



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS AND ECONOMICS
UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS
ADMINISTRATION WITH IT
3RD YEAR 1ST SEMESTER 2019/2020 ACADEMIC YEAR
MAIN-EVENING

COURSE CODE: ABA 305

COURSE TITLE: AUDITING 1

EXAM VENUE:

STREAM: (BBA-FINANCE)

DATE:

EXAM SESSION:

TIME: 2 HOURS

Instructions:

- 1. Answer ALL questions in section A and ANY other 2 questions in section B**
- 2. Candidates are advised not to write on the question paper.**
- 3. Candidates must hand in their answer booklets to the invigilator while in the examination room**

QUESTION ONE

- a) Write brief notes on the following auditing techniques:
- i. Inspection; (4 marks)
 - ii. Observation; (3 marks)
 - iii. Enquiry. (3 marks)
- b) Give four merits of using a flowchart to record an accounting system. (4 marks)
- c) Write briefly explanatory notes on the following types of audit:
- i. Statutory audit; (2 marks)
 - ii. Private audit; (2 marks)
 - iii. Balance sheet audit; (2 marks)
 - iv. Management audit; (2 marks)
- d) Write brief explanatory notes on the following audit terms:
- i) Internal check; (4 marks)
 - ii) Walk-through tests; (4 marks)

(Total: 30 marks)

QUESTION TWO

- a) Why is an external audit necessary for companies registered under the Companies Act? (3 marks)
- b) Under what circumstances is one ineligible for appointment as an auditor of a company? (4 marks)
- c) Explain the procedure a company has to follow when changing its auditors. In your discussion explain 'dismissal' and 'appointment' of auditors by a company? (8 marks)
- d) List the rights and duties of an independent auditor. (5 marks)

(Total: 20 marks)

QUESTION THREE

The director of one of your growing clients have decided to create an internal audit function in their organizational structure.

Required:

- a) List and briefly describe the duties you would expect the internal audit staff to perform. (10 marks)
- b) List and explain the criteria which you would consider before deciding to rely on the work of the internal audit function. (5 marks)
- c) State the extent to which you, as an external auditor, can rely on the work of the internal audit function. (5 marks)

(Total: 20 marks)

QUESTION FOUR

You have been appointed the auditor of United Millers Company Limited, a medium manufacturing company which is quoted on the stock exchange.

Required:

- a) List the important matters which must be included in the letter of engagement. (14 marks) L
- b) Explain the purpose of such a letter. (6 marks) E

(Total: 20 marks)

QUESTION FIVE

- a) What are the main objectives of an internal control system? (5 marks)
- b) What are the disadvantages of rigidly adhering to a system of internal control? (5 marks)
- c) Explain the matters that have to be considered in respect of a system of internal control for cash sales in a service station that sells petrol and repairs motor vehicles. (10 marks)

(Total: 20 marks)