



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**SCHOOL OF BUSINESS & ECONOMICS**

**UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS  
ADMINISTRATION WITH IT**

**4<sup>TH</sup> YEAR 1<sup>ST</sup> SEMESTER 2021/2022 ACADEMIC YEAR**

**MAIN CAMPUS**

**COURSE CODE: BAB 1401**

**COURSE TITLE: AUDIT THEORY AND PRACTICE**

**EXAM VENUE:**

**STREAM: (BBA)**

**DATE:**

**EXAM SESSION:**

**TIME: 2 HOURS**

**INSTRUCTIONS:**

- 1) Answer Question ONE (COMPULSORY) and ANY other 2 questions**
- 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 (30 MARKS)**

- a. The International Standards on Auditing (ISA) defines an **assurance engagement** as “one in which a practitioner expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the evaluation or measurement of a subject matter against a suitable criterion.”

**Required:**

- i. Explain briefly five major elements of an assurance engagement **(5 Marks)**

- ii. Outline four benefits of statutory audit to a corporate organization **(5 Marks)**
- b. The companies Act requires that all limited liability companies to appoint an auditor whose task is to express an independent opinion as to whether financial statement show true and fair view of the financial performance and position of the company. Based on class interactions, explain briefly with a relevant example circumstances under which Financial statements are considered to present “a true and fair “ **(10Marks)**
- c. **ISA 240** states clearly in paragraph 240.13 that the **primary** responsibility for the prevention and detection of fraud rests with the **management** and those charged with governance of the entity. Asuming you have been engaged as an auditor for a firm dealing with First Moving Consumer Goods (FMCG),outline five possible factors likely to cause fraud and suggest appropriate remedy to be instituted by management in each case. **(10Marks)**

**QUESTION TWO (20 MARKS)**

- a) Code of ethics and best practice defines Independence as a state of mind that permits the provision of an opinion without being affected by influences that compromise professional judgement, allows an individual to act with integrity and exercises objectivity and professional judgement. Explain circumstances under which an auditor’s indepenence may be comprimised. **(12Marks)**
- b) Briefly explain four Possible Engagemnt specific safeguards for auditors independence **(8Marks)**

**QUESTION THREE (20 MARKS)**

- a) As an auditor before accepting an assignment of a new client, there specific matters of integrity to consider. Outline any five of these matters. **(5 Marks)**
- b) List five reasons that makes risk analysis stage a very important part of the planning of an audit **(5 Marks)**
- c) The major reason an independent auditor gathers audit evidence is to support their conclusions related to financial statement items. Explain the importance of audit evidence **(10 Marks)**

**QUESTION FOUR (20 MARKS)**

- a) ISA 300 provides guidance on the considerations and activities applicable to planning an audit of financial statements. State five benefits of audit planning **(5Marks)**
- b) ISA **ISA 500** is to establish standards and provide guidance on what constitutes audit evidence that is necessary for the auditor to form an opinion on Financial statements. Explain FIVE convectional audit procedures/assertions that may be used by the auditor to gather evidence in respect to fixed assets particulaly freehold land,buildings and machinery

**(10 Marks)**

- c) Outline five contemporary issues that may affect the work of an auditor in discharge of his statutory duties. **(5Marks)**

**QUESTION FIVE (20 MARKS)**

- a) Outline any five basic elements of an audit report **(5Marks)**  
b) Distinguish between Unqualified and Qualified audit reports **(5Marks)**  
c) Discuss the contents of executive summary in an audit report and why this summary is always necessary **(10 Marks)**