

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

THIRD YEAR EXAMINATION FOR THE AWARD OF DEGREE
OF BACHELOR OF COOPERATIVE MANAGEMENT

BCOP 341: COOPERATIVE AUDITING

STREAMS: BCOP

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 06/12/2017

8.30 A.M. – 10.30 A.M.

INSTRUCTIONS:

- ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS
- MARKS WILL BE AWARDED FOR CLARITY AND ORIGINALITY OF IDEAS
- DO NOT WRITE ON THE QUESTION PAPER

1. Auditing as one of the specializations of accounting, is over time taking an important role in organizations. However, as a result of increased corporate scandals, many people are questioning the role of auditing.
 - (a) Define auditing and set out the types of audits according to the nature of work done in the audits. [10 marks]
 - (b) Distinguish between auditing and investigation. [10 marks]
 - (c) Discuss the limitations of auditing which have culminated to the mistrust leveled against the profession. [10 marks]
2.
 - (a) Auditor's independence is one of the most crucial rules of professional conduct. ICPAK has issued guidelines in a bid to ensure auditors independence. However, these guidelines may not be sufficient to guarantee auditors independence. Suggest five measures (apart from ICPAK guidelines) that can be adopted by regulators, clients and the profession to enhance auditors independence clearly showing why they will enhance the auditors independence. [10 marks]
 - (b) The control environment is one of the most important components of the internal control system since it sets the tone for the organization. Explain any five elements of the control environment that organizations must pay attention to. [10 marks]

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3. (a) What is audit evidence and what characteristics are used to evaluate audit evidence by the auditor. [5 marks]
- (b) The auditor obtains audit evidence by performing audit procedures. Discuss the types of audit procedures that auditors undertake in gathering audit evidence. [6 marks]
- (c) Auditors are required to give an audit report at the end of the audit engagement. Explain the circumstances that result in reservations in the audit report showing what opinion you would give in the report. [9 marks]
4. (a) You have been appointed as an external auditor Ultimate Enterprises and have discovered that the company has an internal audit department. Explain the factors that you will consider when deciding how much reliance to place on the internal audit department's work. [10 marks]
- (b) You have been approached by East African Cables Ltd. to quote for your services since the company wants to hire you as their next auditor in their forthcoming AGM as their previous auditor is resigning. Set out the steps you would undertake before accepting the nomination clearly outlining your decisions and outline any five rights that you would be entitled to if you accept the nomination.[10 marks]
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