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CHUKA



UNIVERSITY

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**UNIVERSITY EXAMINATIONS**

**EXAMINATION FOR THE AWARD DEGREE OF  
BACHELOR OF COMMERCE**

**BCOM 414: AUDITING II**

**STREAMS: BCOM Y4 S2**

**TIME: 2 HOURS**

**DAY/DATE: THURSDAY 9/04/2020**

**2.30 P.M - 4.30 P.M.**

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**INSTRUCTIONS**

1. Answer questions ONE and any other TWO Questions only
2. Do not write anything in the question paper

**QUESTION ONE**

- (a) You have been appointed as a new auditor of a Public Limited Company in Kenya. The company had computerized its accounting systems but still it faces the problem of internal controls systems of its records keeping. The accounts do not display the “true and fair view of the state of affairs of the business”. You are entrusted with the responsibility to audit and advise your client accordingly.
- (i) Highlight the various walkthrough audit procedures you shall apply to detect the above mentioned material misstatements. [4 Marks]
  - (ii) Describe any five matters you would take into account in the verification process of the fixed assets of the company in determining whether they are properly stated to display true and fair view of their state of affairs in the financial statement. [10 Marks]
  - (iii) Highlight measures you can advise the client to put in place to effectively help the computerized quality data inputs and outputs in the company. [ 6 Marks]

(b) Using relevant examples, explain what constitutes post balance sheet events. [10 Marks]

**QUESTION TWO**

Spenomatic Credit PLC is a financial credit lender company in larger Meru region. The Company has contracted you to investigate and report on the following matters of complaints.

- (a) Issued and subscribed shares of the company were issued irregularly and they are undervalued. [10 Marks]
- (b) Shareholders in their annual general meeting complained of business procurement fraudulent transactions. [10 Marks]

In each of the issue raised above explain the investigation process you can apply and matters you can take into account to collect valid and reliable evidence.

**QUESTION THREE**

- (a) Explain the challenges the Auditor is likely to encounter when auditing computerized system. [6 Marks]
- (b) Describe the precautionary control measures as company Auditor you can advise the management to be undertaken to counter-act the challenges above (3a) [14 Marks]

**QUESTION FOUR**

- (a) Chapter twelve of Kenya’s constitution creates a constitutional office of an Auditor General. Explain the scope of his/her duties in respect of public financial management control concerns. [10 Marks]
  - (b) Describe the various tests the Auditor is required to do in the process of auditing inventories in trade. [10 Marks]
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