



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**SCHOOL OF BUSINESS & ECONOMICS**  
**UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS**  
**ADMINISTRATION WITH IT**  
**3<sup>RD</sup> YEAR 1<sup>ST</sup> SEMESTER 2015/2016 ACADEMIC YEAR**  
**SPECIAL EXAM**

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**COURSE CODE: ABA 305**

**TITLE: AUDITING 1**

**EXAM VENUE:**

**STREAM: (BBA – FINANCE)**

**DATE:**

**EXAM SESSION:**

**TIME: 2 HOURS**

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**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

(a) With reference to accounting profession a practising accountant or auditor is expected to display certain attributes which could add assurance and credibility to the public financial statements. Explain key personal attributes expected of an auditor in order to boost the user's confidence of the financial statements.

(12marks)

(b) List and explain the matters that you would consider and the work you would carry out when planning for audit.

(12marks)

(c) Highlight some of the indicators of irregularities and fraud in client's books.

(6marks)

## QUESTION TWO

The ISA 230, Audit recording requires audit working papers to be sufficiently complete and detailed enough so that an experienced auditor who has no previous connection with the audit is able to subsequently ascertain from working papers the work performed and to support the conclusions reached thereon. In line with this statement;

Required

a) State the benefits that the auditor will obtain from the working papers that meet above requirement. (4marks)

b) Explain the qualities of good working papers (5marks)

c) Outline the content of a

(i) Current audit file (6marks)

(ii) Permanent audit file (5marks)

## QUESTION TWO

(a) Differentiate between compliance and substantive testing (4marks)

(b) Outline the basic elements of an unqualified audit report (8marks)

(c) Differentiate between statutory audit and Non- statutory audit.  
(8marks)

### **QUESTION THREE**

- (a) 'With time, modern auditing has made it possible for the audit objectives to change' Compare the early auditing with the modern auditing outlining changes that have occurred and give reasons for such changes. (10marks)
- (b) Explain the verification and valuation procedure to be conducted in auditing of plant and machinery in an entity. (10marks)

### **QUESTION FOUR**

Zak Ltd , a company of which your firm has been a statutory auditor for a number of years has recently decided to establish an internal audit department, this follows your recommendation in the previous year's audit.

Required:

- (a) Briefly describe the work you expect to be carried out by the internal audit department (10marks)
- (b) Explain criteria which you would have to consider before deciding how much reliance you could place on the work done by internal audit. (6marks)
- (c) Assuming that you concluded that the work of internal audit department is reliable, describe the effects this would have on your audit work (4 marks)

### **QUESTION FIVE**

(a) The preparation of financial statements is the responsibility of a company's directors.

List and explain the assertions made by the directors of a company pertaining to the accounts payable appearing in the balance sheet of the company.

(10marks)

(b) 'The auditor must not be independent but must be seen to be independent' briefly comment on this statement. (5marks)

(c) Outline the provision given to the auditor who feels that he is being wrongfully removed. (5marks)