



# **MACHAKOS UNIVERSITY**

**University Examinations for 2018/2019 Academic Year**

**SCHOOL OF BUSINESS AND ECONOMICS**

**DEPARTMENT OF BANKING, ACCOUNTING & FINANCE**

**FIRST YEAR SPECIAL/SUPPLEMENTARY EXAMINATION FOR**

**DIPLOMA IN ACCOUNTANCY**

**DACC 116: AUDITING**

**DATE: 25/9/2019**

**TIME: 2.00-4.0 PM**

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## **INSTRUCTIONS:**

Attempt Question One and any other Two Questions

### **QUESTION ONE (30 MARKS) (COMPULSORY)**

- a) Identify three differences between interim audit and continuous audits. (6 marks)
- b) Describe four main principles that define the professional ethics of an auditors. (6 marks)
- c) Identify four problems encountered when developing audit plans. (6 marks)
- d) Explain the nature of the following :
  - i. Tests of controls (3 marks)
  - ii. Substantive procedures (3 marks)
- e) The auditor obtains reliable information considered to be credible. Identify four sources of information considered highly reliable. (6 marks)

### **QUESTION TWO (20 MARKS)**

- a) Identify four differences between private audit and statutory audit (8 marks)
- b) Explain the scope of activities performed when doing an internal audit. (12 marks)

### **QUESTION THREE (20 MARKS)**

- a) Explain five benefits of strong internal controls to auditor (10 marks)
- b) Describe five factors to consider when formulating an audit plan (10 marks)

**QUESTION FOUR (20 MARKS)**

- a) Identify and explain the five types of management assertions about classes of transactions and events for the period under audit (10 marks)
- b) Identify and explain five problems encountered when verifying inventory (10 marks)

**QUESTION FIVE (20 MARKS)**

- a) Explain the importance of independence to auditors (10 marks)
- b) Explain the duties of an auditor when conducting an audit (10 marks)