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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

Date: 11th December, 2019

Time: 2.30pm – 4.30pm

KAC 401 - AUDITING AND INVESTIGATIONS

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

You have recently been appointed auditor of Leisure Hotels Limited, a company which owns several hotels. the company has an established internal audit department , which operates at the head office and visits the hotels for audit on regular basis .each hotel has computer which records the booking of rooms for overnight accommodation and produces the billings account for each guest.

Required:

- a) Describe the work you would expect to be carried out by the internal audit staff of leisure hotels Limited (11 Marks)
- b) Explain the factors you would consider and the work you would perform to enable you to assess the extent to which you could rely on the work of the internal audit staff. (7 Marks)
- c) Assuming that you conclude that the work of the internal audit staff reliable, describe the effect this would have on your audit work. (4 Marks)
- d) Differentiate between auditing and cost accounting. (8 Marks)

QUESTION TWO (20 MARKS)

- a) It is not the role of the statutory auditor to ensure that the financial statements give a true and fair view. Discuss. (6 Marks)
- b) 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. (9 Marks)
- c) Discuss the importance of an audit to an organization. (5 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. (10 Marks)
- b) 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? (10 Marks)

QUESTION FOUR (20 MARKS)

- a) “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. (12 Marks)
- b) Differentiate between a management letter and a letter of engagement. (8 Marks)

QUESTION FIVE (20 MARKS)

- a) Differentiate between systems audit and a forensic audit. (6 Marks)
- b) Explain the meaning of the following terms as used in auditing
- i) Disclaimer of audit opinion. (3 Marks)
 - ii) CAATTS. (3 Marks)
 - iii) True and fair view. (3 Marks)
- c) Discuss the publics to whom the auditor is responsible for. (5 Marks)