

**MURANG'A UNIVERSITY COLLEGE
YEAR 2 SEMESTER 1
END OF SEMESTER EXAMINATION 2013**

HPS 2105 AUDITING PRINCIPLES AND PRACTICE

DATE: DECEMBER 2013

TIME: 2 HOURS

INSTRUCTIONS

Answer question ONE and any other TWO questions

QUESTION One

- a) Auditors have various duties to perform in their role as auditors, for example, to assess the truth and fairness of the financial statements.

Required:

Explain any FIVE rights that enable auditors to carry out their duties. (10marks).

- b) Discuss the importance of assessing risks at the planning stage of an audit.(10 marks).
- c) Discuss the business situations under which it would be ideal to conduct a continuous audit (5Marks)
- d) With the help of four practical examples, explain what is meant by 'analytical review' as used in audit work. (5 Marks)

Question Two

- a) Discuss the reliability concept of an audit evidence (4 Marks)
- b) State the FIVE classes of threats to an auditor's independence and for each threat list ONE example of a circumstance that may create the threat. (10 marks)

Question Three

- a) Discuss any four types of substantive tests that may be employed by an auditor in the course of conduct of the audit work. (10 Marks)
- b) Explain the term engagement letter and its importance in audit practices.(10 Marks)

Question Four

- a) In accordance with ISA 200, "the objective of an audit of financial statements is to enable the auditor to express an opinion whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework". Explain the basic elements of the auditor's report. (10 Marks)

- b) Discuss FIVE main forms of controls that are expected to be found in respect to a sound internal control system (10 Marks)

Question 5

- a) 'Internal Audit is the aim of management'. Discuss any FIVE recent trends in the development of internal auditing. (10 Marks)
- b) Describe the steps an audit firm should perform prior to accepting a new audit engagement. (10marks)