

PAPER TWO

BBA YEAR 3 SEMESTER 2

AUDITING II

TIME: 2 HOURS

- Q. 1. A-One company which runs a supermarket in Mombasa Town plans to introduce an improved computer based accounting system to replace the existing one. Advise A-ONE why you as an auditor would wish them to run a parallel system to the present one for some time.
- Q. 2. (a) Describe the main factors which influence the auditors in determining the size of the sample he will use for his detailed testing.
- (b) Describe three areas where judgement will be exercised by the auditor when using statistical sampling.
- Q. 3. Mr. Abdalla who runs a bakery at Mwembe Tayari has lately been having problems in his business. The auditor who annually checks his records has noticed that he may be facing problems that may cause a doubt on his going concern status. Explain in detail, what are these going concerns symptoms?
- Q. 4. The independence of the auditors is always threatened.
- a) Explain the significance of the concept of auditor's independence?
- b) Discuss the issues that jeopardize the auditor's independence?
- Q. 5. International Accounting Standards (IAS) are used the world over by many countries to write their accounting records. Explain of what benefit these IAS to the companies in Kenya?