

CHUKA



UNIVERSITY

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**EXAMINATION FOR THE AWARD OF DIPLOMA IN AGRICULTURE AND
RESOURCE DEVELOPMENT**

BCOP 341: COOPERATIVE AUDITING

STREAMS:

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 11/12/2019

8.30 A.M – 10.30 A.M

INSTRUCTIONS

Answer question one and any other two questions

Do not write on the question paper

1. (a) Describe the role of auditing in the management and well being of cooperative societies in Kenya. [12 marks]
 - (b) Explain under what circumstances will the following classifications of auditing shall be superior that the other .
 - (i) Continuous audit over final audit [6 marks]
 - (ii) External audit over internal audit. [6 marks]
 - (c) Highlight the duties of an auditor as far as verification function of assets in cooperative societies is concerned. [6 marks]
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2. (a) Mwananchi national cooperative society which has been operating in Kenya for 5 years has expounded to the extent that there has been several cases of fraud and errors found in its operations and books. Further investigations discovered that the problem is poor internal control system in terms of staff internal check system. The management intends to establish a good internal control system in which they have approached you for advisory opinion. For this advisory describe the characteristics they need to take into account to establish an effective system. [12 marks]

(b) Describe the duties /responsibilities of an internal auditor of an organization.

[8 marks]

3. You an assistant audit staff of mkulima cooperative society which buys and sale farm inputs to its members (farmers) in mount Kenya region have been assigned duties by your auditor in verification and vouching duties in the books of the society. The cooperative practices and policies is to sale the inputs to farmers both in cash and credits. The sale may be on the counter and use of regional branch marketers. Describe how can you carry out the following audit for end of the year audit.

(a) Vouching of cash receipts of the society. [12 marks]

(b) Verification of trade creditors. [8 marks]

4. (a) You have audited the books of mitunguu cooperative and found out that loan books are not kept as per international accounting standards (IAS) You also discovered yourself fraud where managers advance loans to themselves in contravention to cooperative policies. Stock worth ksh 40,000 has been consumed for personal use by managing director. Draft a standard audit report to be presented to the shareholders at the annual general meeting (AGM) as required by law. [12 marks]

(b) Explain any four techniques an audit may apply in gathering valid evidence in his audit functions process. [8 marks]
