

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE

BCOM 411: AUDITING I

STREAMS: BCOM, AGBM Y4S1

TIME: 2 HOURS

DAY/DATE: TUESDAY 03/12/2019

2.30 PM – 4.30 PM

INSTRUCTIONS:

- **Answer Question One and any other Two Questions only**
 - **Do not write anything in the question paper**
1. (a) Auditing does not only involve the examinations of the books of accounts but it has more elaborative activities. Discuss. [10 marks]
 - (b) An auditor is required to be independent while performing his duties. Explain the reasons why independency is essential element in audit work. [8 marks]
 - (c) Describe the main elements constituting the internal control systems in an organization. [12 marks]
 2. (a) Identify and briefly explain any seven classification of auditing and on each state two circumstances under which you can recommend such type of audit in an organization. [14 marks]
 - (b) You have been appointed a new auditor of Kenya Farm Fresh PLC. Explain the preparation you need to make before taking up your position and starting the audit process. [6 marks]
 3. (a) Speedman Makutano PLC is an electrical product producing company in Kenya. It sales these products both in cash and credits. The management has raised a complain of poor internal check system where in the books of accounts there are several errors and fraud committed with cash lost. You have been hired by management to advice them on measures they need to put in place to address the

above challenges. Describe the fundamental principles and standard measures they need to put in place for internal check system. [12 marks]

- (b) As an audit staff you have been assigned the duty of vouching cash receipts from Debtors in final audit process. Describe how can you carry out the process. [8 marks]
4. (a) Kimbo ltd had prepared their financial statements and the value of trade creditors has raised a dispute among the stakeholders. For this reason, describe how can you verify the balance as stated in the statement of financial position. [7 marks]
- (b) Southern bypass PLC closes its books on 31st December each year. As an auditor of the company you have identified some reservation frauds made and generally the books are not made in compliance with international accounting standard. Prepare your final report in standard format to be presented to you client taking into account your reservations and Kenya companies act cap 486 (revised 2015). [13 marks]
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