



MACHAKOS UNIVERSITY

University Examinations for 2016/2017 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ENTREPRENEURSHIP AND MANAGEMENT
SCIENCES

SECOND YEAR FIRST SEMESTER EXAMINATION FOR DIPLOMA IN
ACCOUNTANCY

DACC 202: AUDITING II

DATE: 7/12/2016

TIME: 2:00 – 4:00 PM

INSTRUCTIONS.

Answer Question One and Any Other Two Questions

1.
 - a) Discuss the limitations of circularization as a test (10 marks)
 - b) Explain the meaning of the following terms
 - i) computer assisted audit technique (caat)
 - ii) Loss of audit trail
 - iii) Audit test data
 - iv) Computer audit programs/software
 - v) Computer virus (10 marks)
 - c) Describe the steps an auditor should take in the verification of a motor vehicle in an organization (10 marks)
2.
 - a) Explain the meaning of the following terms which are used in connection with audit reports.
 - i) limitations in the scope of audit (3 marks)
 - ii) Disclaimer of opinion (3 marks)

- iii) Circumstance of disagreement (3 marks)
 - iv) An except for opinion (3 marks)
 - b) Outline the matter which should be included in an unqualified report (8 marks)
- 3 a) In forming an audit opinion the auditor need not to examine all the information that is available to him. He can reach a conclusion about an account balance, class of transactions or a control by way of judgmental or statistical sampling procedures. Required
 - i) Explain why the auditor needs to adopt a sampling approach to his work.
 - ii) List four situations where the auditor would be unlikely to use sampling techniques
 - iii) Describe the factors which the auditor should consider when determining the size of a sample
- (b) To what extent does statistical sampling enhance the quality of the audit evidence. (20 marks)
- 4. You are the auditor of manufacturing company which makes and sell ladies clothing. While checking the accounts at the date of balance sheet you receive from management a certificate of stock and work in progress. You feel additional work is necessary to confirm the correctness of the figures.

Required

- (a) Describe the procedures you would carry when checking the stock sheets. (10 marks)
- (b) Indicates the additional work that must be carried out on the work in the progress. (4 marks)
- (c) State three factors that could affect the accuracy of the figures given by the management (6 marks)
- 5. During the course of the audit, the auditor may need to consider audit evidence in the form of reports, opinion, valuation or statements from specialists.

Required

- i) List four examples of situation where an auditor may wish to rely upon the report of a specialist. (8 marks)
- ii) Describe the principles or factors which the auditor should consider when placing reliance on audit evidence provided by specialist (12 marks)