

---

# ePMA Partial Exam Financial Auditing module Consolidation, Audit reports and Audit related services

---

Date:	13 November 2020
Start time:	15:00 PM
Duration:	120 minutes
Open book:	Allowed are only the International Standards on Auditing and/or the HRA Handboek Regelgeving Accountants. Not allowed are textbooks and other study material.

## Instructions:

- Document your response to the questions in a word document. Use the template!!
- **Name convention for this document:**
- **FA#5-[your last name]- [date]**
  
- Read the questions carefully!!
  
- When answering questions it is not allowed to copy paragraphs from the standards, the textbook or other study material used.
  
- Use your own words! If not the exam will not be passed.
  
- Put your full name in the header of the document!
  
- Put the following text in the footer of the document:  
“Hereby, I declare that I have written the solution by myself, and that I did not use or copy from the textbook and other study material; I only used as a reference the HRA or the Standards.”

<p>At the end of this exam upload this exam in Canvas. If this does not work e-mail this document to <a href="mailto:epma@uvt.nl">epma@uvt.nl</a></p>
---

This document contains 3 pages (including this frontpage)

**ePMA Partial Exam Financial Auditing**  
**module Consolidation, Audit reports and Audit related services – November 2020**

---

**Question 1 - Contingencies (5 points)**

Which audit procedures can be performed in relation to contingencies?

**Question 2 - related party transactions (5 points)**

What is the auditor's responsibility when identifying transactions realized at conditions which are outside the normal course of business? Provide an example of such a transaction.

**Question 3 – Subsequent events (10 points)**

Subsequent events can be split between type 1 and type 2 events. Explain the difference between these two and give an example of each type?

**Question 4 – Representation letters (5 points)**

What is the purpose of a representation letter?

**Question 5 - Opinion (10 points)**

Describe the basic elements (sections) in a standard audit report with an unmodified opinion.

**Question 6 – Emphasis of matter (5 points)**

Explain when an emphasis of matter paragraph is used and give an example of a situation in which such a paragraph would be used

**Question 7 – modified opinion (10 points)**

Which are the three types of audit reports with modified opinions and when are these reports used?

**Question 8 – Other information (5 points)**

Which are the auditor's responsibilities for other information, included in an entity's annual report, which annual report also includes the audited financial statements?

**Question 9 – special purpose framework (10 points)**

What is the difference between reporting based on a general purpose framework and based on a special purpose framework? Provide at least 2 examples of each framework

**Question 10 (35 points)**

For each of the following independent situations, indicate the reason for and the type of financial statement audit report that you would issue. Assume that each item is at least material.

- a) Company A, your client, has a material receivable on Company Z. Subsequent to year-end, Company Z goes bankrupt due to the impact of the Covid-19 virus which did not yet exist prior to year-end. This bankruptcy does not impact the going concern assessment of Company A.
- b) The management of Super Carbon has decided to leave out the statement of cash flows from its financial statements because it believes that its bankers do not find the statement to be very useful
- c) Walker Groceries is suing your client, Strawberry farm, for delivery of bad quality product. Strawberry farm's outside legal counsel assures you that based on the responsibilities in the contract Walker's case has no merit

**ePMA Partial Exam Financial Auditing**  
**module Consolidation, Audit reports and Audit related services – November 2020**

---

- d) The accounting records for cash sales of your client, Temptations, are not adequate for audit purposes and you have been unable to obtain reasonable assurance that all cash sales have been properly recorded. The possible effects on the financial statements are material, but not pervasive.
- e) Due to Covid-19 Belgium has set travel restrictions. As such, you are not allowed to attend the stock count at the warehouse of your client in Belgium.
- f) You have detected that the breakdown of the sales as included in the director's report is materially inconsistent with the breakdown of the sales reported in the audited financial statements. You have determined that the information in the director's report needs revision, but the controller indicates that they will not adjust this as the director's report has already been signed by the director's.
- g) Mac B's financial condition has deteriorated and the Company is close to breaching some of the covenants on its loans. As part of your audit you notice that net credit balances in the accounts receivable have not been reclassified to accounts payable. This is the only error identified and the balance is just over your clearly trivial threshold. However, if this reclassification would have occurred, it would have resulted in a breach of covenants. The client considers the adjustment immaterial as it is below the performance materiality and is unwilling to adjust