



(Knowledge for Development)

**KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS
2023/2024 ACADEMIC YEAR
THIRD YEAR FIRST SEMESTER
MAIN EXAMINATION**

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: BBM 320

COURSE TITLE : PRINCIPLES OF AUDITING

DATE: 6 DECEMBER, 2023 TIME: 2.00 – 4.00 PM

INSTRUCTIONS TO CANDIDATES

Answer Question One in Section A and Any other TWO (2) Questions in Section B
TIME: 2 HOURS

KIBUCO observes ZERO tolerance to examination cheating

This Paper Consists of 2 Printed Pages. Please Turn Over.

b) Briefly explain why an audit is necessary for a limited liability company. (5 marks)

(Total: 15 Marks)

Write brief explanatory notes on the following expressions and stating the context in which they may be used in audits.

a) Quality of audit evidence. 5 Marks

b) Disclaimer. 5 Marks

c) Not material. 5 Marks

(Total: 15 Marks)

SECTION B (ANSWER ANY TWO QUESTIONS)

QUESTION TWO

- (a) Examine Six avenues through which an auditor can obtain audit evidence regarding a client. (12 Marks)
- (b) With reference to the global trading platform, elaborate on Five factors that are responsible for the growth of the Internal audit function. (8 marks)

QUESTION THREE

You have been approached by Mr. Matata the managing director of Kenya wide Services Ltd., a company which you are the auditor. It declares in no uncertain terms "There is no need for you to carry our interim audit of the accounts for the year ending 30 June 2023. Interim audits are only a way for you to increase your fee income. They are of no use to me and you have to do all the work again at the final audit."

Required:

- a) An interim audit is desirable and beneficial to the clients. Discuss (10 marks)
- b) What work normally carried out on the final audit could be carried out at the interim stage? (5 marks)
- c) What is a continuous audit? Briefly explain its advantages and disadvantages. (5 marks)

(Total: 20 marks)

Questions Four

The draft account of your client Tourists Travel Ltd show the following amounts of creditors as at 31st December 2023.

- i. Trade creditors Ksh 7,500,000
- ii. Sundry creditors Ksh 1,875,000
- iii. Accruals Ksh 9,375,000

Required:

- a) What controls can you recommend to be implemented for trade creditors throughout the period the trading period?. (13 marks)
- b) Describe the challenges encountered by an auditor of a company that is using e-commerce to conduct its business operations. (7 marks)

Questions Five

The auditors' operational standard states that "an auditor should obtain relevant and reliable audit evidence to enable him to draw reasonable conclusions thereon"

Required:

- a) Discuss the factors that would influence the auditor's judgments with regard to the above statement. 10 marks
- b) Evaluate the substantive balance sheet procedures that are relevant to cash and bank balances. (10 Marks)