



MASENO UNIVERSITY

UNIVERSITY EXAMINATIONS 2016/2017

**FOURTH YEAR FIRST SEMESTER EXAMINATIONS FOR THE
DEGREE OF BACHELOR BUSINESS ADMINISTRATION WITH
INFORMATION TECHNOLOGY**

HOMA-BAY CAMPUS

ABA 401: AUDITING PRACTISES AND INVESTIGATION

Date: 17th June, 2017

Time: 9.00 - 12.00 noon

INSTRUCTIONS:

- Answer question ONE and any other THREE questions.



QUESTION ONE (Compulsory)

- a) Describe the internal control procedure you would recommend to the owner of medium wholesale business to facilitate prevention and detection of errors and frauds (10mks)
- b) Explain five factors which would indicate to the auditor that the going concern assumption of the business entity in auditing is threatened (10mks)
- c) The establishment of audit committees to act as liaison between external auditing and board of directors is widespread in Kenya: Discuss the case for and against the establishment of audit committees (5mks)

QUESTION TWO

- a) Explain five factors that should be taken into consideration by an audit firm when allocating staff to audit (10mks)
- b) Discuss factors that external auditor should consider in determining whether financial statements of a limited company show a true and fair view (5mks)

QUESTION THREE

- a) It is often argued that "The external auditor adds credibility to the financial statements of business entity". Discuss (10mks)
- b) Explain five common problems may hinder the proper implementation of an audit plan (5mks)

QUESTION FOUR

Your firm has been appointed to a joint audit with another firm of certified public accountants of Kenya. In case of joint audits:

- i. Discuss the general advantages and disadvantages of joint audits (9mks)
- ii. Discuss the procedure usually followed in conducting an audit by more than one firm (6mks)

QUESTION FIVE

With references to appropriate international standards on auditing, discuss the extent to which the audit can rely on representational made by management which are not capable of independent verification by the auditor (15mks)

QUESTION SIX

- a) Critically discuss the concept of evidence in Auditing. In your decision show the impact of custom, connection and auditing standards on what constitute evidential matter in Kenya today. (10mks)
- b) Explain why a letter of engagement is desirable to an auditor (5mks)