



MERU UNIVERSITY COLLEGE OF SCIENCE & TECHNOLOGY

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University Examinations 2011/2012

FIRST YEAR, FIRST SEMESTER EXAMINATIONS FOR THE DEGREE OF
BACHELOR OF PURCHASING AND SUPPLIES MANAGEMENT

HPS 2105: AUDITING PRINCIPLES AND PRACTICE

DATE: APRIL 2012

TIME: 2 HOURS

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

QUESTION ONE (30 MARKS)

- a. Explain the term auditing and discuss the elements in its definition. (10 Marks)
- b. justify the need for auditing in a company listed on Nairobi securities exchange (10 Marks)
- c. explain the procedures that a proposed auditor must undertake before accepting nomination (10 Marks)

QUESTION TWO (20 MARKS)

- a. Explain the following types of audits, highlighting two advantages for each
 - i. Interim audits (4 Marks)
 - ii. Continuous audits (4 Marks)
 - iii. Procedural audits (4 Marks)
- b. Explain the procedure that has to be followed in removing an auditor from office (6 Marks)

QUESTION TWO (20 MARKS)

- a. "The auditor should adequately plan, control and record his work" Explain audit planning and discuss the need for developing a good audit plan (10 Marks)
- b. State five rights and five duties of an auditor (10 Marks)

QUESTION FOUR (20 MARKS)

- a. Explain the need for a strong internal control system in an organization (10 Marks)

- b. You have been appointed an auditor of XYZ co ltd a manufacturing company and you have just completed your audit of the books of account and financial statements for the period running from 1 January 2010 to 31 December 2011.

Required:

Write an example of a quantified audit report for the company (10 Marks)

QUESTION FIVE (20 MARKS)

- a. What is audit evidence (2 Marks)
- b. Explain the various methods of obtaining audit evidence (10 Marks)
- c. Working papers are prepared for obtained by the auditor and retained by him in connection with performance of his duties. List any eight contents of the permanent audit file (8 Marks)