

(c) Describe and explain internal control procedures that could be introduced by Lancaster Liquids to prevent goods being sold at a loss.
(11 marks)

(d) Explain why Grand Bank plc might benefit from Lancaster Liquids having an audit.
(10 marks)

Total: 50 marks

Question 4

(a) Explain the nature and objectives of: (i) substantive tests and (ii) tests of controls, clearly distinguishing between them. Provide relevant examples of each in respect of the audit of purchases and inventories.
(10 marks)

(b) Explain the relevant audit assertions in respect of land and buildings and give an example of an audit procedure to test each audit assertion.
(13 marks)

(c) World Aid Ltd is a charity which gives money to good causes in developing nations. It receives voluntary donations from the public, much of which is in cash. Its staff are mainly part-time voluntary workers and accounting records are maintained with limited use of information technology.
Describe the five components of internal control. Explain their significance in the context of the audit of World Aid Ltd.
(15 marks)

(d) Zed plc has net assets of £15 million including bank borrowing of £40 million which is due to be repaid on 30 September 2016. The year end is 31 December 2015 and it is planned to sign the audit report on 20 March 2016. The bank has indicated that it may not agree to renew the loan.

Set out and explain the implications for the audit for the year ending 31 December 2015, including those for the audit report.
(12 marks)

Total: 50 marks