



GRETSA UNIVERSITY - THIKA

UNIVERSITY EXAMINATIONS JANUARY – APRIL 2019 SEMESTER

CERTIFICATE IN ACCOUNTING

COURSE CODE: CIAC 002

COURSE TITLE: BASIC AUDITING SKILLS

DATE: 10 APRIL 2019

TIME: 3.00 PM – 5.00 PM

INSTRUCTIONS TO CANDIDATES

1. SECTION A IS **COMPULSORY**.
2. SECTION B: ANSWER ANY OTHER **THREE** QUESTIONS.
3. **DO NOT** WRITE ANYTHING ON THIS QUESTION PAPER AS IT WILL BE AN EXAM IRREGULARITY.
4. ALL ROUGH WORK SHOULD BE AT THE BACK OF YOUR ANSWER BOOKLET AND CROSSED OUT.

CAUTION: *All exam rooms are under CCTV surveillance during the examination period.*

SECTION A: COMPULSORY

Question One

- a) Explain the various types of audit. **[15 marks]**
- b) Explain the factors that make it appropriate to send a new letter of engagement for a recurring audit. **[5 marks]**
- c) Differentiate between internal and external auditor. **[5 marks]**
- d) An auditor can only be removed by the shareholders regardless of who appointed him. What are the auditor's rights during his removal? **[10 marks]**
- e) Audit working papers are kept in two files, current and permanent audit files. What are the contents of the permanent audit file? **[5 marks]**

SECTION B: ANSWER ANY THREE QUESTIONS

Question Two

Mr Meshak Odual has been offered an appointment with a manufacturing firm which has branches across the country. As a new auditor he has approached you to advise him on:

- a) What is audit evidence? Explain the various methods of obtaining audit evidence. **[15 marks]**
- b) What are the main contents of an engagement letter? **[5 marks]**

Question Three

An auditor should be well versed with his audit work. It is therefore necessary for an auditor to maintain a good record of his audit work and understand his duties more so as regards internal control systems.

- (a) What are the duties of an auditor? **[10 marks]**
- b) What do you understand by internal control system? Explain the various types of these controls. **[10 marks]**

Question Four

The auditors independence have been emphasised once and again during the auditors audit work. This makes the audit work very important.

- (a) Explain the advantages of auditing. **[10 marks]**
- (b) Auditors are supposed to be independent in their work but they encounter a lot of threats of independence. Explain when these threats of independence and objectivity may arise. **[10 marks]**

Question Five

The auditor is supposed to give a report after his audit work.

- (a) Explain the various types of audit reports. **[10 marks]**
- (b) The audit function has had a very fast growth in Kenya. Give the reasons for this fast growth. **[10 marks]**