

MURANGA

(A constituent College of Jomo Kenyatta



UNIVERSITY COLLEGE

University of Agriculture & Technology)

MAIN CAMPUS

UNIVERSITY EXAMINATIONS

2015/2016 ACADEMIC YEAR

**FIRST YEAR SEMESTER ONE EXAMINATIONS
FOR THE DIPLOMA IN CO-OPERATIVE MANAGEMENT**

COURSE CODE: DBF1213

COURSE TITLE: AUDITING MAIN EXAMS

DATE: 11th December, 2015

TIME: 2 HOURS

INSTRUCTIONS TO CANDIDATES

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

SECTION A:

QUESTION ONE

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

Required:

- (a) Explain the auditor's planning process when planning for an audit of a new client. (10marks)
 - (b) How does audit planning assist in the conduct of an audit? (10 marks)
 - (c) Explain the following controlling procedures in a well planned audit:
 - i. Direction and supervision of work. (4marks)
 - ii. Review and co-ordinating of work. (3 marks)
 - iii. Quality controls. (3 marks)
- (Total: 30marks)**

QUESTION TWO

Explain how you would verify the following:

- a) Investment income. (5 marks)
 - b) Bank balances. (5 marks)
 - c) Contingent liabilities. (5 marks)
 - d) Petty cash balances. (5 marks)
- (Total: 20 marks)**

QUESTION THREE

- a) Do you believe that the auditors should be responsible to users other than the shareholders? Give reasons to support your answer. (5 marks)
 - b) Does the auditor require a codified definition of "reasonable care and skill" or should this be left to professional judgment? Explain. (5 marks)
 - c) Why should the auditor be unwilling to take full responsibility for the detection of fraud during the annual audit? Explain. (5 marks)
 - d) Discuss the proposition that the 'expectations gap' has arisen because of the public's ignorance and should therefore be resolved by the public themselves. (5 marks)
- (Total: 20 marks)**

QUESTION FOUR

Explain the following terms:

- (a) Materiality; (4 marks)
- (b) The duty of confidentiality; (5 marks)
- (c) Professional indemnity insurance; (3 marks)
- (d) Peer review; (3 marks)
- (e) Quality Control. (5 marks)

(Total: 20 marks)
(December 1997 Q.6)

QUESTION FIVE

You are an audit senior in a firm of practicing accountants and your manager has gone out for an urgent meeting with a partner. Mr. Charo, a manager with Charo and Company, a wholesale business has come to your office with a request that your firm becomes their auditors.

Required:

- a) Describe to Mr. Charo the legal, ethical and practical factors your firm would consider before accepting the appointment. (10 marks)
 - b) Explain to Mr. Charo the qualification and disqualification of an accounting firm under the provisions of the Companies Act to become auditors. (10 marks)
- (Total: 20 marks)**