



TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING & FINANCE

UNIVERSITY EXAMINATION FOR:

DEGREE

BAC 4103: AUDITING I

END OF SEMESTER EXAMINATION

SERIES:AUGUST2019

TIME:2HOURS

DATE:Pick Date Aug2019

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.

Question ONE

The appointment, duties and rights of the a company's auditor are dealt with in Companies Act Cap

486 , quoting relevant sections of Act you are required to

- a) Explain how an auditor may be appointed (6 Mks)
- b) The statutory duties of the auditor (6 Mks)
- c) The statutory rights of the auditors (4 Mks)

Explain **Four** major matters you expect to find in a letter of engagement, showing clearly in each case the reasons for inclusion of the matter concerned (8 Mks)

It has been suggested that the most important matter affecting the credibility of the auditor is that of "Independence". Discuss, giving examples, any **three** matters other independence that affect the credibility of the auditor (6Mks)

Question TWO

- a).Discuss the advantages and disadvantages of auditing. **(10 Mks)**
- b). There are a number of people and groups that are interested in the company's books of accounts and records. List down the users of the financial statement explaining clearly the interest of each group **(10 Mks)**

Question THREE

- i. The directors of Kijana Mdogo limited, a company just formed a few months ago, have consulted you in writing with a view of engaging you as their first auditors. In their letter you notice the following statements .“Your duties and rights will be determined by the board of the company strictly. In addition the directors retains exclusively the right to dismiss you without necessarily explaining the reasons for their actions”

Required

- a. Describe your duties as an auditor of Kijana Mdogo Limited **(5Mks)**
- b. What should be your relationship as an auditor and the directors of the company **(3Mks)**
- c. Explain your rights as an auditor as stipulated in Companies Act Cap 486 **(4Mks)**
- ii. Discuss giving example why conflict of interest may arise between the shareholders and directors of the company and explain how it can be managed **(10Mks)**

Question FOUR

- a).With reference to the Kenya Law, Explain how an auditor can be appointed as stipulated in Companies Act Cap 486 and who is disqualified? **(10 Mks)**
- b).Discuss the fundamental differences between manual systems and computerized systems of auditing **(10 Mks)**

Question FIVE

- a. Explain five ways in which the independence of the auditor could be compromised in the course of his duties **(10 Mks)**
- b. Write short notes explaining the meaning of the following audit types. **(10 Mks)**
- i Complete of final audit
 - ii Continuous Audit
 - iii Interim Audit
 - iv Statutory audit: