



KIBABII UNIVERSITY

**UNIVERSITY EXAMINATIONS
2019/2020 ACADEMIC YEAR
MAIN EXAMINATION
FOR THE BACHELOR OF BUSINESS MANAGEMENT**

COURSE CODE: BBA 421

COURSE TITLE: AUDITING AND ASSURANCE II

DATE: 9TH NOVEMBER 2020 TIME: 2.00PM-4.00PM

INSTRUCTIONS TO CANDIDATES

Answer Question One in Section A and Any other TWO (2) Questions in Section B

TIME: 2 Hours

SECTION A

QUESTION ONE

- (a) Define the following auditing and assurance terms (4 mrks)
 - i. Audit evidence
 - ii. Sampling risk
 - iii. Peer review
 - iv. Internal audit
- (b) State the qualifications of an auditor in Kenya (4 mrks)
- (c) Differentiate the following (4 mrks)
 - i. reasonable assurance engagement and limited assurance engagement
 - ii. system based approach and balance sheet approach
- (d) Discuss the Agency theory and agency problem (4 mrks)
- (e) Accounting records are the main audit evidence used by the auditor, but also other audit evidence are used, state other audit evidence that can be used (4 mrks)
- (f) State and discuss methods used in audit sampling (10 mrks)

SECTION B

QUESTION TWO

- (a) Discuss the objective of peer review while undertaking the audit planning (5 mrks)
- (b) Discuss the disadvantages of the peer review (5 mrks)
- (c) Outline the functions of an audit committee as according to the internal auditing ISA 610 (10 marks)

QUESTION THREE

- (a) State and discuss how the appointment of an auditor can occur (6 mrks)
- (b) Discuss the duties of an auditor (4 mrks)
- (c) State and discuss the elements of assurance engagement performed by an auditor (10Mrks)

QUESTION FOUR

- a) Define the following terms as according to the audit sampling ISA 530 (2 mrks)
 - i. Anomalous error
 - ii. Non-sampling risk

- b) State and discuss the methods of sampling used in auditing (8 mrks)
- c) Discuss general principles of agreed-upon procedures of an assurance engagement (10Mrks)

QUESTION FIVE

- a) State persons who are disqualified for an appointment as auditors in Kenya (4 mrks)
- b) With reasons explain why dismissal of an auditor is not only justifiable but desirable (6 mrks)
- c) Explain the reliability of audit evidence (2 mrks)
- d) Discuss the use of assertions in obtaining audit evidence (8 mrks)

QUESTION SIX

- a) Define the term Audit approach (2 mrks)
- b) State and discuss the types of audit approaches (8 mrks)
- c) Discuss in details the professional codes and ethics that an auditor should uphold at all times (10 mrks)