



**TECHNICAL UNIVERSITY OF MOMBASA**  
***Faculty of Business & Social Studies***

DEPARTMENT OF BUSINESS STUDIES

DIPLOMA IN ACCOUNTANCY

**BAC 2207: AUDITING**

SPECIAL/SUPPLEMENTARY EXAMINATIONS

**SERIES: FEBRUARY 2015**

**TIME: 2 HOURS**

**INSTRUCTIONS:**

- This paper consists of **FIVE** questions.
- Answer question **ONE (Compulsory)** and any other **TWO** questions.

***This paper consists of Three printed pages.***

### **QUESTION 1 (Compulsory)**

Your firm is the new appointed external auditor to a large company that sells, maintains and lease office equipment and furniture to its customers and you have been asked to cooperate with internal audit to keep total costs down. The company wants external auditors to rely on some of the work already performed by internal audit.

#### **Required:**

- a) Describe the information your firm will seek from internal auditors in order for you to determine the extent of your reliance. **(10 marks)**
- b) Describe the circumstances in which it would not be possible to rely on the work of internal auditors. **(10 marks)**
- c) Explain any **FIVE** techniques your firm will use to collect audit evidence. **(10 marks)**

### **QUESTION 2**

- a) Explain the procedures for appointment of an auditor of Public Limited Company under the Company's Act. **(12 marks)**
- b) Explain any **FOUR** limitations of gathering audit evidence. **(8 marks)**

### **QUESTION 3**

- a) Describe any **FIVE** types of controls used in the Internal Control System. **(10 marks)**
- b) Explain any **FIVE** contents of a letter of engagement. **(10 marks)**

### **QUESTION 4**

- a) International Standard on Auditing 300 (Planning an Audit of Financial Statements) states that an auditor must plan the audit. Explain why it is important to plan an audit. **(10 marks)**
- b) The auditors report may be of different types according to the nature of his opinion. Explain the various types of opinions which might be expressed by the auditor. **(10 marks)**

## QUESTION 5

- a) Audit can be classified into **TWO** broadways;
- i) According to terms of engagement. **(4 marks)**
  - ii) According to the approach to the work done. **(8 marks)**

**Required:**

Describe the types of audit under each of the above.

- b) Describe any **FOUR** contents of a current audit file. **(8 marks)**