



TECHNICAL UNIVERSITY OF MOMBASA
Faculty of Business & Social Studies

DEPARTMENT OF BUSINESS STUDIES

DIPLOMA IN ACCOUNTANCY

BAC 2207: AUDITING

END OF SEMESTER EXAMINATIONS

SERIES: APRIL 2015

TIME: 2 HOURS

INSTRUCTIONS:

- This paper consists of **FIVE** questions.
- Answer question **ONE (Compulsory)** and any other **TWO** questions.
- Do not write on the question paper

This paper consists of Two printed pages.

QUESTION 1 (Compulsory)

Bestmount Kenya Ltd formed on 1st January 2013 in order to export tea to the European markets. The directors are unsure as to their responsibilities and the nature of their relationship with the external auditors. The audit partner has asked you to visit the client and explain to the directors, the fundamental aspects of accountability of the directors and their relationship with auditor.

Required:

- a) Explain the need for an audit. (10 marks)
- b) Procedures for the appointment of an auditor of a public limited company under the Company's Act. (12 marks)
- c) Auditors' statutory responsibility in relation to the audit of the company's financial statement. (8 marks)

QUESTION 2

Explain the types of audit under the following broadways

- a) According to terms of engagement i.e nature of workdone. (8 marks)
- b) According to the approach to the work to be done. (12 marks)

QUESTION 3

- a) Explain any **FIVE** distinctions between internal auditing and external auditing. (10 marks)
- b) Describe any **FIVE** factors that influence the amount of audit evidence to be gathered. (10 marks)

QUESTION 4

Internal control systems consist of all the policies and procedures adopted by management of an entity to assist in achieving management's objective.

- a) Explain any **FIVE** types of controls in the internal control system. (10 marks)
- b) Discuss any **FIVE** limitations of internal control system. (10 marks)

QUESTION 5

Write brief notes on the following:

- a) Unqualified audit report. (6 marks)
- b) Qualified audit report (5 marks)
- c) Letter of engagement. (3 marks)
- d) Letter of representation. (3 marks)
- e) Letter of weakness. (3 marks)