



(Knowledge for Development)

KIBABII UNIVERSITY
UNIVERSITY EXAMINATION
2021/2022 ACADEMIC YEAR
THIRD YEAR SECOND SEMESTER
SPECIAL/SUPPLEMENTARY EXAMINATION
FOR THE DEGREE OF BACHELOR OF COMMERCE
COURSE CODE: BCA 322
COURSE TITLE: PRINCIPLES OF AUDITING
DATE: 18TH NOVEMBER, 2022 **TIME: 11.00AM - 1.00PM**

INSTRUCTIONS TO CANDIDATES

Answer Question **One** and Any other **Two** Questions

TIME: 2 Hours

KIBU observes ZERO tolerance to examination cheating

Question one

- a) Explain the meaning of the audit evidence (2 marks)
- b) Write a brief explanatory notes on the following terms in relation to audit evidence:
- i. Relevance. (2 marks)
 - ii. Reliability. (2 marks)
 - iii. Sufficiency. (2 marks)
- c) Describe the five various procedures of obtaining audit evidence giving an example of each by way of illustration. (5 marks)
- d) The director of one of your growing clients have decided to create an internal audit function in their organizational structure.

Required:

- i) List and briefly describe the duties you would expect the internal audit staff to perform. (7 marks)
- ii) List and explain the criteria which you would consider before deciding to rely on the work of the internal audit function. (5 marks)
- iii) State the extent to which you, as an external auditor, can rely on the work of the internal audit function. (5 marks)

Question Two

- a) Write briefly explanatory notes on the following types of audit:
- i. Statutory audit; (2 marks)
 - ii. Private audit; (2 marks)
 - iii. Balance sheet audit; (2 marks)
 - iv. Management audit; (2 marks)
- b) Explain the value derived from the work of external auditors. (5 marks)
- c) Outline the statutory provisions with regard to duties of external auditors. (7 marks)

Question Three

- 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) State six examples of controls to prevent unauthorised changes to data files that you would expect to find in a new computer based accounting system (6 marks)
- c) A company wishes to change from an old computerised system to a new computer based accounting system. Explain how and why both systems should run parallel prior to the change over the new system (6 marks)

Question Four

- 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)

Question Five

You have received a request from XYZ Ltd. to accept an appointment as their auditor for the financial year ending 31 December 2021.

Required:

- a) Explain the preliminary procedures you would carry out upon your appointment. (6 marks)
- b) What is the importance of a preliminary review? (4 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. (4 marks)