



# **GRE TSA UNIVERSITY - THIKA**

**UNIVERSITY EXAMINATIONS  
JANUARY - APRIL 2021 SEMESTER**

**BACHELOR OF COMMERCE**

**COURSE CODE: BCAC 304**

**COURSE TITLE: PRINCIPLES 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

The director of one of your growing clients have decided to create an internal audit function in their organizational structure.

**Required:**

- a) Describe the duties you would expect the internal audit staff to perform. **[8 Marks]**
- b) Explain the criteria which you would consider before deciding to rely on the work of the internal audit function. **[10 Marks]**

While undertaking any Audit assignment, it's quite necessary for the Auditor to consider the approach they wish to adopt and also the extent they may rely on the Internal Controls. *In lieu of this statement;*

- c) Examine the key factors that an auditor ought to consider when formulating Audit Plans. **[12 Marks]**
- d) Explore the various challenges encountered by the Auditor while Implementing Audit Plans **[8 Marks]**

## SECTION B: ANSWER ANY THREE QUESTIONS

### QUESTION TWO

Audit evidence comprises of source documents and accounting records underlying the financial statements of an organization.

- a) Explain the main key Qualities of Audit Evidence that an Auditor can use to draw conclusions on his report. **[6 Marks]**
- b) The Auditor has legal rights to consult Experts while undertaking the audit assignment. Examine the key Factors considered by the Auditor before relying on the work of the expert **[14 Marks]**

### QUESTION THREE

Quality control refers to the various policies and procedures put in place by the auditor to ensure that all audits conducted by the audit firm meet the quality standards set out by the accounting profession and the firm's own quality standards.

**Required:**

- a) Discuss the key objectives of Audit Quality Control **[12 Marks]**
- b) Explain the situations where an auditor may disclose confidential information about a client.

**[8**

**Marks]**

#### **QUESTION FOUR**

Errors and Fraud are quite a common encounter for Auditors while in their line of duty.

##### **Required:**

- a) Describe the procedure the Auditor can follow to be able to detect Errors in the books of a client. **[14 Marks]**
- b) Highlight the various approaches that organizations can use to prevent Errors and Frauds in modern business Environment. **[6 Marks]**

#### **QUESTION FIVE**

- a) You have just obtained your license as a certified auditor. Describe the matters to consider within your firm and the other procedures that must be undertaken before accepting your appointment as an auditor to a new client. **[8 Marks]**
- b) Having an official Contract is needful in any for engagements including auditing assignments. Explain the purpose of an engagement letter and describe the content there in. **[12 Marks]**