



MURANGA UNIVERSITY COLLEGE

(A constituent College of Jomo Kenyatta University of Agriculture & Technology)

TOWN CAMPUS

ORDINARY UNIVERSITY EXAMINATIONS

2014/2015 ACADEMIC YEAR

2ND YEAR SECOND SEMESTER EXAMINATIONS

FOR THE DEGREE

OF

BACHELOR OF COMMERCE

COURSE CODE: HBC 2207

COURSE TITLE: PRINCIPLES OF AUDITING

DATE: 17th AUGUST, 2015

TIME: 2 HOURS

INSTRUCTIONS TO CANDIDATES

Question ONE (1) is compulsory
Answer THREE (3) questions



MRUC observes ZERO tolerance to examination irregularities

QUESTION ONE:

- a) What is an Audit Plan?. **(2 marks)**
Give FOUR Advantages of good audit planning **(8 Marks)**
- b) By providing relevant illustrations, discuss FIVE methods that an auditor can use to obtain evidence in arriving at the conclusions on which the audit opinion on the financial statements is based. **(10 marks)**
- c) The audit report is the means by which the auditor reports his opinion as to whether the financial statements show a true and fair view of the state of affairs. Explain FIVE types of audit opinions **(10 marks)**

QUESTION TWO:

- a) A management audit involves investigation of the company's entire management to ascertain whether the management is running the organization in the best interest of the stakeholders. Provide FIVE reasons why management audits should be regularly conducted. **(10 marks)**
- b) What are substantive tests? **(2 marks)**
Explain FOUR assertions auditors seek to confirm in substantive tests. **(8 marks)**

QUESTION THREE:

- a) Explain the main stages followed by an auditor when carrying out an audit .**(10 marks)**
- b) Give FIVE reasons why a firm's management should put in place a working internal control system in running the operations of the company. **(10 marks)**

QUESTION FOUR:

- a) In audit documentation,, working papers prepared include the permanent and the Current audit files. Provide a description and the content of each of these files. **(12 marks)**
- b) Highlight EIGHT types of control procedures that a company can adopt in managing its operations. **(8 marks)**