

FOUNDATIONS IN ACCOUNTANCY

Foundations in Audit (International)

Monday 18 June 2012



Time allowed: 2 hours

This paper is divided into two sections:

Section A – ALL TEN questions are compulsory and MUST
be attempted

Section B – ALL NINE questions are compulsory and MUST
be attempted

Do NOT open this paper until instructed by the supervisor.

This question paper must not be removed from the examination hall.

The Association of Chartered Certified Accountants

Paper FAU (INT)

ACCA

Section A – ALL TEN questions are compulsory and MUST be attempted

Please use the space provided on the inside cover of the Candidate Answer Booklet to indicate your chosen answer to each multiple choice question.

1 'All students of ACCA are bound by its *Code of Ethics and Conduct*.'

Is this statement true or false?

- A** True
- B** False

(1 mark)

2 Which of the following data should be held on a trade receivables master file?

- (1) Customer credit limits.
- (2) Customer reference numbers.
- (3) Cumulative sales data.

- A** (1) only
- B** (2) only
- C** (3) only
- D** (1) and (2)

(2 marks)

3 Which of the following statements is FALSE with regard to audit planning?

- A** It helps the auditors to devote appropriate attention to important areas of the financial statements.
- B** It helps the auditor to properly organise and manage the audit engagement, so that it is performed in an effective manner.
- C** It provides assurance to the auditor that the risk of a material misstatement in the financial statements will be reduced.
- D** It facilitates the direction and supervision of audit team members and the review of their work.

(3 marks)

4 'The materiality level calculated at the planning stage should NOT be revised during later stages of the audit.'

Is this statement true or false?

- A** True
- B** False

(1 mark)

5 In which of the following audit situations should an auditor maintain professional skepticism?

- (1) When reviewing the results of a trade receivables circularisation.
- (2) When considering verbal representations made by the directors of the company.
- (3) When considering written representations made by the directors of the company.
- (4) When checking a bank reconciliation prepared by the cashier of the company.

- A** (1) and (4) only
- B** (2) and (3) only
- C** (2), (3) and (4) only
- D** (1), (2), (3) and (4)

(3 marks)

6 Which of the following factors could be the reason for an INCREASE in reported gross profit in the financial statements of a company?

- (1) A reduction in carriage outward costs for the period under review.
- (2) A reduction in carriage inward costs for the period under review.
- (3) An increase in the amount of discount received from suppliers of components for early payment of purchases invoices.

- A** (1) and (2) only
- B** (2) only
- C** (3) only
- D** (1), (2) and (3)

(2 marks)

7 'The authority of International Standards on Auditing always overrides national regulations governing the audit of the financial statements of companies in any given country.'

Is this statement true or false?

- A** True
- B** False

(1 mark)

8 Which of the following factors should have the effect of INCREASING a sample size for a test of details?

- (1) An increase in the use of other substantive procedures directed at the same assertion.
- (2) An increase in the amount of misstatement the auditor expects to find in the population.
- (3) An increase in the level of tolerable misstatement.

- A** (1) only
- B** (2) only
- C** (2) and (3)
- D** (3) only

(2 marks)

9 Which of the following financial statement assertions should an auditor use when checking 'account balances at the period end' in a set of financial statements?

- A Classification and understandability.
- B Cut-off.
- C Existence.
- D Occurrence.

(3 marks)

10 Which of the following descriptors are assumed to apply to a set of financial statements on which an auditor has expressed an unmodified opinion?

- (1) They adequately disclose the significant accounting policies selected and applied.
- (2) They reflect all transactions entered into by the company for the period under review.
- (3) They disclose information which is complete and totally correct in every respect, except for accounting estimates which by their very nature cannot be totally correct.

- A (1) only
- B (1) and (2)
- C (2) only
- D (3) only

(2 marks)

Section B – ALL NINE questions are compulsory and MUST be attempted

1 At a recent auditing seminar, the speaker emphasised the importance of good internal control in audit client companies. He explained the components of internal control but stressed that there are inherent limitations to any internal control system.

Required:

(a) **Explain the purpose of 'internal control'.** (4 marks)

(b) **Identify THREE components of the internal control of a company.** (6 marks)

(c) **Identify ONE inherent limitation of any internal control system and for the limitation identified, provide an example of it.** (5 marks)

(15 marks)

2 River Co manufactures office furniture and has been an audit client of your firm for many years. Your firm is planning the audit of the company's financial statements for the year ending 31 July 2012.

In a recent email to the audit engagement partner, the company's managing director stated that, unfortunately, the company would not be able to provide staff to supervise the year-end inventory count, due to a shortage of available staff with appropriate experience. Given its knowledge of the company, he therefore requested that your firm provide staff to supervise the count. He has offered to pay your firm a premium rate fee for the supervision of the count and considers that it would be money well spent as, in his view, it would mean that the directors of River Co would not be responsible for the accuracy of the inventory count as a basis for the value of inventory to be reported in the company's financial statements.

Required:

(a) (i) **State the purpose of an auditor's attendance at a client's year-end inventory count.** (4 marks)

(ii) **Explain how your firm's audit engagement partner should respond to the request from River Co's managing director, to supervise the year-end inventory count.** (5 marks)

(b) **Identify TWO audit procedures with regard to inventory that members of your firm's audit team should carry out AFTER attending the year-end inventory count.** (6 marks)

(15 marks)

3 The directors of Lake Co recently discovered a wages fraud at the company, so they are now seeking advice on the design and implementation of a new wages system which will incorporate appropriate segregation of duties.

Required:

(a) **State TWO objectives of the internal control that should be exercised over the wages system of Lake Co.** (4 marks)

(b) **Explain the meaning of 'segregation of duties'.** (3 marks)

(c) **Identify the THREE aspects pertaining to wages transactions that should be subject to segregation of duties.** (3 marks)

(10 marks)

4 Management should consider a range of issues and information concerning the company's future performance when assessing their company's ability to continue as a going concern, for example the identification of future risks and uncertainties that could affect that ability.

Required:

(a) **Explain what is meant by the 'going concern assumption'.** (4 marks)

(b) **Identify and explain TWO matters or pieces of information that an auditor should consider when evaluating management's assessment of their company's ability to continue as a going concern.** (6 marks)

(10 marks)

5 **Identify and explain TWO factors that determine the nature, timing and extent of the direction and supervision of audit engagement team members and the review of their work.**

(6 marks)

6 **State TWO advantages and ONE disadvantage of auditors using flowcharts to record information systems and internal control.**

(6 marks)

7 **Define the following:**

(a) **A substantive procedure;** (3 marks)

(b) **A test of control.** (3 marks)

(6 marks)

8 With reference to a circularisation of trade receivables:

(a) Explain what is meant by:

(i) A positive circularisation; (2 marks)

(ii) A negative circularisation. (2 marks)

(b) Identify TWO classes of trade receivables account that would require special attention, for inclusion in a circularisation. (2 marks)

(6 marks)

9 Explain TWO procedures that should be used to audit accruals.

(6 marks)

End of Question Paper

Answers

Section A

QUESTIONS 1–10 – MULTIPLE CHOICE

Question	Answer	See Note Below
1	A	1
2	D	2
3	C	3
4	B	4
5	D	5
6	B	6
7	B	7
8	B	8
9	C	9
10	A	10

NOTES:

- (1) All ACCA members, including student members, are bound by ACCA's *Code of Ethics and Conduct*. Therefore option A is the correct answer.
- (2) Customer credit limits and customer reference numbers should be held on a trade receivables master file. Cumulative sales data should be held on data files. The correct answer is option D.
- (3) Audit planning benefits an audit of financial statements in various ways. Three of which are listed at A, B and D. Adequate audit planning would not provide any assurance concerning the risk of the existence of material misstatement in a set of financial statements. Option C is therefore the correct answer.
- (4) The statement is false so option B is correct. The materiality level calculated when planning the audit may need to be revised as the audit progresses. For example, where it appears that the actual financial results for the period are significantly different from those that were used in calculating the materiality level at the planning stage.
- (5) An auditor should maintain professional skepticism throughout an audit engagement. Option D is therefore correct.
- (6) Efficiency savings made as a consequence of early payment discount received from suppliers should not be reflected in the trading account part of the income statement. Consequently, such savings would have no effect on reported gross profit. Carriage outwards costs should similarly not be charged to the trading account; therefore a reduction in these will have no effect on gross profit. As carriage inward costs are part of cost of sales, any reduction in them could account for an increase in gross profit. The correct answer is therefore option B.
- (7) The correct answer is option B. The authority of ISAs is secondary to national regulations governing the audit of financial statements.
- (8) Of the factors stated, only that at (2) – an increase in the amount of misstatement the auditor expects to find in the population – should have the effect of increasing the sample size for a test of details. Therefore option B is correct.
- (9) ISA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment* provides examples of the assertions used by auditors when testing assertions about account balances at the period end. Of the assertions listed only that of 'existence' should be used. Option C is therefore correct.
- (10) Option A is the correct answer. Due to the concept of 'reasonable assurance' it should not be assumed that such financial statements reflect all transactions entered into by the company for the period under review (option C). Similarly it should not be assumed that the information disclosed in such financial statements is totally correct (option D).

Section B

1 (a) ISA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment* explains that the purpose of internal control is to address identified business risks that concern:

- The reliability of the entity's financial reporting.
- The effectiveness and efficiency of its operations.
- The compliance with laws and regulations.

(Full marks will be awarded for answers presenting the points as above or in similar fashion.)

(b) The five components of a company's internal control are:

1. The control environment,
2. The company's risk assessment process,
3. The information system, including the related business processes, relevant to financial reporting, and communication,
4. Control activities relevant to the audit, and
5. Monitoring of controls.

(Full marks will be awarded for identifying THREE of the above components.)

(c) Inherent limitations of any internal control system and examples of each include:

1. Human judgement
 - faulty decision-making or human error may lead to breakdowns in internal control. For example, in the design of computer processing controls.
2. Failure to understand or take action
 - there may be ineffective control because individuals may not understand the purpose of a specific control. For example, the purpose of a payroll exception report.
3. Inappropriate management override of controls
 - management may purposefully override existing controls, thus rendering laid down system controls to be ineffective. For example, a sales director may choose to opt to extend credit to a long-standing customer in order to create customer goodwill, in contravention of laid down credit control procedures.
4. Collusion by two or more people
 - leading to circumnavigation of controls. For example, between a factory employee, factory manager and a wages data processing clerk to claim, authorise and process a fraudulent payment for overtime wages.
5. Management judgement
 - with regard to the nature and extent of risk the company chooses to assume and the nature and extent of the controls it chooses to implement. For example, management may adopt a low risk exposure to the loss of non-current assets by implementing an ongoing system of monitoring and inspection of non-current assets, centred around the operation of a comprehensively detailed non-current asset register.
6. Cost benefit consideration
 - a pragmatic approach will often need to be adopted in this regard, especially in smaller companies. For example, the cost of employing additional accounts staff to ensure adequate segregation of duties in relevant areas may outweigh the maximum benefit to be derived from improved internal control.
7. Ability to cope with non-routine transactions
 - the ability to predict the likelihood of non-routine transactions arising means that it is less likely that systems will be designed to cope with such transactions. For example, the purchase of a very expensive non-current asset with an unusual and complex specification.

(Full marks will be awarded for identifying and providing an example of any ONE of the above limitations and for providing an appropriate example of it.)

2 (a) (i) The purpose of an auditor's attendance at a client's year-end inventory count is to assess the effectiveness of the client's inventory counting procedures in order to determine whether reliance can be placed upon them to provide assurance about the existence and condition of inventory.

(ii) My firm's audit engagement partner should respond by politely explaining that he would not be able to provide audit staff to supervise the year-end inventory count of River Co. His explanation should refer to the fact that the responsibility for the contents, the truth and fairness and the preparation of the company's annual financial statements lies solely with the company's directors, and that this cannot be delegated. Similarly he should confirm that it is my firm's duty, as the company's auditors, to prepare an auditor's report addressed to the shareholders of the company, about the truth and fairness of the financial statements. There is an underlying presumption that the firm will be objective when preparing the report and there would be a self-review threat to objectivity if employees or partners of it had an active involvement in the inventory count.

(b) Members of my firm's audit team should carry out the following procedures after the year-end inventory count:

- Check to ensure that all sheets and records used at the inventory count are included in the final inventory count sheets and records.
- Trace items that were test counted at the inventory count to ensure correct quantities are included in the sheets and records to be used in the valuation process.
- Ensure that slow-moving and obsolete inventory lines recorded at the inventory count are properly highlighted in the sheets and records to be used in the valuation process.
- Confirm that the current cut-off procedures have been properly applied by checking a sample of goods received notes and goods despatched notes. These should represent receipts and despatches both immediately before and immediately after the year-end date.
- Confirm the cost calculations applied to both inventory and work-in-progress. This will involve checking back to costing records, purchase invoices and wages costs as appropriate. Special attention will need to be paid to the inclusion of overheads in work-in-progress and finished goods inventory.
- Confirm the net realisable value of inventory by checking forward to sales of inventory sold after the date of the statement of financial position. Compare this to cost values as determined (above) and ensure inventory is valued at lower of the two.
- Carry out analytical review procedures on inventory to obtain assurance about the completeness, accuracy and valuation assertions.
- Ensure the adequacy of the presentation of the disclosure of inventory by checking to the underlying accounting records.
- Check replies from third parties about inventory held by or for them.

(Full marks will be awarded for answers which include TWO of the above or other relevant procedures.)

3 (a) The objectives of the internal control that should be exercised over the wages system of Lake Co include:

- (i) To ensure that all work paid for is for the benefit of the company.
- (ii) To ensure that all authorised work and only authorised work is paid for.
- (iii) To ensure that wages are currently calculated.
- (iv) To ensure that wages are paid only to authorised employees of the company.
- (v) To ensure that timely payment is made to employees of the company for work carried out.
- (vi) To ensure that wages deductions are correctly calculated.
- (vii) To ensure that wages deductions are paid on a timely basis to relevant authorities.
- (viii) To ensure that all wages transactions are completed and accurately recorded in the company's accounting records on a timely basis.

(Full marks will be awarded for stating TWO of the above or other appropriate objectives.)

(b) 'Segregation of duties' is used to describe the condition which should exist in the internal control exercised over any functional area, whereby no individual person is responsible for more than one of the following duties:

- (i) the authorisation of a transaction;
- (ii) the recording of the transaction in the accounting records; and
- (iii) the custody of the asset relating to the transaction.

(Full marks will be awarded for the identification of (i), (ii) and (iii) above.)

(c) The three aspects pertaining to wages that should be subject to segregation of duties are:

- (i) Authorisation of wages payable to employees.
- (ii) Processing/recording of wages in the accounting records.
- (iii) Payment of wages to employees.

4 (a) Under the 'going concern assumption', an entity is ordinarily viewed as continuing in business for the foreseeable future (being to a date of at least, but not limited to, 12 months from the end of the reporting period); with neither the intention nor the necessity of liquidation, cessation of trading or the seeking of protection from creditors pursuant to laws or regulations. Accordingly assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business.

(Full marks will be awarded for answers containing the points included as above.)

(b) Auditors should consider the following matters and pieces of information when evaluating management's assessment of their company's ability to continue as a going concern:

1. The period used by management in assessing going concern. This should be at least 12 months from the date of the financial statements.
2. The systems used for the identification of future risks and uncertainties. This will vary between sectors and companies – but may, for example, include market research systems, expert analysis or computer modelling techniques.
3. Budget and forecast information including the quality of systems used to produce this information.
4. Underlying assumptions made with regard to budgets and forecast information. Owing to the nature of these assumptions it is particularly important that the auditor should maintain a degree of professional scepticism when considering the assumptions. Attention should be given to the accuracy of assumptions underlying earlier budgets and forecasts made by management.
5. The sensitivity of budgets and forecasts – the auditor should carry out a sensitivity analysis of the company's budget and forecasts to possible changing circumstances, if this has not already been carried out by the company.
6. The existence of any obligations/undertakings or guarantees arranged with lenders and suppliers. The possible effect of these on future operations of the company is a vital consideration.
7. The availability of borrowing facilities to the company and the likelihood of these being withdrawn in the foreseeable future. These could be crucial to the company's ongoing existence as a going concern and need to be carefully reviewed.
8. Management's plans for future actions – these will vary dependent on circumstances but the auditor should, where appropriate, consider previous undertakings by management to carry out specified actions and the subsequent success of these in achieving desired objectives.

(Full marks will be awarded for answers identifying and explaining TWO of the above matters.)

5 Factors that determine the nature, timing and extent of the direction and supervision of audit engagement team members and the review of their work include:

- The capabilities and competence of the individual team members performing the audit work. Less experienced and less qualified members will, for example, require closer monitoring and supervision than more experienced and better qualified members.
- The size and complexity of the company. For example, the direction and supervision and review of work of members of a large team engaged on the audit of the financial statements of a national multi-site company would present a completely different challenge to similar tasks pertaining to a small single-site locally based company.
- The area of the financial statements being audited. In a car manufacturing company, for example, the work of team members engaged in the audit of the reported inventory balance (including work-in-progress) would probably require closer direction, supervision and review than the work of others engaged in the audit of the reported bank balance.
- The assessed risks of material misstatement. For example, where for a given area of an audit there is increased inherent risk and control risk, ordinarily there will need to be an increased level of direction and supervision of engagement team members and review of their work.

(Full marks will be awarded for answers identifying and explaining TWO of the above or other relevant factors.)

6	Flowcharts – Advantages	Flowcharts – Disadvantages
	<ul style="list-style-type: none"> – Information is presented in a logical sequence. – They ensure that a system is recorded in its entirety as all documents have to be traced from beginning to end. – Facilitates easy understanding of a system. – Facilitates the highlights of strengths and weaknesses of a system. – Serves as a permanent record of a system that can be subject to a minor amendment on a year-to-year basis. – They can be prepared quickly by staff with little experience. 	<ul style="list-style-type: none"> – Not generally suitable for recording systems with numerous unusual transactions. – Only suitable for describing standard systems. – Major amendment is not normally possible without redrawing. – Time can be wasted by recording and checking areas that are of no audit significance. – They are not normally appropriate for recording systems where there are subsystems or subroutines.

(Full marks will be awarded for stating TWO of the advantages and ONE of the disadvantages above or others as appropriate.)

7 (a) A substantive procedure is designed to detect material misstatements at the assertion level. Substantive procedures comprise:

- (i) Tests of details (of classes of transactions, account balances and disclosures) and
- (ii) Substantive analytical procedures.

(b) A test of control is an audit procedure designed to evaluate the operating effectiveness of controls in preventing or detecting and correcting material misstatements at the assertion level.

(Full marks will be awarded for definitions which are similar to the above.)

8 (a) (i) A positive circularisation consists of letters sent to a sample of trade receivable customers who are asked to confirm, directly to the auditor, the accuracy (or otherwise) of the stated balance as shown in the audit client company's trade receivables ledger for the subject customer. Where customers disagree with the stated balance they are asked to state the nature of their disagreement.

(ii) A negative circularisation consists of letters sent to a sample of trade receivables customers, who are asked to respond directly to the auditor, only if they disagree with the stated balance as shown in the audit client's trade receivables ledger for the subject customer.

(b) The following classes of account would require special attention for inclusion in the circularisation:

- Dormant accounts.
- Accounts with material balances.
- Accounts with nil balances.
- Accounts with credit balances.
- Accounts with long outstanding balances.
- Accounts on which there have been contras with trade payables account balances.
- Accounts containing a significant number of journal adjustments.
- Accounts settled by round sum amounts.
- Accounts containing unusual transactions.
- Accounts to which credit notes or journals have been posted close to the period end.
- Accounts written-off during the period under review.
- Accounts which have been paid by the date of the circularisation.

(Full marks will be awarded for stating any TWO of the above or other relevant classes of account.)

9 The following procedures should be carried out to audit accruals:

- Compare the list of accruals to those for the previous period to obtain assurance as to the completeness of the accruals.
- Review expense categories included in the income statement to identify areas of possible accruals and check to list of accruals for inclusion.
- Sample check computations of accruals by comparing to earlier relevant invoices and payment records.
- Scrutinise payments made after the date of the statement of financial position to identify accruals possibly omitted and to check accuracy of calculated accruals.
- Consider the basis for and accuracy of round sum accrual amounts.
- Check for the existence of wages accruals and compute to ensure the completeness and accuracy of these.
- Check for the existence of a sales tax account and compute to ensure the completeness and accuracy of this. Agree the last amount paid in the accounting period per the cash book to the return. Tests should include checking reasonableness of final return in period to following return where appropriate.
- Test transactions around the accounting period end to determine whether amounts have been recognised in the correct period.

(Note: Full marks will be awarded for explaining TWO of the above or other relevant procedures.)

In Section A, one, two or three marks are available for each question. Full marks are awarded for choosing the correct option. No marks will be awarded where an incorrect option is selected or where more than one option is selected.

In Section B, the marking scheme indicates that up to three marks may be awarded for relevant points. Consideration should be given to the depth and relevance of points given by each candidate when answering the question; for example, if too brief an explanation is given then it may only be worth half a mark whilst a very detailed explanation could be worth up to a maximum of two marks. Marks are not generally allocated to specific points, as the candidate may include a valid point within their answer which is not included in the model answer. The candidate should be given full credit for such points. Questions in Section B often require several points to be included within the answer, so if a candidate concentrates on only one or two points then they should not be given as much recognition, and their overall mark should be lower than a candidate who provides a range of points. In summary, it is important that the overall standard of the candidate's answers is considered in terms of whether it is above or below a pass grade. After marking each question, the total mark awarded should be evaluated to assess whether it is fair. If it is decided that the total mark is not a proper reflection of the standard of the candidate's answer then the answer should be reviewed again, and the marks adjusted to ensure that the total awarded is fair. If the answer is of a pass standard then it should be awarded a minimum of 50% of the available mark, if it is below a pass standard then it should be awarded less than 50%.

Section A

Questions 1–10 Multi-Choice

The mark allocation is 1, 2 or 3, for each question, dependent on the degree of deemed difficulty. The total of the marks available for the section is 20.

Section B

1 Internal Control

(a) Explaining the purpose of internal control.
Generally 2 marks per point up to a maximum of (4 marks)

(b) Identifying THREE components of the internal control of a company.
Generally up to 2 marks per component up to a maximum of (2 x 3) (6 marks)

(c) Identifying ONE inherent limitation of any internal control system and providing an example of it.
2½ marks for each (2½ x 2) (5 marks)

2 River Co

(a) (i) Stating the purpose of an auditor's attendance at a client's year-end inventory count.
Generally up to 2 marks per point up to a maximum of (4 marks)

(ii) Responding to the managing director's request to provide staff to supervise the inventory count.
Generally up to 2 marks per point up to a maximum of (5 marks)

(b) Identifying TWO audit procedures with regard to inventory that should be carried out after the year-end inventory count.
Generally up to 3 marks per procedure up to a maximum of (3 x 2) (6 marks)

3 Lake Co

(a) Stating TWO objectives of the internal control that should be exercised over the wages system of Lake Co.
Generally up to 2 marks per objective up to a maximum of (2 x 2) (4 marks)

(b) Explaining the meaning of 'segregation of duties'.
Generally up to 1 mark per point up to a maximum of (1 x 3) (3 marks)

(c) Identifying the THREE aspects pertaining to wages transactions that should be subject to segregation of duties.
1 mark for each aspect identified. (3 marks)

4 Going Concern

(a) Explaining what is meant by the 'going concern assumption'.
Generally 1 mark per point up to a maximum of (4 marks)

(b) Identifying and explaining TWO matters or pieces of information that an auditor should consider when evaluating management's assessment of their company's ability to continue as a going concern.
Generally up to 3 marks per matter identified and explained up to a maximum of (3 x 2) (6 marks)

5 Direction and Supervision of Audit Engagement Team Members and the Review of Their Work

Identifying and explaining TWO factors that determine the nature, timing and extent of the direction and supervision of audit engagement team members and the review of their work.
Generally up to 1½ marks for each factor identified and up to 1½ marks for explanation of same up to a maximum of (1½ x 2) x 2 (6 marks)

6 Recording Information Systems and Internal Controls

Stating TWO advantages and ONE disadvantage of auditors using flowcharts to record information systems and internal controls.
Generally up to 2 marks for each advantage and disadvantage up to a maximum of (2 x 3) (6 marks)

7 Audit Testing

Defining each of the following:

(a) A substantive procedure
Generally up to 1½ marks per point up to a maximum of (3 marks)

(b) A test of control
Generally up to 1½ marks per point up to a maximum of (3 marks)

8 Trade Receivables

(a) Explaining what is meant by:

(i) A positive circularisation
Generally up to 1 mark per point up to a maximum of (2 marks)

(ii) A negative circularisation
Generally up to 1 mark per point up to a maximum of (2 marks)

(b) Identifying TWO classes of trade receivables account that would require special attention for inclusion in a circularisation.
1 mark per class of account correctly identified up to a maximum of (1 x 2) (2 marks)

9 Accruals

Explaining TWO procedures that should be used to audit accruals.

Generally up to 3 marks per procedure up to a maximum of (3 x 2)

(6 marks)