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**(KNOWLEDGE FOR DEVELOPMENT)
KIBABII UNIVERSITY**

UNIVERSITY EXAMINATIONS

2017/2018 ACADEMIC YEAR

3RD SEMISTER YEAR ONE

MAIN EXAMINATION

FOR THE DIPLOMA IN BUSINESS MANAGEMENT

COURSE CODE: DAB 103

COURSE TITLE: PRINCIPLES OF AUDITING

DATE: 08/08/2018 TIME: 9.00-11.00A.M

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 2 Printed Pages. Please Turn Over.

SECTION A (COMPULSORY)

QUESTION ONE

You have received a request form XYZ Ltd. to accept an appointment as their auditor for the financial year ending 31 December 2017.

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) 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

- 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)

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)