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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2019/2020 ACADEMIC YEAR
FOURTH YEAR, FIRST SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)
KAC 401: AUDITING AND INVESTIGATION

Date: 15th April, 2019
Time: 11.00am – 1.00pm

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Differentiate between auditing and accounting. (8 marks)
- b) Briefly explain the meaning of the following terms in relation to audit reports:
- i) Emphasis of matter. (5 marks)
- ii) Disclaimer of opinion. (5 marks)
- c) The auditor should obtain sufficient and appropriate audit evidence to be able to draw reasonable conclusions on which to base the audit opinion. Identify and briefly explain any three procedures for obtaining audit evidence. (6 marks)
- d) Explain the purpose and importance of a letter of engagement. (6 marks)

QUESTION TWO (20 MARKS)

- a) Discuss the publics to whom the statutory auditor owes a duty of care. (10 marks)
- b) Your audit senior has assigned you the responsibility of auditing the stock of your client, XYZ Supermarket Ltd. for the year ending 31 December 2018. The company's stock take is carried out once a year in the month of November simultaneously for all the retail outlets.
Required:
Describe the audit procedures that you would perform in order to be satisfied as to the validity of the amount attributed to stock in the balance sheet of XYZ Supermarket Ltd. (10 marks)

QUESTION THREE (20 MARKS)

- a) In order to conduct an audit effectively and efficiently, an auditor should properly plan for the assignment. Explain the matters that an auditor should take into account at the planning stage of an audit exercise. (7 marks)
- b) Explain the meaning and purpose of CAATTS in auditing. (5 marks)
- c) Differentiate between the work of an internal auditor and that of a statutory auditor. Explain the extent to which the two rely on each other? (8 marks)

QUESTION FOUR (20 MARKS)

- a) Explain the meaning of a management letter and its purpose? (5 marks)
- b) "The auditor must not only be independent, but must be seen to be independent." Suggest how the independence of an internal auditor may be strengthened. (10 marks)
- c) Explain the challenges that auditors face in the process of being independent. (5 marks)

QUESTION FIVE (20 MARKS)

- a) Explain the terms auditing through a system and auditing round a system. (6 marks)
- b) Discuss the functions of the audit committee. (6 marks)
- c) Discuss the "expectations gap" clearing bringing out the role of an auditor. (8 marks)