

CHUKA



UNIVERSITY

**UNIVERSITY EXAMINATIONS**

**EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE**

**BCOM 414: AUDITING II**

**STREAMS: BCOM Y4S2**

**TIME: 2 HOURS**

**DAY/DATE: THURSDAY 23/09/2021**

**8.30 A.M – 10.30 A.M.**

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**INSTRUCTIONS:**

- **Answer question ONE and any other TWO questions only.**
- **Do not write on the question paper.**

**QUESTION ONE**

- (a) State and briefly explain the matters and steps an Auditor is required to follow in the process of verification of assets and liabilities in the audit function. (10 marks)
- (b) An Auditor General of the republic of Kenya holds an independent office to carry out the duties effectively.
- (i) Explain the provision of the law giving the Auditor independence for his duties. (5 marks)
- (ii) Describe the scope duty of Auditor General in public sector audit practice. (10 marks)
- (c) Highlight the duties of an auditor in relation to annual stock taking activities of a public limited company. (5 marks)

**QUESTION TWO**

You were appointed as a new Auditor of Nkubu mining company PLC, for the financial year 2020. During the year the company acquired new mining site valued at a cost of Sh. 79.2 million shillings but the company paid a total Sh. 85 million. The management indicated in the statement of financial position that this extra cost was goodwill. There was also a matter of Sh 8 million expenses deducted from the profit as patent rights written off. All this matters have been raised up for audit purposes. Required to describe the procedures of auditing:

- (a) Goodwill indicated in the financial statement. (10 marks)
- (b) Patents rights value. (10 marks)

**QUESTION THREE**

Macadamia Kenya PLC, is an agricultural company in Kenya, the capital structure of the company is, authorised capital is 22,000 shares at Sh. 100 each, issued and subscribed was 17,000,000 shares by 2014. In the year 2019 the company which intended to acquire new farmlands and plantations in Laikipia and Narok respectively decided to issue the shares to the members of the public. The company issued 7,000,000 shares at sh. 110 each thus sh.10 extra was charged as premium. As an external auditor of the company.

Explain what is your position and duty in relation to this process of issuing the shares. (6 marks)

Describe the procedure of auditing this activities in checking that all was done overboard as required by company law cap 486 as revised in 2015, other laws and regulations in Kenya. (14 marks)

**QUESTION FOUR**

- (a) Gesima Power Mills Ltd, intends to acquire Nyakemincha Company at a cost of Sh. 27,000,000 in the next financial year. Now Gesima has hired you to investigate the value payable and viability of Nyakemincha Company for acquisition. Describe the matters you will take into consideration to investigate and advice your client. (8 marks)
  - (b) Explain the challenges as an auditor you may face in auditing computerized accounting systems in an organization. (4 marks)
  - (c) Explain the audit procedures in respect to auditing of post balance sheet events. (8 marks)
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