

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

**EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF
PROCUREMENT AND LOGISTICS MANAGEMENT**

BPLM 422: AUDITING

STREAMS: Y4S2

TIME: 2 HOURS

DAY/DATE: THURSDAY 23/09/2021

11.30 A.M – 1.30 P.M.

INSTRUCTIONS:

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

- (a) Auditing is a practice that cannot be avoided in business operation practices. Discuss. (8 marks)
 - (b) You are a newly appointed auditor of Nyakemincha public limited company. Once you accepted you're appointment the issues of procurement and tendering of a contract of building a new office arose with companies that the tender was wrongly awarded with overpricing of the cost. Some of the contract money was paid directly to directors fraudulently. This matter has been presented to you for audit.
 - (i) Describe the preparation you must do before starting the work of audit as a newly appointed auditor. (8 marks)
 - (ii) Explain the auditing process of the complain raised above to verify the matters. (10 marks)
 - (c) Distinguish between internal auditor and external auditor. (4 marks)
2. In the procurement section of a government ministry, it was found that procurement process of stocks were done fraudulently and cash is lost in pretext of payment to creditors. At times stocks are said to have been purchased and issued to respective users in the ministry but in real Sense there wasn't any purchases. You are the external auditor in the department. Describe how can you audit.

- (a) Creditors balances and the payments made. (9 marks)
 - (b) Inventory for the year. (6 marks)
 - (c) Cash balance (5 marks)
- 3.
- (a) Describe the various kinds of audit reports that can be issued by an auditor. (8 marks)
 - (b) You audited the books of Kitui maize millers a public limited company for the year ended 31st December 2020. As you went through the books you found out and identified three fraudulent matters that doesn't comply with companies act and as per international audit standard.
 - (i) Explain which type of report cash you make? (2 marks)
 - (ii) Draft a standard audit report for the company highlight the audit query you had identified. (10 marks)
- 4.
- (a) The auditor is not liable to the third party. Discuss and highlight the contrary opinion of this statement. (9 marks)
 - (b) Describe the advantages of internal checks to the following persons
 - (i) Business organization (5 marks)
 - (ii) Owners of the business (3 marks)
 - (iii) Auditor (3 marks)
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