



**CERTIFIED PUBLIC ACCOUNTANT
INTERMEDIATE LEVEL EXAMINATIONS**

11.4: AUDITING

DATE: FRIDAY 28, NOVEMBER 2025

INSTRUCTIONS:

1. Time Allowed: **3 hours 15 minutes** (15 minutes reading and 3 hours writing)
2. This Examination is divided into **two** sections (A & B)
3. Section **A** has **Three Compulsory questions** while Section **B** has **three optional questions** to choose **any two**.
4. **Five questions** in total are to be attempted
5. The question paper should not be taken out of the examination room.

SECTION A

QUESTION ONE

Ruhango Mining Company was established in August 2020. The organization aims to expand into new mineral-bearing areas of economic importance that have ready markets such as coal, iron ore, manganese and tungsten. The company's income is derived from the sale of mining products after deducting selling and operating expenses, general and administrative expenses.

As an audit assistant engaged in the audit of Ruhango Mining Ltd, your audit manager has shared with you the draft statement of Profit or Loss for the year ended 31 December 2022 and are as follows:

Description	31-Dec-22	31-Dec-21
	FRW"000"	FRW"000"
Net Sales	4,358,100	4,533,100
Cost of sales	2,738,714	2,864,539
Gross Profit	1,619,386	1,668,561
Selling and operating expenses	560,340	446,340
General and Administrative expenses	293,729	378,117
Total operating expense	854,159	824,457
Operating Income	765,227	844,104
Other income	960	230
Gain (Loss) on financial instruments	5,513	7,156
(Loss) Gain on Foreign Currency	(12,649)	-
Interest expense	(18,177)	(37,072)
Income Before Tax	740,874	814,418
Income Tax expense	222,262	244,325
Net Income	518,612	570,093

Required:

Explain FOUR audit procedures to be performed by an assistant auditor for each of the following accounts:

- a) **General and Administrative expenses** (4 Marks)
- b) **Cost of Sales** (4 Marks)
- c) **Sales** (4 Marks)
- d) **Tax and other statutory deductions** (4 Marks)
- e) **Other revenues** (4 Marks)

(Total: 20 Marks)

QUESTION TWO

TUNGA Ltd is a microfinance institution that has been listed on the stock exchange for the past three years. The Board of Directors of TUNGA Ltd is ambitious about implementing good corporate governance practices to enhance competitiveness and ensure effective risk management within the company.

TUNGA Ltd.'s Board relies on three key committees generally required by stock exchanges which are the Audit Committee, the Compensation Committee, and the Nominating and Governance Committee. The Audit Committee has oversight responsibilities for a wide range of risks that have become increasingly complex and challenging in today's business environment, including operational and compliance risks. It is also responsible for overseeing the auditor's work and independence and recommending the appointment and remuneration of the external auditor to the Board.

To ensure the auditor's true independence from management, the audit committee's direct oversight responsibility must go beyond written terms of reference or meeting agendas. All parties, the audit committee, external auditor, and senior management should acknowledge and continually reinforce this direct reporting relationship through their day-to-day interactions, activities, communications and expectations. Prioritizing this heavy audit committee workload remains a significant challenge for the committee. You have been asked to review how well the company is meeting relevant corporate governance requirements.

Required:

- a) **Describe THREE roles of auditor and THREE roles of audit committee in relation to corporate governance requirements.** (6 Marks)
 - b) **Explain meaning of professional scepticism and state TWO examples of auditable areas that may require an auditor's professional scepticism.** (4 Marks)
 - c) **Compare in FIVE points, responsibilities of auditors and those of directors of TUNGA Company in relation to the prevention and detection of frauds.** (10 Marks)
- (Total: 20 Marks)**

QUESTION THREE

You are the Audit Manager at KAD Associates, a firm of professional accountants. The Chief Executive Officer (CEO) of NDINDA Ltd has approached your firm to tender for the company's external audit. NDINDA Ltd is a small but fast-growing financial services company, offering brokerage, mortgage financing, digital payment solutions and mutual fund management. The company's previous auditors resigned before the end of their term, and the CEO explains that this was due to disagreements over the accounting treatment of commissions earned and concerns that the internal control systems were weak.

You are also aware that NDINDA Ltd is currently under investigation by the Central Bank of Rwanda for alleged non-compliance with financial regulations. In addition to the statutory

audit, the CEO has requested your firm to provide business development and management advice.

Required:

- a) In relation to the above Scenario, Discuss FIVE reasons why auditors may resign before their term. (10 Marks)
- b) Discuss the ethical threats that KAD Associates should consider before accepting the audit engagement, given the CEO's request for business development advice. (10 Marks)

(Total: 20 Marks)

SECTION B

QUESTION FOUR

You are the Audit Manager for Rusumo Mining Company, a company engaged in the exploration and export of minerals. Upon arriving at the client's office on 1 January 2024 to begin the audit for the year ended 31 December 2023, you discovered that the client had been drawing cheques as creditors' invoices became due, but not necessarily mailing them immediately.

Due to a working capital shortage, some cheques were held for two to three weeks before being mailed. The client informed you that unpresented cheques amounting to RWF 17,800,000 were on hand as at 31 December 2023. However, significant cash collections from sales allowed the client to mail these cheques before your arrival. The client now wishes to adjust the cash balance and accounts payable as at 31 December 2023 by RWF 17,800,000, arguing that the cash account shows a credit balance (overdraft). The client is reluctant to disclose the bank overdraft in the financial statements.

Required:

- a) **Prepare a detailed audit program indicating FOUR risks, FOUR controls and FOUR audit assertions you would use to satisfy yourself of the accuracy of the cash at bank balances in the client's financial statements.** (12 marks)
- b) **With reference to the above scenario explain FOUR purpose of Audit Program** (8 Marks)

(Total: 20 Marks)

QUESTION FIVE

KYP Consultants was appointed as the external auditor for XWV Ltd, a company registered in Rwanda that specializes in real estate, apartment rentals, and vehicle dealership. The company has been performing well over the years and is considered one of the fast-growing business entities in the industry. The following matters came to the attention of Joseph, the Audit Manager at KYP Consultants, while performing engagement quality control review:

Amos, one of the founding partners of KYP Consultants, has a close relationship with one of the shareholders of XWV Ltd, as their wives are friends. Due to this relationship, Amos has been recommending XWV Ltd.'s services to his relatives abroad and receives a 15% commission for each client who rents an XWV apartment through his recommendation.

During the financial year under audit, the Finance Director of XWV Ltd fell ill and was hospitalized for a six-month period. The Board of Directors decided to appoint Kagaba, an experienced Senior Auditor from KYP Consultants, to serve as an interim Finance Director

and assist with year-end procedures and tax return filings. Following this engagement, the Board of XWV Ltd has requested that Kagaba be included in the external audit team from KYP Consultants for the current year's audit.

Under the Visit Rwanda Program, funding was secured for catering and travel businesses that offer quality services to tourists and comply with relevant regulations. XWV Ltd applied for funding under this program. However, the Program Coordinator has placed the application on hold until the completion of the audit, as they expect the audit to also cover XWV Ltd.'s compliance aspects. Joseph also noted that the management representation letter from XWV Ltd states that the company has complied with all applicable laws and regulations.

Joseph advised his partner, Amos, not to accept the audit engagement due to several identified ethical and professional threats. However, Amos instructed him to proceed with the engagement and to include Kagaba in the audit team. Joseph prepared an audit engagement letter and handed it to Amos to share with XWV Ltd for signature before commencing the audit. Amos, however, believes that sending the engagement letter by email would be sufficient as long as XWV Ltd acknowledges receipt and agrees to the terms, even without counter-signing the document.

Required:

a) In accordance with ISA 250 – “consideration of laws and regulations in an audit of financial statements”, **describe the auditor's TWO considerations and THREE reporting responsibilities regarding an entity's non-compliance with applicable laws and regulations.** (10 Marks)

b) With reference to the above case study, **discuss the aspects that led Joseph to advise against accepting the audit engagement.** (4 Marks)

c) In accordance with ISA 210 – “Agreeing the Terms of Audit Engagements”, **list at least SIX key elements that should be clearly set out in the audit engagement letter.** (6 Marks)

(Total: 20 Marks)

QUESTION SIX

a) The external audit report of TBT Ltd revealed that the Finance Manager of the company had embezzled FRW 200,000,000 through fictitious double-payment transactions made to a key supplier who provides raw materials for the production of cosmetics. The Internal Audit Department was assigned to investigate the matter, as they believed that there was no way the Finance Manager could have executed the fraud alone. Since the Finance Manager does not authorize payments independently, the Chief Internal Auditor suspected that he might have colluded with the Managing Director.

After consultations between the Chief Internal Auditor and the Company Secretary, the Board of Directors decided to appoint a Forensic Accountant before taking the fraudulent

case to court. The Board believes that forensic accountants look beyond the numbers and examine the underlying business realities of such situations.

Required:

- i) Define the term, “forensic accounting”. (2 Marks)
- ii) Differentiate litigation support from investigative accounting as two categories of forensic accounting. (2 Marks)
- iii) Advise TBT Ltd board of directors on FIVE core and FIVE non-core skills they should consider when appointing a Forensic Accountant. (10 Marks)

b) MI Ltd is a state-owned enterprise, with the Government of Rwanda as its main shareholder, holding the majority of the company’s shares, while other donors also provide funding depending on the specific project. Based on the experience from the previous year’s audit, and in preparation for the upcoming one, the Chief Executive Officer (CEO) has urged all department heads to work closely with the auditors from the Office of the Auditor General (OAG) and to provide all requested information promptly. The CEO emphasized that timely cooperation with auditors is essential to help the company obtain an unqualified audit opinion on its financial statements, as he had previously committed before the Public Accounts Committee (PAC).

During the audit planning stage, the OAG assigned you as a Senior Auditor to participate in the annual audit of MI Ltd. You discovered that the finance team delayed submitting draft financial statements; the internal audit function is understaffed and rarely reviews project-related transactions; and several donor-funded projects were implemented during the year, but documentation for some expenditures was incomplete. The Chief Finance Officer (CFO) explained that MI Ltd is overwhelmed by project demands and expects the audit team to focus mainly on confirming donor project expenditures

Required:

Explain SIX specific considerations you would make as a public sector auditor when planning this audit (6 Marks)

(Total: 20 Marks)

End of Question Paper

