



MERU UNIVERSITY COLLEGE OF SCIENCE & TECHNOLOGY

P.O. Box 972-60200 Meru - Kenya. Tel: 020-2092048, 020 2069349
Fax: 020-8027449

University Examinations 2011/2012

THIRD YEAR, FIRST SEMESTER EXAMINATIONS FOR THE DEGREE OF
BACHELOR OF COMMERCE

HBC 2214: AUDITING I

DATE: APRIL 2012

TIME: 2 HOURS

INSTRUCTIONS: *Answer questions one and any other two questions*

QUESTION ONE (30 MARKS)

- Explain five objectives of an internal control system (5 Marks)
- Explain five factors that may hinder the effectiveness of an internal control system (5 Marks)
- Discuss the auditors responsibility with regard to prevention and detection of fraud and errors (10 Marks)
- Explain six factors that should be considered before applying analytical reviews (10 Marks)

QUESTION TWO (20 MARKS)

- Outline five actions that should be taken by an external auditor when he/she detects weaknesses in the internal control systems of a firm (10 Marks)
- Explain five measures that an organization can take to prevent fraud (10 Marks)

QUESTION THREE (20 MARKS)

- State the importance and safeguards of an auditor's independence (10 Marks)
- Explain five factors which an auditor should take into account before relying on the internal audit (10 Marks)

QUESTION FOUR (20 MARKS)

- Explain five factors an auditor should take into account when gathering audit evidence (10 Marks)
- Explain five ways in which the internal auditor can assist the external auditor during his work (10 Marks)

QUESTION FIVE (20 MARKS)

- a. The management of Jinga Ltd intends to establish an internal audit department. However they are uncertain of its role in the organization they have approached you to assist them on the matter.
Outline six benefits that will accrue to the organization from establishing an internal audit department (12 Marks)
- b. Explain four circumstances that may give rise to disagreements in an audit report (8 Marks)