



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

DEPARTMENT OF BUSINESS STUDIES

UNIVERSITY EXAMINATIONS FOR DEGREE IN  
BACHELOR OF BUSINESS ADMINISTRATION  
BACHELOR OF COMMERCE

**BAC 4306: AUDITING II**

END OF SEMESTER EXAMINATIONS

**SERIES: DECEMBER 2014**

**TIME: 2 HOURS**

**INSTRUCTIONS:**

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

***This paper consists of Two printed pages***

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**QUESTION 1 (Compulsory)**

- a) You have been appointed as an auditor of Nimeiba Limited which has a large volume of transactions. Explain **FIVE** reasons why you would apply statistical sampling rather than a complete check of transactions. **(10 marks)**
- b) Write explanatory notes on the following:
- i) Vouching **(2 marks)**
  - ii) Verification **(2 marks)**
  - iii) Depth testing **(2 marks)**
  - iv) Compliance tests **(2 marks)**
  - v) Surprise tests. **(2 marks)**
- c) Outline the benefits that can be derived by an auditor from the successful employment of statistical sampling techniques as opposed to non-statistical sampling. **(10 marks)**

## QUESTION 2

Explain the following terms:

- a) Materiality
- b) The duty of confidentiality
- c) Sampling
- d) In our opinion
- e) State of financial affairs. **(20 marks)**

## QUESTION 3

- a) What are post balance sheet events? **(5 marks)**
- b) State and explain any **FIVE** examples of adjusting post balance sheet events. **(15 marks)**

## QUESTION 4

- a) Define audit trail. **(4 marks)**
- b) Explain the audit techniques to verify computerized data in case of loss of audit trail. **(8 marks)**
- c) State the objectives of auditing a computerized system. **(8 marks)**

## QUESTION 5

Auditors usually refer to auditing standards; guidelines and procedures:

- a) Explain the scope and purpose of auditing standards and auditing guidelines. **(10 marks)**
- b) Describe briefly the nature and reliability of each of the following giving examples of each.
  - i) Inspection **(4 marks)**
  - ii) Observation **(3 marks)**
  - iii) Inquiry **(3 marks)**