



MASENO UNIVERSITY
UNIVERSITY EXAMINATIONS 2016/2017

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

CITY CAMPUS

ABA 401: AUDITING PRACTICE AND INVESTIGATIONS

Date: 26th July, 2017

Time: 5.30 - 8.30 pm

INSTRUCTIONS:

- Answer question ONE and any other THREE questions.
- Show all the workings clearly.
- All questions carry equal marks.



QUESTION ONE

- a) The general structure of value for money auditing is a five phase process. Describe the five phases. (10 marks)
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- b) Explain the components of audit risk and for each component, state an example of a factor which can result in increased audit risk. (7.5 marks)

QUESTION TWO

- a) Describe the main factors which influence the auditor in determining the size of the sample he will use for his detailed testing. (10 marks)
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- b) Describe the areas where judgment will be exercised by the auditor when using statistical sampling. (7.5 marks)

QUESTION THREE

Company A has a number of long and short-term payables, accruals and provisions in its balance sheet.

REQUIRED

Describe the audit procedures you would apply to each of the three items listed below, including those relating to disclosure;

- a) A 10-year bank loan with a variable interest rate and a bank overdraft, both from the same bank. (5.5 marks)
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- b) Accruals for expenses (6 marks)
- c) Prepayments for revenues (6 marks)

QUESTION FOUR

As a member of the audit team of Maseno Ltd, a manufacturing company, you have been assigned to attend the annual physical stock count on 31/12/2016. The company's financial end falls on the same date. Although you have never been involved in the annual audit assignments for this particular client, your audit firm has been their auditor for a number of years.

Required;

- a) Discuss the main purpose of attending the annual physical stock count.
(5 marks)
- b) Explain the steps you would take to prepare yourself for this assignment
(5 marks)
- c) Explain the procedures that you would follow during the stock take attendance to satisfy yourself that cut off procedures are observed by the client.
(7.5 marks)

QUESTION FIVE

- a) Explain the purposes of analytical procedures at the planning stage of an audit.
(7.5 marks)
- b) Distinguish between auditing and investigations.
(5 marks)
- c) Discuss the main contents of an investigation report.
(5 marks)

QUESTION SIX

The director of one of your growing clients has decided to create an internal audit function in their organizational structure.

- a) Describe the duties you would expect the internal audit staff to perform. (12 marks)
 - b) Explain the criteria you would consider before deciding to rely on the work of the internal audit function (5.5 marks)
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