



(Knowledge for Development)

UNIVERSITY EXAMINATIONS
2021/2022 ACADEMIC YEAR
SECOND YEAR SECOND SEMESTER
MAIN EXAMINATION
FOR THE DEGREE OF BACHELOR OF BUSINESS
MANAGEMENT

COURSE CODE: BBA 322

COURSE TITLE: AUDITING AND ASSURANCE 1

DATE: 30TH AUGUST, 2022

TIME: 2.00PM - 4.00PM

INSTRUCTIONS TO CANDIDATES

1. Answer Question One in Section A and Any other TWO (2) Questions in Section B
2. Question one carries 30 marks and each of the other Two questions carry 20 marks each.

TIME: 2 Hours

SECTION A (COMPULSORY)

QUESTION ONE

- a) 'The auditor must not only be independent, but must be seen to be independent'

Required:

- i) Prepare the professional guidelines that would assist the external auditor in avoiding being unduly dependent on a single client (10 marks)
- ii) Evaluate the statutory and ethical matters you would consider before accepting appointment as an auditor of a company (10 marks)
- iii) In the context of the company's Act (Cap. 486), Assess the rights of an auditor (5 marks)
- iv) Justify the principal contents of a statement of directors responsibilities to be included in the financial statements (5 marks)

(Total 30 mrks)

SECTION B

ANSWER ANY TWO QUESTIONS

QUESTION TWO

'An internal control system is designed to provide reasonable assurance that all control objectives are being achieved'

Required:

- a) Interpret key elements of a good internal control (8 marks)
- b) An internal control system has several inherent limitations support this statement with relevant examples (4 marks)
- c) Examine the main control features one would expect to find in the purchasing function in an organization (8 marks)

(Total 20 mrks)

QUESTION THREE

You have been appointed as an external auditor of Bima Enterprises Ltd for the year ended 31 December 2021. Bima Ltd has an internal audit department whose work you have to review. You are of the opinion that you can rely on this department.

Required:

- i) Prior to using the internal auditors to provide direct assistance for the purpose of the company audit assess the conditions required (8 marks)
- ii) Evaluate five ways in which the work of the internal auditor might help you as the external auditor of Bima Enterprises Ltd (5 marks)
- iii) Examine the matters that you should include in the auditor's documentation (7 marks)

(Total 20 mrks)

QUESTION FOUR

'ISA 500 (Audit Evidence) requires auditors to obtain sufficient and appropriate audit evidence'

Required:

- a) Using examples support the guidelines provided in the standard for assessing the reliability of audit evidence (10 marks)
- b) Justify reasons why in the conduct of the audit assignment, the auditor may resort to statistical sampling technique (10 marks)

(Total 20 mrks)

QUESTION FIVE

"The ability of the auditor to assess inherent risks improves the efficiency of the audit process"

Required:

- i) Evaluate four factors that might affect inherent risks at the entity level (8 marks)
- ii) Examine the factors that would affect the inherent risks at the account balance and class transaction level (8 marks)
- iii) Summarize four measures that an auditing profession has put in place to reduce individuals auditor's exposure to audit risks (4 marks)

(Total 20 mrks)