TECHNICAL UNIVERSITY OF MOMBASA

School of Business

Department of Accounting & Finance

UNIVERSITY EXAMINATION FOR:

BACHELOR OF SCIENCE IN MATHS AND FINANCE

BAC 4252 : AUDITING AND ASSURANCE

END OF SEMESTER EXAMINATION

SERIES:APRIL 2025

TIME:2HOURS

DATE: Pick DateApr2025

Instructions to Candidates

You should have the following for this examination

-Answer Booklet, examination pass and student ID

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

Do not write on the question paper.

Question ONE

You have been asked by the manager in charge of the audit of Nyali agencies to consider and describe various aspects of carrying out a debtor's circularization at its year ending 31st December 2024. The company sells its products on credit and the draft accounts show annual turnover of twenty-five million shillings. The accounts also show debtors of five million shillings. Your compliance test on the sales system has shown that there is only satisfactory division of duties in the sales system and only minor errors were found in compliance tests.

Required

a. Describe the reliability of a debtor's circularization in providing audit evidence and in verifying value of year end debtors. **(10 marks)**
b. Describe the work you will carry out in auditing the replies to debtors circularization where a debtor does not reply to circularization. (**10 marks)**
c. What is the difference between internal audit and external audit? **(10 marks)**

(30 marks)

Question TWO

a) Name five ways in which the independence of the auditor could be compromised in the course of his duties. (**10 marks)**

b) State and explain five specific guidelines regarding independence given to the members of ICPAK. (**10 marks)**

(20 marks)

QuestionsTHREE

a) Discuss the importance of working papers (10 marks)
b) To enable the auditors work, they need to maintain records which are the working papers. Distinguish the current file from the permanent file (10 marks

(20 marks

Question FOUR

a) What is an unqualified audit report? **(6 Marks)**
b) State and explain the different types of qualified audit reports. **(14 Marks)**

(20 marks)

Question FIVE

a) Discuss the three advantages and three disadvantages of using Computer Assisted Audit Techniques (CAATs).(**12 marks)**
b) Explain the difference between accounting and auditing indicating the purpose of each**. (8marks)**

(20 marks)