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**TECHNICAL UNIVERSITY OF MOMBASA**

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SCHOOL OF BUSINESS  
DEPARTMENT OF ACCOUNTING & FINANCE  
**UNIVERSITY EXAMINATION FOR:**  
BCOM/BBA  
BAC 4306: AUDITING 2  
END OF SEMESTER EXAMINATION  
**SERIES: AUGUST 2019**  
**TIME: 2 HOURS**  
**DATE: AUGUST, 2019**

**Instructions to Candidates**

You should have the following for this examination

*-Answer Booklet, examination pass and student ID*

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

**Do not write on the question paper.**

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**QUESTION ONE**

- a) You have been appointed as an auditor of Nimeiba Ltd 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 the auditor from the successful employment of statistical sampling techniques as opposed to non-statistical sampling **(10 marks)**

**QUESTION TWO**

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 THREE**

- 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 FOUR**

- 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 FIVE**

Auditors usually refer to auditing standards; guidelines and procedures:

- a) Explain the scope and purpose of 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)**