

**UNIVERSITY OF SWAZILAND**  
**INSTITUTE OF DISTANCE EDUCATION**  
**MAIN EXAMINATION PAPER, MAY 2005**

**DEGREE / DIPLOMA AND YEAR OF STUDY:** **DIP COM III**

**TITLE OF PAPER:** **AUDITING**

**COURSE CODE:** **IDE-AC304-1(M) 2005**

**TIME ALLOWED:** **TWO (2) HOURS**

**INSTRUCTIONS:**

- 1. TOTAL NUMBER OF QUESTIONS ON THIS PAPER IS FOUR (4).**
- 2. ANSWER ALL QUESTIONS**
- 3. POINTS AWARDED FOR EACH QUESTION ARE INDICATED.**

**SPECIAL REQUIREMENTS: NONE**

**NOTE: YOU ARE REMINDED THAT IN ASSESSING YOUR WORK, ACCOUNT WILL BE TAKEN OF THE ACCURACY OF THE LANGUAGE AND THE GENERAL QUALITY OF EXPRESSION, TOGETHER WITH THE LAYOUT AND PRESENTATION OF YOUR FINAL ANSWER.**

**QUESTION :1 (25 marks)**

When management produces financial statements, there are certain assertions that it is making about the items on the financial statements. Mention at least five such (5) assertions.

**QUESTION 2 (20 marks)**

Why is there a need for an audit after the financial statements have been prepared?

**QUESTION 3 (25 marks)****REQUIRED**

- (a) What is a letter of engagement?
- (b) What are the main purposes of a letter of engagement?
- (c) When are letters of engagement usually written?
- (d) What are the contents of the letter of engagement?

**QUESTION 4 (30 marks)**

It is essential that an audit firm should organize its affairs in such a way as to minimize the risk of paying damages to clients or others arising out of negligence.

**REQUIRED**

List and explain at least six features of audit firm organization which may minimize audit risk to an audit firm.