

**CHUKA**



**UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**EXAMINATION FOR THE AWARD OF DEGREE OF MASTER OF BUSINESS  
ADMINISTRATION**

**MBAD 814: AUDITING**

**STREAMS: MBAD (ACCOUNTING OPTION) Y2S1**

**TIME: 3 HOURS**

**DAY/DATE: THURSDAY 08/04/2021**

**8.30 A.M. – 11.30 A.M.**

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**INSTRUCTIONS:**

- **Answer question one and any other three questions.**

1. (a) Auditing is an essential activity in day to day activities of humanity whose scope is wider than financial auditing.
- (i) Describe the wide scope of audit. (8 marks)
- (ii) Discuss why audit is necessary to be done in organizations. (8 marks)
- (b) Explain why continuous audit may be highly recommended to be done in an organization than final audit. (6 marks)
- (c) You have been appointed as an auditor of Thika Enterprises a public limited company. The management has outlined major issues and problems they face that is in procurement where inventories are ordered and received by the department manager who authorizes his staff to receive it and do the process of issuing to the user departments. Now the management are complaining of a lot of fraud, money and stock loss as well as fraudulent payment to vicious suppliers. You as a new auditor they require assistance to overturn this problem. Design an effective internal control system for operations in the procurement department, highlighting the issues they need to take into consideration in establishing a good internal control systems. (Assume there are 10 members of staff in the department)
- (18 marks)

2. (a) In audit practices there are rules, provisions and standards which gives an auditor independence of carrying out his work effectively. Describe the various provisions that gives an auditor independence. (10 marks)
- (b) You are appointed an auditor of Mwananchi manufacturing company for the year 2020/2021. This is a cargo company with subsidiary group of companies dealing with manufacturing, mining, technology services etc. Describe the preparation plans you need to do before carrying out audit work in this new company. (10 marks)
3. (a) As an auditor you are required to get valid evidence that can stand as facts even in the court of law. Describe the best methods the auditor can use to collect such evidence. (12 marks)
- (b) Describe how can you verify good will indicated in the financial statement of a company. (8 marks)
4. (a) You have audited the books of Mtongwe enterprises PLC for the year ended 31<sup>st</sup> December 2020. You found out that the books are NOT in compliance with the company's act and the international accounting stands. Assuming at least three reservations draft a standard audit report to present to the shareholders at the Annual General Meeting (AGM). (14 marks)
- (b) Explain various audit reports that can be issued by the auditor. (6 marks)
5. (a) Describe the various types of liabilities of an auditor of public company externally appointed. (12 marks)
- (b) Write short notes on:
- (i) Audit working papers. (5 marks)
- (ii) Routine checking. (3 marks)
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