



(Knowledge for Development)

KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2021/2022 ACADEMIC YEAR

FOURTH YEAR FIRST SEMESTER

MAIN EXAMINATION

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: BBM 450

COURSE TITLE: AUDITING AND INVESTIGATION

DATE: 27TH MAY, 2022

TIME: 9.00AM – 11.00AM

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

QUESTION ONE

You have been asked by a client to investigate a small chemical manufacturing and distribution company which he is interested in purchasing:

Describe:

- a) The procedure you would carry out before out before commencing the investigation. (4mks)
- b) How you would carry out the investigation and what matters you would particularly investigate (12mks)
- c) The form of your final report (4mks)
- d) Authorities on the audit of computer may argue that auditors must learn how to "audit through the computer" using various computer assisted audit techniques (5mks)
 - i) Test data (5mks)
 - ii) Computer audit programs

QUESTION TWO

Events or transactions arising after the balance sheet date are very important to the auditor

Required:

- a) Give examples and types of such events or transactions (8mks)
- b) Explain the responsibility of the auditor in respect of events or transactions occurring between
 - i) The end of financial year and the completion of the audit fieldwork(3mks)
 - ii) The end of the audit fieldwork and the date the accounts are approved and signed by the board (3mks)
 - iii) The date the accounts are approved and signed bythe board and the date the accounts are signed by the auditor (3mks)
 - iv) The date the accounts are signed by the auditor and the date of the annual general meeting (3mks)

QUESTION THREE

- i) Describe an audit process (8mks)
- ii) Letters of representation are an attempt by auditors to limit the extent of their audit work and liability. Discuss (12mks)

QUESTION FOUR

- i) Describe two audit tests (4mks)
- ii) The usual implication of on-line computer system is that the user can have direct access to the master files within the system, through the medium of a terminal.

Required:

- a) Describe the potential control weaknesses, specific to on-line system (6mks)
- b) Details the methods that can be adopted to overcome these weaknesses. (10mks)

QUESTION FIVE

- a) 'Balance sheet figures can be a travesty of the truth. They indicate that once upon a time a certain sum of money was paid for an asset. Furthermore, some assets are excluded altogether. Surely an auditor cannot consider this to be true and fair' (16mks)
- b) Explain two differences between statutory audit and private audit (4mks)