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UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS AND ECONOMICS
UNIVERSITY EXAMINATION FOR THE BACHELOR BUSINESS
ADMINISTRATION DEGREE WITH IT & BACHELOR OF EDUCATION DEGREE
WITH IT
2022/2023 ACADEMIC YEAR
MAIN CAMPUS
YEAR THREE SEMESTER ONE

COURSE CODE: BAB 1307

COURSE TITLE: AUDITING I

DATE: 09/12/2022

SESSION: 15.00-17.00PM

DURATION: 2 Hours

INSTRUCTIONS

- 1. Answer question ONE and any other two**
- 2. Show all your workings**

QUESTION ONE

Njiri Wamalwa, the sole proprietor of chicken Soup has been advised to have the business the financial statement reports examined by Alice Moraa (CPA holder.) However, Jiri Wamalwa does not understand why financial statements should be examined by a CPA Holder.

Required

- a) Explain to Njiri the limitations of of an Independent Audit (10 marks)
 - b) Discuss how independent Audit may be useful to Njiri Wamalwa (10 marks)
- B) Zoom Zoom Limited has been in business for several years and is appointing you as the auditor for the first time. You were not able to examine all the records (as they had lost some records when they moved from their previous premises. You were also not able to physically observe inventory as you were only engaged after the balance sheet date. Inventory is considered as a material and significant part of the financial statements. The client has not restricted your access to any of the available records of the previous years.

Required:

State the type of audit opinion that should be issued for the **above** situation and give your reasons. (5 Marks)

C) Auditing is a luxury while Accounting is a necessity **Discuss** (5 marks)

QUESTION TWO

- i) Discuss the Auditor's responsibility regarding frauds detections and preventions(10marks)
- ii) Highlight the difference between Auditing and Bookkeeping(10 marks)

QUESTION THREE

With respect to an auditor's report distinguish between the following sets of terms

- i) Disclaimer of opinion and averse opinion (5marks)
 - ii) Unqualified opinion and qualified opinion(5marks)
- b) Explain the use of working papers to an Auditor (10 marks)

QUESTION FOUR

- a) Explain the Content of Letter of engagement **(10 marks)**
- b) Explain the conditions under which each of the following audits should be conducted
 - i. Continuous audit **(5 marks)**
 - ii. Interim audit **(5 marks)**

QUESTION FIVE

- a) Describe the situations where an Auditor may rely on the work of an expert **(10 Marks)**
- b) Discuss the rights of an auditor after engagement by the Company **(10 marks)**