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**KIBABII UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**2017/2018 ACADEMIC YEAR**

**THIRD YEAR SECOND SEMESTER**

**MAIN EXAMINATIONS**

**FOR THE DEGREE OF BACHELOR OF COMMERCE**

**COURSE CODE: BCA 320**

**COURSE TITLE: PRINCIPLES OF AUDITING**

**DATE: 8/01/2018 TIME: 9.00 A.M - 11.00 A.M**

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**INSTRUCTIONS TO CANDIDATES**

**ANSWER QUESTION ONE IN SECTION A AND ANY OTHER TWO (2)**

**QUESTIONS IN SECTION B**

**TIME: 2 HOURS**

KIBUCO observes ZERO tolerance to examination cheating

This Paper Consists of 3 Printed Pages. Please Turn Over. 

## SECTION A (COMPULSORY)

### Question One

- a) i. Briefly explain the meaning of the "audit". (2mks)
  - ii. What are the objectives of an audit according to the companies Act? (3mks)
- b) List four advantages to a company of having its accounts audited. (4mks)
- c) Identify and list the responsibilities of company directors in relation to the company's accounting system. (6mks)
- d) List five limitations of an audit (5mks)
- e) Discuss the differences between book keeping accounting and auditing. (10mks)

## SECTION B (CHOOSE ANY TWO QUESTIONS)

### Question Two

There is a growing concern for third parties to sue under the pretext that such third parties have incurred losses due to negligence by the auditors.

#### Required

- a) To what parties might the auditor be liable? (5mks)
- b) State the circumstances under which the auditor might be held liable to third parties for negligence. (5mks)
- c) Suggest how an audit firm might minimize its potential liability for professional negligence. (10mks)

### Question Three

- a) Explain the meaning of the "audit evidence". (4mks)
- b) Write a brief explanatory notes on the following terms in relation to audit evidence.
  - i. Relevance (2mks)
  - ii. Reliability (2mks)
  - iii. Sufficiency (2mks)
- c) Describe the various procedures of obtaining audit evidence giving an example of each by way of illustration. (10mks)

### Question Four

- a) What are the main objectives of an internal control system? (5mks)
- b) What are the advantages of rigidly adhering to a system of internal control. (5mks)
- c) Explain the matters that have to be considered in respect of a system of internal control for cash sales in a service station that sells petrol and repairs motor vehicles. (10mks)

### Question Five

- a) Identify five sections in which information technology can be used to enhance the administration procedures and controls over an audit. (5mks)
- b) Identify five audit benefits that could be derived from using Computer Assisted Audited Techniques (CAATS) when carrying testing of computer records. (5mks)
- c) Briefly explain, giving an example in each case, five functions of an audit software interrogation programme. (10mks)