



# MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY

P.O. Box 972-60200 – Meru-Kenya.

Tel: 020-2069349, 061-2309217. 064-30320 Cell phone: +254 712524293, +254 789151411

Fax: 064-30321

Website: www.must.ac.ke Email: info@mucst.ac.ke

---

## University Examinations 2013/2014

FIRST YEAR, SECOND SEMESTER EXAMINATION FOR THE DIPLOMA IN  
BUSINESS ADMINISTRATION / DIPLOMA IN PURCHASING AND SUPPLIES  
MANAGEMENT

### DBA / DPS 1216: PRINCIPLES OF AUDITING

DATE: DECEMBER 2013

TIME: 1½ HOURS

---

INSTRUCTIONS: Answer question *One* and any other *Two*.

---

#### QUESTION ONE (25 MARKS)

- a) The audition operational standard requires the auditor to obtain relevant and reliable audit evidence sufficient to enable him to draw a reasonable conclusion there from:  
Required:
- i) What is audit evidence? (2 marks)
- Explain the meaning of the following terms:
- ii) Relevant audit evidence (2 marks)
  - iii) Reliable audit evidence (2 marks)
- b) Explain any THREE legal and professional requirements for one to be appointed as an auditor. (6 marks)
- c) Distinguish between audit and investigation. (4 marks)
- d) Explain any FOUR limitations of conducting an audit in a business especially in a public limited company. (8 marks)
- e) Outline any documents contained in permanent and current audit file (hint two in each). (4 marks)
- f) The above two documents are the auditors working papers. Sometimes these working papers may be standardized, explain the meaning of the term “standardized working papers” (2 marks)

## **QUESTION TWO (15 MARKS)**

Audit planning process allows the audit senior to acquire adequate knowledge about the entity. This process ensures an effective control and review of audit work.

- a) Explain the auditor's planning process when planning an audit of new client (10 marks)
- b) How does audit planning assist in the conduct of an audit. (4 marks)
- c) Explain any THREE controlling procedures in a well planned audit. (6 marks)

## **QUESTION THREE (20 MARKS)**

- a) Describe and explain the methods which are used by the Auditor to gather audit evidence. (12 marks)
- b) Gichuru and Co. Certified Public Accounts (K) is a firm based in Meru Angaine Plaza. Explain the extent to which you would advise them to rely on the work of internal auditors in Meru University of Science & Technology. (8 marks)

## **QUESTION FOUR (10 MARKS)**

- a) With an aid of examples, distinguish between auditing and accounting . (10 marks)
- b) Meru Slopes Hotel Ltd came to you seeking to know whether they require an auditor in their hotel business. Advice them on the purpose of audit. (10 marks)

## **QUESTION FIVE (10 MARKS)**

- a) Briefly discuss these types of audits:
  - i) Interim audit and final audit. (4 marks)
  - ii) Continuous audit and procedural audit. (4 marks)
  - iii) Management audit and balance sheet audit. (4 marks)
- b) Define audit programme (2 marks)
- c) List and explain advantages of audit firm using standardized audit programme in its assignment. (6 marks)