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**University Examinations 2014/2015**

FOURTH YEAR SPECIAL/SUPPLEMENTARY EXAMINATION FOR DEGREE OF BACHELOR OF COMMERCE

**BFC 3427: ADVANCED AUDITING**

**DATE: OCTOBER 2015 TIME: 2 HOURS**

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

**QUESTION ONE (30 MARKS)**

1. Distinguish between audit risk and sampling risk. (4 Marks)
2. Audit sampling is a technique for drawing conclusions about the characteristics of a population by testing a sample drawn there from. Internal and external auditors use it for both tests of controls and substantive testing.

**Required:**

Describe the following:

1. Judgment sampling and statistical sampling.
2. A representative sample.
3. Tolerable error.
4. Two different methods of selecting a representative sample.
5. The extrapolation of errors. (20 Marks)
6. Computerized Assisted Audit Techniques (CAATs) are used to assist an auditor in the collection of audit evidence form computerized systems. List and briefly explain six advantages of CAATs. (6 Marks)

**QUESTION TWO (15 MARKS)**

1. Explain the going concern concept. (2 Marks)
2. Explain four director’s duties in respect of going concern. (8 Marks)
3. According to auditing guidelines on auditor’s consideration in respect of going concern, a company rarely ceases to carry on business without any prior indications. Identify atleast five examples of such prior indicators and write short notes on each of the examples you have selected. (10 Marks)

**QUESTION THREE (15 MARKS)**

Discuss the recent changes in the audit environment and how these changes have affected the audit function. Site relevant examples and cases. (20 Marks)

**QUESTION FOUR (15 MARKS)**

1. Set out the computerized information systems factors you will take into consideration when planning the audit of a small enterprise that has acquired a network of computers in its only office, during the current period. (10 Marks)
2. Advice the client on the different general computerized information systems controls that they can set up to ensure proper function of the system. (5 Marks)
3. How would you access the reliability of internal control system in computerized information system? (5 Marks)

**QUESTION FIVE (20 MARKS)**

1. Define corporate governance. (2 Marks)
2. Define the auditor’s role in corporate governance in Kenya. (7 Marks)
3. The board of director’s is responsible for corporate governance. Enumerate its specific responsibilities with regards to corporate governance. (6 Marks)
4. Highlight five ways that an audit firm may adapt to enhance its independence. (5 Marks)