



MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY

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University Examinations 2013/2014

FIRST YEAR, SECOND SEMESTER EXAMINATION FOR DIPLOMA IN BUSINESS
ADMINISTRATION

AND

FIRST YEAR, SECOND SEMESTER EXAMINATION FOR DIPLOMA IN PURCHASING
AND SUPPLIES MANAGEMENT

DBA/DPS 1216: PRINCIPLES OF AUDITING

DATE: APRIL 2014

TIME: 1 $\frac{1}{2}$ HOURS

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

QUESTION ONE – (30 MARKS)

- (a) State and explain five specific guidelines regarding independence given to the member of institute certified public accountants of Kenya (ICPAK). (5 Marks)
- (b) Explain why an audit is necessary for a limited liability company. (6 Marks)
- (c) Outline the reasons as why the incoming auditor should communicate with the retiring auditor. (5 Marks)
- (d) Define and explain the meaning of audit programme. (4 Marks)
- (e) Distinguish between statutory and non-statutory audit . (4 Marks)
- (f) Gichuru and company certified public accountants (K) is a firm based in Meru Angaine Plaza. In the beginning of the year they were appointed to be the auditors of Meru University of Science and Technology. Explain the extent to which you would advice the firm to rely on the work of the internal auditor in the institution. (4 Marks)

QUESTION TWO – (20 MARKS)

- (a) The auditor’s operational standards states “the auditor should obtain relevant and reliable audit evidence sufficient to enable him to draw reasonable conclusions there on. What factor would influence the judgment of the auditor with regard to sufficiency of audit evidence? (10 Marks)
- (b) Explain the difference between accounting and auditing and indicate the purpose of each. (10 Marks)

QUESTION THREE – (20 MARKS)

You are in charge of a group of audit trainees who have just been employed by your audit firm. This is the audit trainees first assignment and they are aware that they are supposed to prepare audit working papers but they do not know how to do so or what information they should include in the working papers

Required:

- (a) Explain the importance of audit working papers. (4 Marks)
- (b) Identify the type of information that the audit trainee should include in the audit working papers. (8 Marks)
- (c) Some audit staff preferred standardized audit working papers. What is meant by the term ‘Standardized working papers’ (2 Marks)
- (d) Explain any three advantages of using standardized working papers in (c) above. (6 Marks)

QUESTION FOUR – (20 MARKS)

- (a) Describe the procedures of obtaining audit evidence giving an example by a way of illustration. (12 Marks)
- (b) Objectives of auditing has changed over the years. Discuss at least four reasons for these changes. (8 Marks)

QUESTION FIVE – (20 MARKS)

- (a) Distinguish between auditing and investigation. (4 Marks)
- (b) There are similarities and differences between the responsibilities of internal and external auditors, explain the difference between internal and external auditor. (6 Marks)
- (c) Discuss how the auditor of a public company may be appointed under companies act. (6 Marks)
- (d) List and explain the rights of auditor in companies act. (4 Marks)