



# **GRETSA UNIVERSITY - THIKA**

## **UNIVERSITY EXAMINATIONS MAY-AUGUST 2023 SEMESTER**

### **DIPLOMA IN ACCOUNTING**

**COURSE CODE: DBAC 015**

**COURSE TITLE: ESSENTIALS OF AUDITING**

**DATE: 3 AUGUST 2023**

**TIME: 3:00 PM – 6:00 PM**

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#### **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) List down 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 an auditor's appointment outline the procedure in the case of recurring audit engagement **[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 the purposes of audit documentation, clearly indicating why each purpose is important. **[10 Marks]**
- b) Outline the contents of the permanent and the current audit files **[10 Marks]**

### **Question five**

- a) With regard to professional ethics in auditing issued by the Institute of Certified Public Accountants of Kenya (ICPAK), explain any five statements that a practising auditor should observe in the conduct of the audit. **[8 Marks]**
- b) Briefly describe the following types of Internal controls
  - i. Organisational plans **[2 Marks]**
  - ii. Segregation of duties **[2 Marks]**
  - iii. Physical controls **[1 Mark]**
  - iv. Personnel controls **[1 Mark]**
  - v. Rotation of duties **[1 Mark]**
- c) Explain each of the following audit opinions indicating clearly when each would be appropriate
  - i. Qualified opinion **[1 Marks]**
  - ii. Adverse opinion **[1 Marks]**
  - iii. Unqualified opinion **[1 Marks]**
  - iv. Disclaimer of opinion **[1 Marks]**