



Kasarani Campus
Off Thika Road
Tel. 2042692 / 3
P. O. Box 49274, 00100
NAIROBI
Westlands Campus
Pamstech House
Woodvale Grove
Tel. 4442212
Fax: 4444175

KIRIRI WOMEN'S UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2022/2023 ACADEMIC YEAR
FIRST YEAR, SECOND SEMESTER EXAMINATION
FOR THE DIPLOMA IN ACCOUNTING
DAC 1504- AUDITING

Date: 8THDecember, 2022
Time: 2:30pm-4:30pm

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

Marble Kenya Ltd was formed on October 12, 2022 in order to export tea and coffee to European markets. The Directors are unsure as to their responsibilities and the nature of their relationship with the external auditors. The auditor partner has asked you to visit the client and explain to the directors the fundamental aspects of the accountability of the directors and their relationship with the auditor.

Required

Explain to the directors of Marble Kenya Ltd

- a) The need for an audit. (6 Marks)
- b) Procedures for the appointment of an auditor of a Public company under the company's Act. (6 Marks)
- c) Directors responsibilities in relation to the accounting function of the company. (6 Marks)
- d) Auditors statutory responsibility in relation to the audit of the company's financial statements. (6 Marks)
- e) Explain the differences between external and internal audit. (6 Marks)

QUESTION TWO (20 MARKS)

- a) Explain the purpose of an engagement letter and its contents. (8 Marks)
- b) Explain the professional ethics that the auditor is expected to adhere to. (6 Marks)
- c) Discuss the purpose of an audit working papers. (6 Marks)

QUESTION THREE (20 MARKS)

- a) Explain the five elements of internal controls in an organization. (10 Marks)
- b) Define the term audit evidence. (2 Marks)
- c) Discuss ways of gathering audit evidence. (8 Marks)

QUESTION FOUR (20 MARKS)

- a) Differentiate between error and fraud. (2 Marks)
- b) Explain ways in which internal control systems are used to prevent fraud. (8 Marks)
- c) Explain conditions necessary to carry out audit sampling. (10 Marks)

QUESTION FIVE (20 MARKS)

- a) Explain the factors that may lead to the qualification of an audit report. (10 Marks)
- b) Going concern concept is a fundamental assumption underlying the preparation of the financial statements. What are the procedures you would perform to ensure that the going concern is appropriate for your audit client? (10 Marks)