

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

SECOND YEAR EXAMINATION FOR THE AWARD OF DIPLOMA IN ACCOUNTANCY AND DIPLOMA IN BUSINESS MANAGEMENT

DIAC 0227: AUDITING

STREAMS: DIAC, DIBM, DPLM (Y2S2)

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 07/8/2019

2.30 P.M. – 4.30 P.M.

INSTRUCTIONS:

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

- (a) Explain why auditing practices are essential in a public limited company. [8 marks]
 - (b) Explain three advantages and three disadvantages of the following types of audit
 - (i) Final audit [6 marks]
 - (ii) Continuous audit [6 marks]
 - (c) You have been appointed as an auditor of company trading in Kenya, explain five ways how can you vouch the cash receipts of the company. [10 marks]
- (a) Explain six various techniques an auditor can use to gather valid evidence in the process of actual audit. [12 marks]
 - (b) Explain the following audit terms
 - (i) Distinctive ticks of audit [4 marks]
 - (ii) Routine checking [4 marks]

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3. (a) You are working as an auditor of Makena investments cooperative society. The society is facing a problem of effective control of loan collections. The managing director has tasked you to advise the organization on how to establish effective internal control system. Explain the issues that they should take into account as characteristics of good internal control for loan controls. [12 marks]
- (b) As an auditor of public institution explain four ways how can you verify motor vehicles fleets. [8 marks]
4. (a) Describe the liabilities of an auditor of public company. [14 marks]
- (b) Distinguish between qualified report and unqualified report. [6 marks]
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