



MACHAKOS UNIVERSITY

University Examinations for 2018/2019 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BANKING, ACCOUNTING & FINANCE

FIRST YEAR SECOND SEMESTER EXAMINATION FOR

DIPLOMA IN ACCOUNTANCY

DAC 116: AUDITING 1

DATE: 2/5/2019

TIME: 8.30-10.30 AM

INSTRUCTIONS: Attempt Question One and any other Two Questions

QUESTION ONE (COMPULSORY) (30 MARKS)

- a) Define the following terms as used in financial audit:
- i) Control environment (2 marks)
 - ii) Management assertions (2 marks)
 - iii) "True and fair view" (2 marks)
- b) Describe clearly four benefits derived from preparing a good audit plan. (6 marks)
- c) State and explain four factors which influence auditors' judgment on the sufficiency of audit evidence. (6 marks)
- d) Describe four statutory duties of an auditor when conducting an audit (6 marks)
- e) Identify any four factors you would consider as an auditor to ensure quality control during an audit. (6 marks)

QUESTION TWO (20 MARKS)

- a) The directors of your business have recommended a continuous audit .Explain four b benefits of performing such an audit. (8 marks)
- b) Using two examples in each case describe the three main audit procedures used by the auditors to obtain sufficient, appropriate evidence. (12 marks)

QUESTION THREE (20 MARKS)

- a) Identify and explain any five management assertions tested by the auditor when verifying financial statement elements. (10 marks)
- b) Explain five benefits of an effective internal control system to the reporting entity (10 marks)

QUESTION FOUR (20 MARKS)

- a) As an audit assistant, your audit firm has decided to obtain evidence from an expert .Describe five factors you consider to confirm the validity of experts report. (10 marks)
- b) Many organizations have established an internal audit function in order to improve business performance. Identify five factors which have contributed to the increased implementation of the function. (10 marks)

QUESTION FIVE (20 MARKS)

- a) State and explain the nature of any five main types of internal controls that can be implemented by an organization. (10 marks)
- b) State and explain five methods of obtaining audit evidence. (10 marks)