



# 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

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**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)