



GRE TSA UNIVERSITY - THIKA

UNIVERSITY EXAMINATIONS JANUARY - APRIL 2021 SEMESTER

DIPLOMA IN ACCOUNTING

COURSE CODE: DBAC 015

COURSE TITLE: ESSENTIALS OF AUDITING

DATE: 10 MAY 2021

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

QUESTION ONE

- a) Discuss reasons why the audit of financial statements is hailed as such an important aspect in business. **[10 Marks]**
- b) Outline the various ways by which an auditor can be appointed **[15 Marks]**
- c) Explain at least five key requirements that a person must fulfil to be qualified for appointment as an auditor **[15 Marks]**

SECTION B: ANSWER ANY THREE QUESTIONS

QUESTION TWO

- a) Discuss the important matters that an auditor should highlight in an engagement letter **[10 Marks]**
- b) In the context of a recurring audit engagement outline matters that would necessitate the revision of the engagement letter by the auditor **[10 Marks]**

QUESTION THREE

- a) Describe clearly the specific audit objectives **[8 Marks]**
- b) Explain the relationship of the specific audit objectives given in (a) above to the general audit objectives. **[12 Marks]**

QUESTION FOUR

- a) List and explain the purposes of audit documentation and clearly explain why each purpose is important. **[10 Marks]**
- b) Audit working papers form an integral part of the audit exercise. With regard to this statement highlight the contents of a permanent audit file and a current audit file **[10 Marks]**

QUESTION FIVE

- a) Explain each of the following audit opinions indicating clearly when each would be appropriate
- i. Qualified opinion **[5 Marks]**
 - ii. Adverse opinion **[5 Marks]**
 - iii. Unqualified opinion **[5 Marks]**
 - iv. Disclaimer of opinion **[5 Marks]**