



CIRSM
CHARTERED INSTITUTE OF RISK & SECURITY MANAGEMENT

PROFESSIONAL GRADUATE DIPLOMA IN RISK AND SECURITY MANAGEMENT

NOVEMBER 2020 ASSIGNMENT QUESTIONS

Level 1

AUDITING AND FINANCIAL ASPECTS

COURSE CODE: RSM 102

INSTRUCTIONS TO CANDIDATE

1. This question paper comprises of **5** printed pages.
2. The assignment is marked out of **75 marks**.
3. **ANSWER ALL QUESTIONS**
4. Start each question on a new page.
5. The assignment is due on the 9th of November 2020 and shall be uploaded on the CIRSM Student online learning portal website: www.cirsm.com.
6. Students should subscribe to the subjects they seek to write examinations on the website portal between the 18th of October 2020-8th of November 2020.
7. Students are expected **NOT** to exceed **4 pages** per question.
8. Students must submit the assignments in Microsoft Word format.
9. **Assignments expire after every examination sitting.**

You are reminded of the need for good English and clear presentation in your answers.

NB: PLAGIARISM AND COPYING IS AN ACADEMIC OFFENSE THAT MAY RESULT IN DISCIPLINARY ACTION. ALL PAPERS WILL BE SCANNED BY ANTI-PLAGIARISM SOFTWARE.



QUESTION 1

The statements of financial position of Casual Ltd showed the following:

	31 December 2014		31 December 2013	
	\$000	\$000	\$000	\$000
Non-current assets (Note 1)				
Intangible assets		1 000		190
Tangible assets				
Plant and machinery	1 224		1 080	
Depreciation	<u>600</u>	<u>624</u>	<u>560</u>	<u>520</u>
		1 624		710
Current assets				
Inventories	218		198	
Trade receivables	158		134	
Cash and cash equivalents	<u>64</u>		<u>84</u>	
	440		416	
Current liabilities				
Trade payables	(158)		(140)	
Tax	<u>(80)</u>	<u>202</u>	<u>(76)</u>	<u>200</u>
		1 826		910
Non-current liabilities				
5% Debentures		<u>160</u>		<u>140</u>
		1 666		770
Equity				
Ordinary shares of \$1		1300		500
Retained earnings		<u>366</u>		<u>270</u>
		1666		770

Note 1:

There was no disposal of non-current assets during the year.

Income statement (Extract) for the year ended 31 December 2014

	\$000
Profit from operations	282
Finance charges	<u>16</u>
Profit before tax	266
Tax	<u>80</u>
Profit for the year	<u>186</u>



Statement of changes in equity for the Year ended 31 December 2014

	\$000
Retained earnings	
Balance at 1 January 2014	270
Profit for the year	186
	<hr/>
	456
Dividends paid	90
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Balance at 31 December 2014	366
	<hr/>

Required

Prepare a statement of cash flows in accordance with the provisions of IAS7 for the year ended 31 December 2014.

[25 MARKS]

QUESTION 2

You are an audit manager currently finalising your 31 December 2019 audits. The following independent and material matters have come to your attention:

1. The audit of the statutory records of Watford Ltd, a reporting entity, revealed the following problems:
 - i) Failure to update the members' register for changes in shareholders;
 - ii) Failure to obtain written consent from directors to act;
 - iii) Directors' minutes not prepared in respect of the current year;
 - iv) Failure to hold the AGM in respect of the previous financial year.

The company made no comment in respect of either the failure to keep properly updated statutory registers or the holding of the AGM.

2. Showcross Ltd, a reporting entity, uses the last-in first-out basis in respect of valuation of closing inventory, which is one of the most significant balance sheet accounts.

The difference between first-in first-out and last-in-first-out has a material effect on the closing inventory balance.

3. XYZ Ltd (XYZ) is a holding company with a number of wholly owned subsidiaries. One of these, AB Ltd (AB), is a self-sustaining foreign subsidiary with manufacturing and distribution facilities throughout South-East Africa. The group accounts of XYZ and its subsidiaries consist of the consolidated accounts of XYZ and its subsidiaries and exclude the accounts of AB, which are attached separately.



The consolidated accounts include a note stating that the directors believe that it is misleading to consolidate AB as its operations are very different from those of the rest of the group and carried out under substantially different conditions. The note includes details of inter-company balances and transactions.

Required:

Discuss in relation to each of the above circumstances the audit issues to be considered and their likely impact on the audit opinion to be issued. Justify your answer with references to ISA's (UK and Zimbabwe) and the Companies Acts (1963-2006), as appropriate. **[25 MARKS]**

QUESTION 3

JDB Co assembles mobile telephones in a large factory. Each telephone contains up to 100 different parts, with each part being obtained from one of 50 authorised suppliers. Like many companies, JDB's accounting systems are partly manual and partly computerised. In overview the systems include:

- i) Design software,
- ii) A computerised database of suppliers (bespoke system written in-house at JDB),
- iii) A manual system for recording goods inwards and transferring information to the accounts department,
- iv) A computerised payables ledger maintained in the accounts department (purchased off-the-shelf and used with no program amendments),
- v) Online payment to suppliers, also in the accounts department, and;
- vi) A computerised nominal ledger which is updated by the payables ledger.

Mobile telephones are assembled in batches of 10,000 to 50,000 telephones. When a batch is scheduled for production, a list of parts is produced by the design software and sent, electronically, to the ordering department.

Staff in the ordering department use this list to place orders with authorised suppliers. Orders can only be sent to suppliers on the suppliers' database. Orders are sent using electronic data interchange (EDI) and confirmed by each supplier using the same system. The list of parts and orders are retained on the computer in an 'orders placed' file, which is kept in date sequence.

Parts are delivered to the goods inwards department at JDB. All deliveries are checked against the orders placed file before being accepted. A hand-written pre-numbered goods received note (GRN) is raised in the goods inwards department showing details of the goods received with a cross-reference to the date of the order. The top copy of the GRN is sent to the accounts department and the second copy retained in the goods inwards department. The orders placed file is updated with the GRN number to show that the parts have been received.



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Paper invoices are sent by all suppliers following dispatch of goods. Invoices are sent to the accounts department, where they are stamped with a unique ascending number. Invoice details are matched to the GRN, which is then attached to the invoice. Invoice details are then entered into the computerised payables ledger. The invoice is signed by the accounts clerk to confirm entry into the payables ledger. Invoices are then retained in a temporary file in number order while awaiting payment.

After 30 days, the payables ledger automatically generates a computerised list of payments to be made, which is sent electronically to the chief accountant. The chief accountant compares this list to the invoices, signs each invoice to indicate approval for payment, and then forwards the electronic payments list to the accounts assistant.

The assistant uses online banking to pay the suppliers. The electronic payments list is filed in month order on the computer.

Required:

- a) List the substantive audit procedures you should perform to confirm the assertions of completeness, occurrence and cut-off for purchases in the financial statements of JDB Co. For each procedure, explain the purpose of that procedure. **[12 MARKS]**
- b) List the audit procedures you should perform on the trade payables balance in JDB Co's financial statements. For each procedure, explain the purpose of that procedure. **[8 MARKS]**
- c) Describe the control procedures that should be in place over the standing data on the trade payables master file in JDB Co's computer system. **[5 MARKS]**

*****END OF ASSIGNMENT QUESTIONS*****