



KIBABII UNIVERSITY COLLEGE

(A Constituent College of Masinde Muliro University of Science Technology)

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DEPARTMENT OF BUSINESS MANAGEMENT AND ECONOMICS

UNIVERSITY REGULAR EXAMINATIONS

2013 /2014 ACADEMIC YEAR

3RD YEAR 2ND SEMESTER EXAMINATIONS

(MAIN EXAMINATION)

FOR THE DEGREE OF BACHELOR OF

BUSINESS MANAGEMENT

COURSE CODE: BBM 320

COURSE TITLE: PRINCIPLES OF AUDITING

DATE: 17TH APRIL, 2014

TIME: 9:00A.M.-12 NOON

INSTRUCTIONS TO CANDIDATES:

- Answer question ONE and any other THREE.

QUESTION ONE

- a) You have recently been appointed as the external auditor of XYZ limited. Explain the stages you would follow in the conduct of your audit. (4mks)
- b) In the context of the Companies Act (Cap.486) outline the procedure for the removal of an auditor. (6mks)
- 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 five procedures for gathering/obtaining audit evidence. (10mks)
- d) When the auditor is auditing the balance sheet statement of (financial position) items he should bear in mind certain assertions which the accountant had in mind while preparing. Identify and briefly explain five assertions. (10mks)

QUESTION TWO

Your audit firm, Kinot & Associates (CPA) has scheduled a meeting with the directors of Safiner Solutions limited with regard to the firm's appointment as the company's auditor. The items listed for discussion during the meeting include:-

- i) Appointment of an auditor under the Companies Act.
- ii) Remuneration of an auditor under the Companies Act.

Discuss (i) and (ii) above

(15mks)

QUESTION THREE

- a) Identify and explain the quality control procedures that a firm should implement to ensure its audit assignments are completed efficiently. (10MKS)
- b) State the factors that the external auditor should consider before placing reliance on the work of the internal auditor. (5mks)

QUESTION FOUR

- a) Briefly list and explain the statutory rights of an auditor in relation to Companies Act Cap.(486) (10mks)
- b) What are the essentials of good working papers? (5mks)

QUESTION FIVE

ABC limited had scheduled a seminar with your audit firm Makokha Associates(CPA) with regard to the types of audit. The items listed for discussions during the meeting include:-

- i) Procedural audits. (5mks)
- ii) Statutory audits. (5mks)
- iii) Private audits.

Discuss.

(15mks)