



TECHNICAL UNIVERSITY OF MOMBASA
Faculty of Business & Social Studies

DEPARTMENT OF BUSINESS STUDIES

DIPLOMA IN ACCOUNTANCY II

BAC 2212: AUDITING II

YEAR II SEMESTER II END OF SEMESTER EXAMINATIONS

SERIES: AUGUST 2013

TIME: 2 HOURS

INSTRUCTIONS:

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

This paper consists of Two printed pages.

QUESTION 1 (Compulsory)

- a) What are the matters with which an auditor will imply satisfaction in an unqualified audit report. **(8marks)**
- b) What are seen as the four main advantages to the auditor of adequate audit planning. **(8marks)**
- c) What type of qualified opinion should be given in the following circumstances
- i) Fundamental uncertainty
 - ii) Material but not fundamental disagreement
 - iii) Fundamental disagreement
 - iv) Material but not fundamental uncertainty. **(8marks)**
- d) In relative to internal control in a computerized accounting system you are required to indicate the main objectives of:
- i) Application controls **(3marks)**
 - ii) General controls **(3marks)**

QUESTION 2

- a) Describe and illustrate, by the use of suitable examples, the ways in which statistics and judgement can be used in audit work, in relation to:
- i) Statistics and **(5marks)**
 - ii) Judgement **(5marks)**
- b) Discuss the advantages and disadvantages of the use, in the audit of the sales system and year end trade debtors of:
- i) Statistics and **(5marks)**
 - ii) Judgement **(5marks)**

QUESTION 3

- a) Define Going concern? **(4marks)**
- b) Describe the factors which might indicate that a company had going concern problem. **(16marks)**

QUESTION 4

List and briefly describe the general controls which should be exercised over operative of the computerized sales ledger purchases ledger and nominal ledger systems, including controls over the use of the computer and copying the contents. **(20marks)**

QUESTION 5

A number of recent reports from the department of trade inspectors have highlighted aspects of management fraud and the auditors should be alert to circumstances when it could occur.

Required

- a) Briefly explain what you understand by the term management fraud and the conditions in which management fraud may occur. **(15marks)**
- b) Describe the auditors responsibility for the prevention and detection of management fraud. **(5marks)**