

ACCA

Applied Skills

Audit and Assurance (AA)

EXAM KIT

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This document references IFRS® Standards and IAS® Standards, which are authored by the International Accounting Standards Board (the Board), and published in the 2023 IFRS Standards Red Book.

SECTION A-TYPE QUESTIONS

		Page number		
		Question	Answer	Past exam
Audit framework	Q1 – 50	1	167	
Planning and risk assessment	Q51 – 75	22	177	
Internal controls	Q76 – 95	32	182	
Audit evidence	Q96 – 140	41	187	
Review and reporting	Q141 – 200	59	196	

SECTION B-TYPE QUESTIONS

Planning and risk assessment

201	Knight Electronics Co		83	209	S23/D23
202	Lapis		84	220	M23/J23
203	Magpie		86	227	S22/D22
204	Esk		88	235	M22/J22
205	Peach		90	244	S21/D21
206	Corley Appliances		91	255	M21/J21
207	Hart		93	263	S20/D20
208	Scarlet		94	271	Mar 20
209	Harlem		96	279	S19/D19 (A)
210	Peony		98	287	M19/J19
211	Darjeeling		99	294	S18/D18
212	Blackberry		100	303	M18/J18
213	Prancer Construction		102	311	S17/D17
214	Hurling		103	318	M17/J17
215	Centipede		105	327	Dec 16
216	Aquamarine		106	334	M16/J16
217	Venus		107	340	S15/D15 (A)
218	Sycamore	 	108	346	Jun 15
219	Recorder Communications		109	354	Jun 14

SUBJECT SPECIFIC INFORMATION

THE EXAM

FORMAT OF THE EXAM

The exam will be in **TWO** sections

All questions are compulsory

		Number of marks
Section A:	3 objective test cases	
	5 questions worth 2 marks per case	30
Section B:	3 constructed response questions	
	2 × 20 mark questions (mainly scenario based)	40
	1 × 30 mark question (mainly scenario based)	30
		———
		100
		———

Time allowed: 3 hours.

In the AA exam the 'current' date will be 1 July 20X5. Year-end dates will then be flexed around this depending on the nature of the question. For example, a question set at the planning stage of the audit may have a year end of 30 June 20X5 or 31 July 20X5. A question set at the completion stage of the audit may have a year end of 31 January 20X5 or 31 March 20X5.

PASS MARK

The pass mark for all ACCA Qualification exams is 50%.

APPROACH TO THIS EXAM

Audit and Assurance is a computer based exam.

Any part of the syllabus can be tested in any section.

Section A

- The objective test case questions will be based around a short scenario and you will have to choose the correct answer(s) from the options given.
- You should begin by reading the OT questions that relate to the case, so that when you read through the information for the first time, you know what is required.
- Each OT question is worth two marks. Therefore you have 18 minutes (1.8 minutes per mark) to answer the five OT questions relating to each case.
- It is likely that all of the cases will take the same length of time to answer, although some of the OT questions within a case may be quicker than other OT questions within that same case.
- Work steadily. Rushing leads to careless mistakes and the OT questions are designed to include 'plausible distractors' i.e. answers which result from careless mistakes.

Section 1

OBJECTIVE TEST CASE QUESTIONS – SECTION A

AUDIT FRAMEWORK

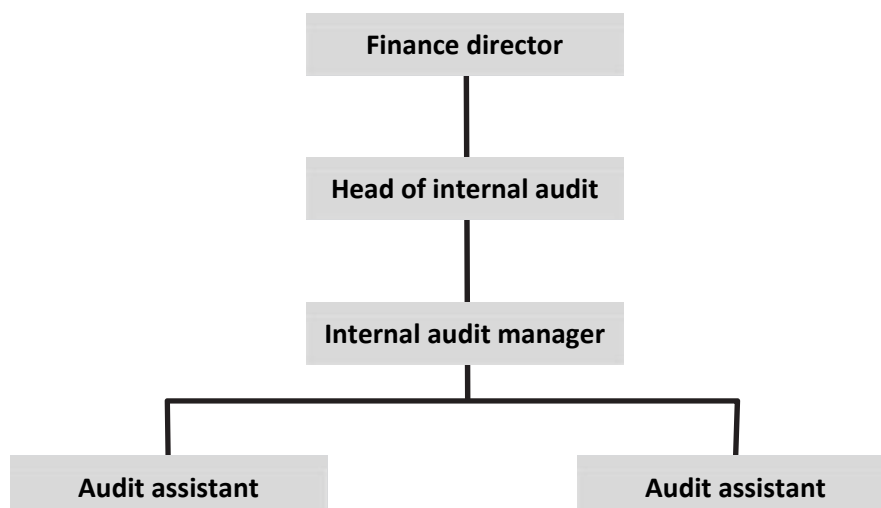
The following scenario relates to questions 1 – 5

The board of directors of Sistar Co are concerned that they are not currently applying best practice in terms of corporate governance and are seeking to make improvements.

The company currently has three non-executive directors (NEDs) on the board, who are paid a fee which changes annually depending on company performance. The NEDs all sit on the audit, nomination and remuneration committees. There is currently no reference to the work of these committees in the annual report.

At present, Sistar Co does not have an internal audit function but the directors are establishing a team which will be responsible for a range of internal audit assignments.

The following is the current proposed structure for the internal audit (IA) department



The only role still to be filled is the Head of internal audit. There are two potential candidates: Paul Belling a consultant who helped design and implement the company's current control system, and Maria Marquez who is currently an audit manager at Rossi & Bell, an audit firm which has never been used by Sistar Co.

Out of the other three members of the proposed IA department, two of them have moved from other departments in Sistar Co and one of the audit assistants has audit experience.

1 Which of the following should be included in the annual report regarding the work of the audit committee?

- Responsibility for preparing the annual report and financial statements
- Significant issues considered relating to the financial statements
- A description of the principal risks the company faces
- The process used to make appointments to the board **(2 marks)**

2 Which of the following options correctly describes the deficiency relating to NEDs' remuneration and makes a valid recommendation for improvement?

Deficiency	Recommendation
<input type="radio"/> Compromises NED independence	NEDs should be remunerated on the same basis as the executive team
<input type="radio"/> Compromises the motivation of NEDs	NEDs' remuneration should be tied to profit targets
<input type="radio"/> Compromises NED independence	NEDs' remuneration should be a set amount based on time committed
<input type="radio"/> Compromises the motivation of NEDs	NEDs' remuneration should be linked to individual performance (2 marks)

3 The board is in the final stages of establishing the IA department.

Select one option from each column which provides appropriate recommendations to improve the effectiveness and independence of the IA department.

Reports to	Head of IA	Remaining staff members
Finance director	Maria Marquez	Appoint more senior staff with audit experience
Audit committee	Paul Belling	No changes needed
Chief executive		All staff should be new to the company

(2 marks)

4 The board has started to compile a list of tasks for the IA department to carry out once it is up and running. It has been agreed that the first assignment to be completed will be for IA to review Sistar Co's processes over asset expenditure to verify if the right items are purchased at an appropriate time and competitive price.

What type of internal audit assignment does this represent?

- A value for money audit
- A management audit
- A financial audit
- An IT audit **(2 marks)**



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