

Course No: BMAS4101
 Course Title: Auditing(2)
 Date: 11/01/2011
 No. of Questions: (3)
 Time: 2 hours
 Using Calculator (No)

University of Palestine

 Final Term Exam
 1st semester 2010/2011
 Total Grade:

Instructor Name: Prof dr: yousef Jarbou
 Student No.: _____
 Student Name: _____
 College Name: _____
 Dep. / Specialist: _____
 Using Dictionary (No)

First Question (15marks)

“ confirmations are considered the stronger of audit evidence but insufficient as an evidence to realize the balances of debtors “.

You are required to answer the following:

1. To comment on this phrase .
2. To mention the types of confirmations the auditor can use.
3. The conditions required in the confirmations to depend on its results.

Second Question (10marks)

You are required to answer the following in brief:

1. The conditions required to issue an unqualified opinion by the external auditor.
2. Subsequent events.

Third Question (35marks)

The undermentioned is some balances of the financial position of chemical Industrial corporation as on 31.12.1995:

Assets		liabilities	
Lands	Buildings	300000	
(-)Accumulated Deprec		30.000	
		_____	270000
Debitors		200000	
(-)provision of Bad Debts		20000	
		_____	180000
Ending Inventory			150000

When you audited the above mentioned items, you obtained the following information:

1. The value of land is J.D (40000), where as its marketable value is J.D(250000)
2. A building is purchased on 1.4,1995, its value is J.D 50000 the depreciation of this asset is (2%) yearly. this transaction did not recorded in books.
3. When auditing the balances of debtors, the following information appeared:

(A)Type of balance	the value J.D	Accounts No.
Debit	160.000	5
Debit	80.000	40
Credit	(40.000)	55

	200000	

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(B) The policy of Management for calculating the provision of bad debts is (10%) from debtors balances yearly.

4. when auditing the ending inventory, the following information appeared:

(A) The auditor has noticed that there are goods sent to consignment agent, its value 60,000 Dinar according to proforma invoice (the profit portion is (20%)) Also it is noticed that these goods did not recorded in the inventory balance at the end of the year.

(B) The marketable value of inventory is 75% from the cost.

5. It is noticed that there is a decrease in the amounts of creditors in comparison to the preceding year.

6. Appeared at the income statement 100,000 Dinar which represent capitalized profits .

7. It is noticed that there is bonds receivable under collection through Arab Bank, its amount is 25,000 Dinar , before the maturity date until 31.12.1995 the management did not disclose it.

Wanted:

- (1) The auditor procedures to realize the debtors and inventory items .
- (2) Expressing your opinion on the method of presenting those items in the balance sheet?
- (3) Identifying your type of opinion in your report?

Good Luck