TECHNICAL UNIVERSITY OF MOMBASA
Faculty of Business & Social Studies

DEPARTMENT OF BUSINESS STUDIES

UNIVERSITY EXAMINATIONS FOR DEGREE IN
BACHELOR OF BUSINESS ADMINISTRATION

BAC 4341: AUDITING II

END OF SEMESTER EXAMINATIONS
SERIES: APRIL 2013
TIME: 2 HOURS

INSTRUCTIONS:

− Answer Question **ONE (Compulsory)** and any other **TWO** questions.
This paper consists of Two printed pages

QUESTION 1 (Compulsory)
   a) Explain the meaning of the following terms and indicate the context in which they might be used.
      i)   Quality of evidence   (2marks)
      ii)   Audit trail   (3marks)
      iii) Not material   (3marks)
      iv)   Vouching audes   (2marks)
   b) What are post balance sheet events.   (4marks)
   c) Why does an auditor need to be concerned with past balance sheet events.   (6marks)
   d) State and explain any FIVE examples of adjusting post balance sheet events.   (10marks)

QUESTION 2

In forming an audit opinion, the auditor need not examine all the information that is available to him. He can reach a conclusion about an account balance, class of transactions or a control by way of judgemental or statistical sampling procedures.

Required:

a) Explain why the auditor needs to adopt a sampling approach in his work.   (2marks)
b) List four situations where the auditor would be unlikely to use sampling techniques.   (4marks)
c) Describe the factors which the should consider when determining the size of a sample(8marks)
d) To what extent does statistical sampling enhance the quality of the audit evidence.   (6marks)

QUESTION 3

a) Explain the following terms.
   i)   Auditors letter of appointment   (2marks)
   ii)   Disclaimer of opinion   (2marks)
   iii)   In our opinion   (2marks)
   iv)   The duty of confidentiality   (2marks)
   v)   Materiality   (2marks)
b) Describe the meaning of the following:
   i)   Auditing around the computer   (5marks)
   ii)   Auditing through the computer.   (5marks)

QUESTION 4

To be able to add credibility to published accounting information, the auditor must possess some
Key attributes:

Required.

Explain on each of the attributes listed below.

  i)   Integrity
       (4marks)
  ii)   Confidentiality
       (4marks)
 iii)   Independence
       (4marks)
 iv)   Technical   standards
       (4marks)

QUESTION 5

a) Problems an auditor is likely to encounter when auditing computerized system.
b) Explain the techniques should the auditor use to counter act these problem.