



*(Knowledge for Development)*

**KIBABII UNIVERSITY  
UNIVERSITY EXAMINATIONS**

**2021/2022 ACADEMIC YEAR  
SECOND YEAR FIRST SEMESTER  
SPECIAL/SUPPLEMENTARY EXAM  
FOR THE DIPLOMA IN BUSINESS MANAGEMENT**

**COURSE CODE: DAB103**

**COURSE TITLE: PRINCIPLES OF AUDITING**

**DATE: 15<sup>TH</sup> JULY, 2022    TIME: 8.00AM – 10.00AM**

**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

KIBU observes ZERO tolerance to examination cheating

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

SECTION A

### QUESTION ONE

You have received an appointment as an external auditor for Kazileo 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) 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

- 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)