



MURANGA UNIVERSITY COLLEGE

(A constituent College of Jomo Kenyatta University of Agriculture & Technology)

MAIN CAMPUS

UNIVERSITY EXAMINATIONS

2015/2016 ACADEMIC YEAR

FIRST YEAR ONE SEMESTER EXAMINATIONS

FOR THE DIPLOMA IN BUSINESS MANAGEMENT.

COURSE CODE: DAB 1213

COURSE TITLE: PRINCIPLES OF AUDITING

DATE: 17TH AUGUST 2015

TIME: 2 HOURS

INSTRUCTIONS TO CANDIDATES

- 1) Question **one** is compulsory
- 2) Attempt any other **two** questions

SECTION A:

QUESTION ONE

- a) Describe the details a working paper which is prepared by an auditor indicate **(4 Marks)**
- b) Describe what details a schedule used as a working paper indicate **(3Marks)**
- c) Explain what details an audit programme should indicate? **(4 Marks)**
- d) With appropriate illustrations, differentiate the use and contents of a permanent file from a current file and write brief notes on the evidence that is provided by working papers. **(4 Marks)**

(Total: 15 marks)

b)These matters listed below are always included in the internal control of a firm.

You are required to explain the purpose of each of the items listed as (a), (b) and (c) below. Indicate the compliance tests you would carry out in order to ensure that the intended controls were operating properly.

- a) A required to explain the purpose of each of the responsible employees who must promptly make listing of all receipts. **(6marks)**
- b) A rule that a fixed asset register must be maintained and updated promptly. **(4marks)**
- c) A requirement that bank reconciliation statement is prepared on monthly basis. **(5marks)**

Total: 15marks)

SECTION B

QUESTION TWO

- a) Write brief notes on the following:
 - i) Inspection; **(4 marks)**
 - ii) Observation; **(3 Marks)**
 - iii) Enquiry **(3 marks)**

- b) i) Define the term “Audit programme” **(2 Marks)**
- ii) Write in point form an audit programme to cover salary and wage of a small size firm. **(8 Marks)**

(Total: 20 Marks)

QUESTION THREE

During the course of an audit, the auditor attempts to obtain sufficient relevant and reliable evidence to prove the satisfaction that the financial records are complete and accurate. One of the ways that the auditor obtains such satisfaction is to select representative samples of transactions and balances for detailed testing, such samples being made using either statistical or non-statistical methods.

Required:

a) Describe the main factors which influence the auditor in determining the size of the sample he will use for his detailed testing. **(12 Marks)**

b) Describe three areas where judgment will be exercised by the auditor when using statistical sampling. **(8 marks)**

(Total: 20 marks)

QUESTION FOUR

Your firm audits Clean Paints Ltd. And you are planning the audit of stock and work in progress for the year ended 31 December 2000. Clean Paints Ltd. determines the value of stock in its financial statements by the year – end stock-take. There is no perpetual Stock Inventory System though stock is counted quarterly for the purpose of management accounting.

Stock and work in progress is held in the warehouse which is next to the company's factor.

Required:

a) State the areas that you will expect the client's stocktaking instructions to cover. **(12 marks)**

b) Describe the work you will perform and the matters you will record at the stock-take attend. **(8 marks)**

(Total: 20 marks)