

KISII UNIVERSITY
UNIVERSITY EXAMINATION 2023/2024
SCHOOL OF BUSINESS AND ECONOMICS
BACHELOR OF BUSINESS ADMINISTRATION
UNIT CODE: BCOM/BBAM 410 UNIT TITLE: AUDITING 1
DATE: DECEMBER 2023 STREAM YEAR 4 SEMESTER 1 TIME: 2 HOURS
INSTRUCTIONS: ANSWER QUESTION ONE AND ANY OTHER THREE
QUESTIONS

QUESTION ONE

- a. Explain the how the modern objectives of auditing can be achieved (7 marks)
- b. Describe the circumstances under which an auditor can be removed from office (5 marks)
- c. Discuss the importance of audit planning for existing client (8 marks)
- d. Distinguish between internal auditing and external auditing (5 marks)

QUESTION TWO (15 MARKS)

- a. Explain the limitations for collecting audit working papers (9 marks)
- b. The auditors operational Standard requires the auditor to obtain 'relevant and reliable audit evidence sufficient to enable him to draw reasonable conclusions therefrom.

required:

Explain the meaning of the following terms;

- i. audit evidence (2 marks)
- ii. relevant audit evidence (2 marks)
- iii. reliable audit evidence (2 marks)

QUESTION THREE (15 MARKS)

- a. International Standard on auditing 300, (*Planning an Audit of Financial Statements*) states that an auditor must plan the audit. Explain the benefits of audit planning (9 marks)
- b. Explain the six types of audit (6 marks)

QUESTION FOUR (15 MARKS)

- a. Reliability is influenced by the source of information whether internal or external and the nature of information whether oral or documentary. State with a reason whether the following statements are true or false.
- i. External evidence i.e. information from the 3rd parties is less reliable than internal evidence unless there is collusion with the management to give misleading information (2 marks).
 - ii. Internal evidence is more reliable when the ICS in operation is satisfactory (2 marks).
 - iii. Evidence in the form of documents and written representations is less reliable than oral representations (2 marks).
 - iv. Evidence obtained by the auditor himself is more reliable than obtained from the client's management. This is because further procedures can be performed to solve any inconsistency arising from the results obtained (2 marks).
 - v. Evidence in the form of photocopies is less reliable than the original documents (2 marks).
- b. Explain the duties of an auditor (5 marks)

QUESTION FIVE (15 MARKS)

The Companies Act (Cap.486) sets out the duties of the auditors for a company in respect of his report and other matters.

required:

- a. Explain the situations under which the act requires auditors to qualify their report (9 marks)
- b. Explain the consequences in which the auditors may qualify their report as a result of disagreement with the directors (6 marks)