auditor.
- Helps audit: The purpose of audit program is to facilitate audit work. The timetable is a guideline for every person to complete his part of audit work. The questions can be asked about doubtful entries. In this way flow of work is maintained.
- Basis for report: The purpose of audit program is to conduct an audit. This proof becomes the basis audit report. The auditor is able to write a report on the business matters.
- Audit decision: The purpose of audit program is to make audit decision. The audit program collects basic information relating to any business. It is a systematic approach to compile data for business.

- Future reference: The purpose of audit program is to prepare a record for future reference. The data may be needed for planning and checking.

QUESTION FIVE

Marking guide

Qn	Description	Total Marks
a)	2 marks for a well explained consideration Maximum of 2 points (2*2= 4 Marks) 2 marks for a well explained reporting responsibilities A maximum of 3 points (3*2=6 Marks)	10
b)	2 marks for a well discussed aspect Maximum of 2 points (2*2= 4 Marks)	4
c)	1 mark for every listed correct element of engagement letter Maximum of 6 elements	6
	Total Marks	20

a) In accordance with ISA 250, Describe the auditor's consideration and reporting over entity's non-compliance with operating laws and regulations.

Auditor must consider the following:

- The potential financial consequences such as fines, penalties and/or litigation.
- Whether the potential financial consequences require disclosure.
- Whether these consequences are so serious they call into question the truth and fairness of the accounts
- Impact on auditor's risk assessment and audit procedures: The auditor must reassess inherent and control risks resulting from non-compliance and modify audit procedures accordingly.

On reporting

- If in the auditor's judgment, the non-compliance is intentional and/or material, the auditor should communicate to management without delay.
- If the auditor suspects senior management, then he should communicate to the next higher level, such as the audit committee.
- In the case of money laundering, report the matter directly to the appropriate authority

b) With reference to the above case study, discuss on aspects that lead to Joseph to advise for not accepting the audit engagement

- Self-interest threat: As per the case study, from the fact that Amos, the partner of KYP consultants had some business-related connection with XWV Ltd, Joseph as the engagement manager could have assessed it and realized that accepting the engagement would jeopardize the ethical code of conducts ruling the professional accountants.

- Self-review threat: As per the case study, Kagaba one of the engagement team members who were recommended by the client's management had done the interim work on the client's financial statements and tax filing. Hence Joseph regarded this as an ethical breach as the member would be reviewing his own work if he had to accept the engagement.
- Close relationship between one of the founding partners of the audit firm, Amos and one of the company's shareholders: This relationship may create familiarity threat to the auditor which may threaten the auditor from performing the audit engagement with objectivity and integrity, hence compromising independence.
- Advocacy and self-interest threat as a result of Amos recommending the company in anticipation of commission payment: As recommending clients to the company for 15% commission from XWV Ltd, this may create financial dependence and compromising independence.

c) In accordance with ISA 210, enumerate at least six main elements to be clarified in the letter of engagement.

- Confirmation of the auditor's acceptance of the appointment.
- Reporting on the accounts to the shareholders
- The directors' duty to maintain the books of the company
- The directors are responsible for the prevention and detection of fraud.
- Possibility of some material misstatements may remain undiscovered.
- The scope of the audit including reference to appropriate legislation and standards.
- unrestricted access to whatever books and records the auditor needs
- Planning and performance of the audit including the audit team composition.
- The expectation representations made in connection with the audit.
- Request for the client to confirm in writing the terms of the letter.
- The fee to be charged and the credit terms.
- The form of any reports or other communication of results of the engagement.
- Form of any other communication of results of the engagement

QUESTION SIX

Marking guide

Qn	Description	Total Marks
a.i)	2 marks for a correct definition of forensic accounting	2
a.ii)	2 marks for a well explained difference between litigation support and investigative accounting	2
a.iii)	1 mark for a well stated core skill, a maximum of 5 points and 1 mark for a well stated non-core skills, a maximum of 5 points	10
b)	1 mark for a well explained consideration an auditor would make when planning a public sector audit, a maximum of six points.	6
	Total Marks	20

a.i) Forensic accounting: is the use of accounting skills to investigate fraud or embezzlement and to analyze financial information for use in legal proceedings.

ii) Litigation support - is the provision of assistance of an accounting nature in a matter involving existing or pending litigation. It is primarily focused on issues relating to the quantification of economic damages, which means a typical litigation support assignment would involve calculating the economic loss or damage resulting from a breach of contract. However, it also extends to other areas involving valuations, tracing assets, revenue recovery, accounting reconstruction and financial analysis. Litigation support also works closely with lawyers in matters involving, but not limited to, contract disputes, insolvency litigation, insurance claims, royalty audits, shareholders disputes and intellectual property claims

Investigative accounting: investigative accounting is concerned with investigations of a criminal nature. A typical investigative accounting assignment could be one involving employee fraud, securities fraud, insurance fraud, kickbacks and advance fee frauds. No doubt in many assignments, both litigation support and investigative accounting services are required.

iii) Core skills and non-core skills for a forensic accountant

Core skills

- Strong accounting and auditing knowledge: They should be able to analyze financial records, detect anomalies, and understand internal controls.
- Investigative and analytical skills: The forensic accountant should have the ability to follow money trails, reconstruct transactions, and identify fraud schemes.
- Critical thinking: This involves the active, persistent, and careful consideration of a belief or supposed form of knowledge in the light of the grounds which support it and the further conclusions to which it tends.
- Knowledge of laws and regulations: Understanding of legal procedures, evidence rules, fraud laws, and reporting requirements.

- Report writing and documentation: Ability to prepare clear, concise, and defensible forensic reports for court use.
- Expert witness skills: Ability to present findings in court, handle cross-examination, and communicate complex issues clearly.

Non-core skills

- Interview and interrogation skills: A forensic accountant should be able to obtain information from suspects, witnesses, and staff.
- IT and data analysis skills: This relates to the knowledge of forensic software, data analytics, and electronic evidence extraction.
- Communication skills: In forensic accounting, where there is often a wide knowledge gap between the expert and the audience, this may be the most challenging component of the process. Thus, forensic accountants are expected to have strong communication skills, both written and oral.
- Project management skills: Ability to plan, coordinate, and complete investigations efficiently under time pressure.
- Professional scepticism and ethical judgment: Ability to remain objective, resist manipulation, and maintain independence.

b) six specific considerations an auditor would make when planning a public sector audit are:

- Plan each audit with a thorough understanding of the audited business and its environment
- Consult with the public sector bodies regarding their overall audit approach
- Consider timing of the audit and agree the audit timetable for submission of good quality accounts and completion of the audit
- Focus on risk areas of error, fraud, or other irregularities
- Be accessible throughout the year to the public sector bodies that they audit
- Work closely with internal auditors

End of Marking Guide and Model Answers