



THE MOMBASA POLYTECHNIC UNIVERSITY COLLEGE

Faculty of Business & Social Studies

DEPARTMENT OF BUSINESS STUDIES

BACHELOR OF BUSINESS ADMINISTRATION

HBC 2114: AUDITING I

END OF SEMESTER EXAMS

SERIES: APRIL/MAY 2010.

TIME: 2 HOURS

INSTRUCTIONS TO CANDIDATES

1. The paper consists of **FOUR** questions.
 2. Answer Question **1** and any other **TWO** questions.
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- Q.1 (a) State the principle objectives of an internal control system? (8 marks)
- (b) Who is responsible for the installation of the system of internal control? (3 marks)
- (c) By what means does the external audit satisfy himself as to effectiveness of the internal control system? (9 marks)
- Q.2 In addition to the audit required by statute, many large companies have an internal audit carried out by staff appointed for this purpose.
- (a) What matters are of common interest to the internal and external auditors? (4 marks)

(b) What are the fundamental differences in the work of the internal and external auditor? (9 marks)

(c) In what ways may cooperation exist between internal and external auditor? (7 marks)

Q.3 List and explain **FOUR** types of audit opinion that may be expressed by an auditor in his audit report indicating in which circumstances each opinion is appropriate? (20 marks)

Q.4 (a) The auditor is required to keep detailed working papers, which document all aspects of the planning and completion of the audit work and also of the conclusions formed during the audit. The working papers should also record all matters of judgement in detail. Why should the audit work be recorded in this level of detail? (15 marks)

(b) The directors of a company are of the opinion that their auditor's current files might contain a great deal of useful management information. They write to the auditor after the conclusion of the audit and ask for access to the files. How the auditor should responds to the request? (5 marks)