



(Knowledge for Development)
KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2021/2022 ACADEMIC YEAR

MAIN EXAMINATION

FOR THE DEGREE IN BUSINESS MANAGEMENT

COURSE CODE: BBM 320

COURSE TITLE: PRINCIPLES OF AUDITING

DATE: 15TH DECEMBER, 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

QUESTION ONE

You have received an appointment as an external auditor for Twende Kazi 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) 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)
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- 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

- 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)

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)

QUESTION FIVE

- a) In the context of a computer based accounting system, explain the meaning of the following terms:
- i. Application controls; (4 marks)
 - ii. General controls (4 marks)
- b) Explain the importance of having proper systems documentation (6 marks)
- c) A Company wishes to change from an old computerized system to a new computer based accounting system. Explain how and why both systems should run parallel prior to the change over to the new system. (6 marks)

(Total: 20 marks)