

 W1-2-60-1-6

JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY

**UNIVERSITY**

**SECOND YEAR FIRST SEMESTER EXAMINATION FOR THE DIPLOMA IN ACCOUNTING AND FINANCE/**

**DIPLOMA IN PROCUREMENT AND SUPPLIES MANAGEMENT**

**HEP 0217: AUDITING PRINCIPLES AND PRACTICE**

**DATE: AUGUST 2018 TIME: 1 ½ HOURS**

INSTRUCTIONS: ANSWER QUESTION ONE (COMPULSORY) AND ANY

 OTHER TWO QUESTIONS

**QUESTION ONE: 30 MARKS**

The audit process involves four main phases.

Required:-

a. Describe briefly the four main phases of the audit process. (12 marks)

b. International standard on auditing-planning for an audit on financial statements (ISA 300 paragraph2) states that:- ‘The auditor should plan the audit so that the engagement will be performed in an effective manner’

Required:-

i. Explain any six benefits for planning the audit. (12 marks)

ii. Distinguish between audit plan and audit programme. (6 marks)

**QUESTION TWO: 15 MARKS**

International standard on auditing (ISA 570) addresses the issue of going concern. The standard provides guidance on the auditor’s responsibility in the audit of financial statements with respect the going concern assumption.

Required:-

a. List and briefly describe six factors which may be indicative of going concern problems. (6 marks)

b. Highlight six audit procedures to be taken by the auditor in determining whether or not the company may properly be regarded as a going concern. (9 marks)

**QUESTION THREE: 15 MARKS**

Panone Companies Limited are considering establishing an internal audit department next year, and the managing Director has asked you about the differences between internal audit and external audit and what impact if any of establishing internal audit department.

Required:-

a. Distinguish between internal audit and external audit. (12 marks)

b. State four essentials of an effective internal audit department. (3 marks)

**QUESTION FOUR: 15 MARKS**

Internal standard in auditing (ISA 700) deals with the auditor’s responsibility to form an opinion on the financial statements. It also deals with the form and content of the auditor’s report issued as a result of an audit on financial statements.

Required:-

a. List six control measures over cash payments. (6 marks)

b. Describe three types of modified audit opinions. (9 marks)

**QUESTION FIVE: 15 MARKS**

Cash is the most liquid asset and therefore easily misappropriated. This is the most critical area where many frauds take place. Internal controls must be in place to safeguard the asset against loss or fraud:

Required:

a. List six control measures over cash payments. (6 marks)

b. Describe briefly five audit procedures over cash payments. (9 marks)