



(Knowledge for Development)

KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS
2017/2018 ACADEMIC YEAR
THIRD YEAR FIRST SEMESTER
MAIN EXAMS

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: BCA 450 E

COURSE TITLE: AUDITING AND INVESTIGATIONS

DATE: 30/07/2018

TIME: 9.00 - 11.00 A.M

INSTRUCTIONS TO CANDIDATES

Answer Question One and any other Two (2) Questions

TIME: 2 Hours

KIBU observes ZERO tolerance to examination cheating

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QUESTION ONE (COMPULSORY)

The auditing guideline- The reliance on internal audit states that:

Internal audit is an element of internal control system set up by the management of the entity to examine, evaluate and report on accounting and other controls in operations. It exists either because of a management decision or in certain circumstances because of a statutory requirement

Required;

- a) Discuss the reasons for the increasing popularity of the internal audit function to the modern business organizations (10 marks)
- b) Examine the aspects of the internal audit department that an external auditor would consider when assessing its effectiveness (7marks)
- c) Explain factors to be considered when determining the extent to which the external auditor should rely on the work of the internal auditor (8 marks)
- d) Explain how the external auditor can satisfy himself that the work of the internal auditor is being properly controlled (5 marks)

SECTION B (CHOOSE ANY TWO QUESTIONS)

Question Two

- a) Explain the extent to which analytical review can be used as part of an audit (8marks)
- b) XYZ Limited operates a bakery in Bungoma Town. The company supplies bread products to various supermarkets in Bungoma and neighboring Towns using a fleet of vans. Minimal stocks are held at any time. The company employs a small number of accounts staff and maintains detailed production and delivery records besides preparing monthly accounts.

Required;

To prepare a detailed analytical procedures you might use for the audit of XYZ Limited (12marks)

Question Three

Evidence to support the financial statements is available from underlying accounting records and other corroborating information. During the course of the audit, the auditor would perform detailed tests taking samples of transactions from various large volume population, He may also examine various types of transactions by tracing a single transaction of each type through all stages of the accounting system.

Required

- i) Outline the audit objectives of selecting a sample of transactions from a large-volume population (7 marks)
- ii) Discuss the evidence that the auditor expect to gain from tracing a single transaction of each type through all stages of the accounting system (5 marks)
- iii) Examine the arguments for and against the use of statistical sampling in auditing (8 marks)

Question Four

A final and overall review of audit evidence and financial statements of the client by the engagement partner with the ultimate responsibility of committing the audit firm , when signing the audit report is an important event in the auditing process.

Required:

- i) Indicate the matters that an engagement partner would consider during such review (8 marks)
- ii) Examine the consequences of an unqualified report to the company (12 marks)

Question Five

You are in charge of a group of audit trainees who are to undertake their first audit assignment.

Required;

- i) Explain the assurance you will seek to obtain from them in the audit of non- current assets (12 marks)
- ii) Outline the audit procedures that the trainees would undertake in order to detect fraud and errors in the client's financial statements (8marks)