



*(Knowledge for Development)*  
**KIBABII UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**2020/2021 ACADEMIC YEAR**

**3<sup>RD</sup> SEMISTER YEAR ONE**

**SPECIAL/SUPPLEMENTARY EXAMINATION**

**FOR THE DIPLOMA IN BUSINESS MANAGEMENT**

**COURSE CODE:DAB 103**

**COURSE TITLE: PRINCIPLES OF AUDITING**

**DATE: 24<sup>TH</sup> SEPTEMBER,2021 TIME: 8.00 AM – 10.00 AM**

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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**

**KIBU observes ZERO tolerance to examination cheating**

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

## SECTION A

### QUESTION ONE

You have received an appointment as an external auditor for Twende Kazi Company Limited for the financial year ending 31 December 2020.

**Required:**

- a) Explain the preliminary procedures you would carry out upon your appointment. (10 marks)
- b) What is the importance of a preliminary review? (8 marks)
- c) Why is it important for the auditor to hold discussions with the client's senior staff? (6 marks)
- d) State why it is important for an incoming auditor to hold consultations with the outgoing auditor. (6 marks)

**(Total: 30 marks)**

### SECTION B(Choose any two Questions)

#### QUESTION TWO

- a) What are the main objectives of an internal control system? (5 marks)
- b) What are the disadvantages of rigidly adhering to a system of internal control? (5 marks)
- 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. (10 marks)

**(Total: 20 marks)**

- a) Why is an external audit necessary for companies registered under the Companies Act? (3 marks)
- b) Under what circumstances is one ineligible for appointment as an auditor of a company? (4 marks)
- c) Explain the procedure a company has to follow when changing its auditors. In your discussion explain 'dismissal' and 'appointment' of auditors by a company? (8 marks)
- d) List the rights and duties of an independent auditor. (5 marks)

**(Total: 20 marks)**

#### QUESTION THREE

- e) Why is an external audit necessary for companies registered under the Companies Act? (3 marks)
- f) Under what circumstances is one ineligible for appointment as an auditor of a company? (4 marks)
- g) Explain the procedure a company has to follow when changing its auditors. In your discussion explain 'dismissal' and 'appointment' of auditors by a company? (8 marks)
- h) List the rights and duties of an independent auditor. (5 marks)

**(Total: 20 marks)**

#### QUESTION FOUR

- a) Define and explain the meaning of an audit programme. (4 marks)
- b) List three disadvantages of using standardized audit programmes and how these disadvantages can be avoided. (6 marks)
- c) Draft an online audit programme for the fixed assets of a large manufacturing company.

(10 marks)

**(Total: 20 marks)**