



TECHNICAL UNIVERSITY OF MOMBASA

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.

QUESTION ONE

- a) Explain FOUR controls that should be instituted in a computer environment
(8 marks)
- b) Explain FIVE methods that an auditor can use to obtain a statistical sample testing
(10 marks)
- c) Explain SIX factors that should be considered before using statistical sampling techniques
(12 marks)

QUESTION TWO

Audit sampling means drawing conclusions about an entire set of data by testing representative samples. There are different sampling techniques but statistical sampling is preferred to judgmental sampling. Discuss
(20 marks)

QUESTION THREE

- a) State and explain FOUR situations in which the auditor would prefer to collect evidence on the whole population rather than on a sample basis
(4 marks)
- b) Describe the factors which determine the size of a sample selected by an auditor
(10 marks)
- c) Briefly explain the meaning of the following terms in relation to audit sampling:
 - i) Population
(2 marks)

- ii) Sampling risk (2 marks)
- iii) Judgmental sampling (2 marks)

QUESTION FOUR

Auditors usually refer to auditing ‘standards’, ‘guidelines’ and ‘procedures’

Required:

- a) Explain the scope and purpose of auditing standards and guidelines (10 marks)
- b) Explain why a professional accounting body issues accounting standards (10 marks)

QUESTION FIVE

- a) Explain the following terms:
 - i) Relevant audit evidence (3 marks)
 - ii) Reliable audit evidence (3 marks)
 - iii) Sufficient audit evidence (3 marks)
 - iv) Qualified audit report (3 marks)
- b) Outline the matters which should be included in an unqualified report (5 marks)