

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

**EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE,
BACHELRO OF AGRIBUSINESS AND BACHELOR OF COOPERATIVE
MANAGEMENT**

BCOM 411: AUDITING I

STREAMS:

TIME: 2 HOURS

DAY/DATE: TUESDAY 23/03/2021

2.30 P.M – 4.30 P.M

INSTRUCTIONS:

Answer question one and any other two questions only

Do not write anything on question paper

1. (a) Auditing doesn't only involve checking of financial books but has other wide areas. Discuss. [12 marks]
- (b) Kebabe Nyakweremia is a professional accountant who owns minor shares in Makutano PLC. The company appointed him as an external auditor for the year 2018/2019, where his appointed letter stated that he will be receiving his remuneration at 5% of the profits of the firm. Normally the firm makes the profits of not less than 100,000,000 per annum. Immediately kebabe wrote back and accept the position. Required to comment the position of such appointment, lighting various provisions and audit guidelines for appointment. Justification or discredits. [12 marks]
- (c) Outline what constitutes the internal control measures scope. [6 marks]
2. (a) Explain why continuous audit may be superior than final audit in a large multinational company. [8 marks]
- (b) An auditor is required to apply his knowledge. Experience and professional training to do quality audit. Describe the various ways the auditor may apply to establish reliable facts and evidence in his audit works. [12 marks]
3. (a) Gesima power mills ltd is a national company in Kenya dealing with processing of foods and farm inputs. In the last two years there has been a complain of cash payments made and cash receipts being paid to wrong persons or lost in the process. Accounts

records have a lot of errors and cases of fraud. Procurement manager is entrusted with the whole process of procurement and supplies to the departments of the company. You have been appointed as an auditor and you found out the above challenges are true in the company.

Required to advise, the management on the actions they need to take to turnaround the above challenges. [12 marks]

(b) Vouching is an essential activity in the process of audit. Describe the main objects of vouching. [8 marks]

4. (a) Explain the major contents to be found in a standard audit report. [10 marks]

(b) An auditor is not liable to the third party. Discuss. [10 marks]
