



MASENO UNIVERSITY
UNIVERSITY EXAMINATIONS 2016/2017

**FOURTH YEAR FIRST SEMESTER EXAMINATION FOR DEGREE
OF BACHELOR OF BUSINESS ADMINISTRATION WITH
INFORMATION TECHNOLOGY**

MAIN CAMPUS

ABA 401: AUDITING PRACTICE AND INVESTIGATIONS

Date: 5th December, 2016

Time: 8.30 - 11.30am

INSTRUCTIONS:

- Answer Question ONE (Compulsory) and any other THREE.



QUESTION ONE

- a) The general structure of value for money auditing is a five phase process. Describe the five phases. (10 marks)
- b) Explain the components of audit risk and for each component, state an example of a factor which can result in increased audit risk. (7.5 marks)

QUESTION TWO

- a) Describe the main factors which influence the auditor in determining the size of the sample he will use for his detailed testing. (10 marks)
- b) Describe the areas where judgment will be exercised by the auditor when using statistical sampling. (7.5 marks)

QUESTION THREE

Company A has a number of long and short-term payables, accruals and provisions in its balance sheet.

REQUIRED

Describe the audit procedures you would apply to each of the three items listed below, including those relating to disclosure;

- a) A 10-year bank loan with a variable interest rate and a bank overdraft, both from the same bank. (5.5 marks)
- b) Accruals for expenses (6 marks)
- c) Creditors and purchase accruals (6 marks)

QUESTION FOUR

Your firm audits Wananchi Timber Ltd, and you are planning the audit of stock and work in progress for the year dated 30th June 2014. Wananchi Timber determines the value of stock in its financial statements by the year end stock take. There are no perpetual inventory systems although the stock is counted quarterly for the purposes of management accounting.

REQUIRED

- a) Describe the areas you will expect the client stock taking instructions to cover. (10marks)
- b) Describe the work you will perform and the matter you will need to record at the stock take attendance (7.5 marks)

QUESTION FIVE

- a) Explain the purposes of analytical procedures at the planning stage of an audit. (7.5 marks)
- b) Explain the following terms:
 - i) Forensic accounting. (2.5 marks)
 - ii) Forensic investigation. (2.5 marks)
- c) In view of financial scandals that was taking place in corporate governance, discuss any five major ethical values that an Auditor need to possess in auditing as raised by the Sarbanes Oxley Act, 2002. (5 marks)

QUESTION SIX

The director of one of your growing clients has decided to create an internal audit function in their organizational structure.

- a) Describe the duties you would expect the internal audit staff to perform. (12 marks)
- b) Explain the criteria you would consider before deciding to rely on the work of the internal audit function (5.5 marks)