



**MURANGA UNIVERSITY COLLEGE**  
(A constituent College of Jomo Kenyatta University of Agriculture & Technology)

**MAIN CAMPUS**

**ORDINARY UNIVERSITY EXAMINATIONS**

**2015/2016 ACADEMIC YEAR**

**FOURTH YEAR FIRST SEMESTER EXAMINATIONS**

**FOR THE DEGREE  
OF  
BACHELOR OF COMMERCE**

**COURSE CODE: HBA 2302**

**COURSE TITLE: ADVANCED AUDITING**

**DATE: 7<sup>TH</sup> DECEMBER, 2015**

**TIME: 2 HOURS**

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**INSTRUCTIONS TO CANDIDATES**

Question ONE (1) is compulsory  
Answer THREE (3) questions

MRUC observes ZERO tolerance to examination irregularities

This Paper Consists of 2 Printed Pages. Please Turn Over. ►

**QUESTION ONE:**

- a) International Standard on Auditing ISA 580 (Written Representations) provides standards and guidance on the use of management representations as audit evidence.
  - i. Highlight the action the auditor should take if facts contained in the management letter are confined to management (6 marks)
  - ii. Provide options for an auditor should management refuse to give representations. (4 marks)
- b) Explain the meaning of forensic audit and give the critical aspects of conducting a forensic investigation (4 marks)
- c) Audit committees consists of non-executive directors who are able to view a company's affairs in a detached and independent way. Highlight the functions of an audit committee in an organization. (6 marks)
- d) IAS 1 recognizes the going concern assumption is fundamental in the stability of any business entity. What appropriate advice would you give to an auditor who has substantial doubt about the going concern status of an entity? (6 marks)
- e) Highlight FOUR circumstances in which the auditor may determine circularization to be necessary (4 marks)

**QUESTION TWO:**

Provide a brief description of the following terms and in each case, bring out the objectives as applicable in assurance and non assurance engagements. (12 marks)

- i. Audit
  - ii. Review
  - iii. Agreed upon procedures
  - iv. compilations
- b) Identify FOUR bodies established under Accountants act to regulate the accounting profession in Kenya. In each case, provide atleast TWO functions of the identified body. (8 marks)

**QUESTION THREE:**

- a) In the auditing, assurance and investigations engagements, Confidentiality is an implied term of contract between the auditor and the client.
  - (i) Explain TWO aspects of confidentiality (2 marks)
  - (ii) Using appropriate illustrations, give FIVE exceptions where an auditor can disclose information obtained in an assignment without client's permission. (10 marks)
- b) Advertising is not permitted in auditing practice.
  - i. Highlight FOUR acceptable publicity performances. (4 marks)
  - ii. Give FOUR prohibitions on the character of promotional material (4 marks)

**QUESTION FOUR:**

When the auditor has no reservations on the matters required by the Seventh Schedule, he issues a clean report. If he has any reservations, he may issue a qualified report. Explain the circumstances which may cause the auditors to introduce qualifying statements into their audit reports.

(20 marks)