

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

**EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF
COMMERCE (ACCOUNTING OPTION)**

BCOM 414: AUDITING II

STREAMS: ODEL

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 06/10/2021

11.30 A.M. – 1.30 P.M.

INSTRUCTIONS

- **Answer question One and any other two questions only**
- **Do not write on the question paper**

Question one

- a) Maua Miraa Ltd, intends to acquire Nyambene Company at a cost of sh. 6,000,000 in the next financial year. Now Maua has hired you to investigate the value payable and viability of Nyambene Company for acquisition. Describe the matters you will take into consideration to investigate and advice your client. (8 marks)
- b) An auditor is not responsible for establishment of computerized system in an organization, but is required to advice on control measures to ensure the problems of loss on audit trail is avoided and also to enable efficient workable systems. Explain the control systems you can advise to be put in place in managing
- Computer operations in files in computerized system. (8 marks)
 - Input controls measures (to manage uploading data in accounts office) (6 marks)
- c) Explain the audit procedures in respect to auditing of post balance sheet events. (8 marks)

Question two

As an auditor of Makupa manufacturing company, you have been invited for stock taking function for the financial year ending 30th September 2021. The company handles several diversified stocks and which are highly valued.

- a) Explain as external auditor what shall be your position and duties in relating to the function of stock taking at Makupa company. (10 marks)
- b) Describe the audit process you will carry out for inventory verification. (10 marks)

Question three

Imenti North Investment Ltd, is a public company enterprise operating in Meru for the last 30 years. The company has several motor vehicles which has been in the company for over five years and others were acquired in between the period within and others have been disposed within the five year period.

Matters have been raised by shareholders of fraudulent activities of disposal, purchasing and valuation of the vehicles. You have been hired as the new Auditor and now the matters are at your hand to give a report to shareholders who want to have an extra ordinary meeting soon for these issues.

- a) State and briefly explain the issues you will take into account for full verification disclosures. (8 marks)
- b) Describe the audit procedures you will apply to audit the matters with validity of evidence. (12 marks)

Question four

- a) In respect of chapter 12 of the constitution gives the scope and functions of the office of Auditor General of Kenya. Explain the functions of the office. (8 marks)
 - b) In relation to post balance sheet events. Describe with examples what constitutes those events and how they may affect financial reporting of an organization. (12 marks)
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