



GRETSA UNIVERSITY - THIKA

UNIVERSITY EXAMINATIONS

JANUARY - APRIL 2017 SEMESTER

BACHELOR OF COMMERCE

COURSE CODE: BCAC 404

COURSE TITLE: AUDITING AND INVESTIGATIONS

DATE: 3 APRIL 2017

TIME: 11.30 AM – 2.30 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

Q1a). Auditors may uncover criminal offences committed by a client or an employee of the client and are required to take legal advice. Examine the various circumstances when the auditor when the auditor is considered to have committed a criminal offence. (12mks).

b). Errors are defined as intentional mistakes and they can occur at any stage in a business transaction. Discuss the three main reasons for which an Auditor may be interested in prevention, detection and disclosure of errors. (6mks)

c). Explain the main possible indicators of irregularities in a business organization. (12mks)

d). Audit risk is defined as the chance of damage to the audit firm as a result of giving an opinion that is wrong. Discuss the main indicators that an audit has an element of higher than normal audit risk. (10mks)

SECTION B: ANSWER ANY THREE QUESTIONS

Q2a) Internal Audit involves an independent appraisal function within an organization. Evaluate on the key essential element of Internal Audit. (10mks)

b). Before placing any reliance on the work of an internal auditor, the external auditor must assess the internal auditor and his work. Discuss. (10mks).

Q3a). Auditing is the systematic examination and verification of a firm's books of accounts, transactions records, other relevant documents and physical inspection of inventory by qualified accountant called the Auditor. Discuss the main features/ stages of a modern Audit process.

(20mks)

Q4a). Examine the procedure followed in the verification of:

i). Debtors (10mks)

ii). Long-term Liabilities (10mks)

Q5a). State and briefly explain the main functions of an audit committee to an organization.

(10mks)

b). Discuss the various types of an ICS used in modern organizations, clearly indicating how they are used to control and prevent frauds in the organization. (10mks)