

**W1-2-60-1-6**

## JOMO KENYATTA UNIVERSITY

**OF**

**AGRICULTURE AND TECHNOLOGY**

# University Examinations 2014/2015

**SECOND YEAR FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE**

**HBC 2207 : PRINCIPLES OF AUDITING**

**DATE: AUGUST 2015 TIME: 2 HOURS**

**INSTRUCTIONS: ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER**

**TWO QUESTIONS.**

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**QUESTION ONE (30 MARKS)**

(a) Define the term audit and identify key features of your definition. [5 marks]

(b) Identify and explain four opinions an auditor of a company may give on completion of audit assignment. [12 marks]

(c) Explain the following terms as used in auditing:

1. Inspection. [3 marks]
2. Observation. [3 marks]
3. Enquiry. [3 marks]
4. Sampling. [4 marks]

**QUESTION TWO (20 MARKS)**

(a) Discuss the following types of audits and provide basic illustration:

1. Statutory audit. [3 marks]
2. Private audit. [3 marks]
3. Balance sheet audit. [3 marks]
4. Management audit. [3 marks]

(b) Outline key statutory provisions with regard to duties of external auditors.

[8 marks]

**QUESTION THREE (20 MARKS)**

(a) Discuss audit evidence. [4 marks]

(b) In relation to audit evidence, explain the following:

1. Relevance. [2 marks]
2. Reliability. [2 marks]
3. Sufficiency. [2 marks]

(c) Outline any five advantages and disadvantages an organization derives from conducting annual or other audits. [10 marks]

**QUESTION FOUR (20 MARKS)**

(a) Discuss internal audit function of an organization. [6 marks]

(b) Identify criteria an external auditor would follow before relying on the work of internal auditor. [6 marks]

(c) Outline key functions internal audit staff are expected to perform. [8 marks]

**QUESTION FIVE (20 MARKS)**

As a professional auditor, explain the following terms giving examples to a management team of a newly incorporated public company:

(a) Control procedure. [4 marks]

(b) Internal checks. [4 marks]

(c) Vouching audit. [4 marks]

(d) Walk-through tests. [4 marks]

(e) Weakness tests. [4 marks]