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UNIVERSITY EXAMINATIONS

2022/2023 ACADEMIC YEAR

DIPLOMA FIRST YEARS SECOND SEMESTER

SUPPLEMENTARY EXAMINATION

FOR THE DIPLOMA IN BUSINESS MANAGEMENT

COURSE CODE: DAB 103

COURSE TITLE: PRINCIPLES OF AUDITING

DATE: 4TH AUGUST, 2023

TIME: 11.00AM - 1.00PM

INSTRUCTIONS TO CANDIDATES

Answer Question One in Section A and Any other TWO (2) Questions in Section B

TIME: 2 Hours

QUESTION ONE

The responsibilities of external auditors are not always well understood, especially with regard to the detection and reporting of fraud. When external auditors provide non-audit services to their audit clients, it is essential that the auditors make a clear distinction between their audit and non-audit responsibilities.

Required:

- a) Explain the responsibilities of external auditors to directors and shareholders. (5 marks)
- b) Describe the limitations of the external audit in relation to the detection and reporting of fraud. (5 marks)
- c) Explain why it is essential for external auditors to be independent of their clients. (5 marks)
- d) Explain the advantages and disadvantages of external auditors providing consulting services to their audit clients. (5 marks)
- e) Write brief explanatory notes on the following audit terms:
 - a) Control procedures; (4 marks)
 - b) Internal check; (4 marks)

QUESTION TWO

Explain how you would verify the following:

- a) Investment income (5 marks).
- b) Bank balances. (5 marks)
- c) Contingent liabilities. (5 marks)
- d) Petty cash balances. (5 marks)

(Total: 20 marks)

QUESTION THREE

Explain the following terms:

- (a) Materiality; (4 marks)
- (b) The duty of confidentiality; (5 marks)
- (c) Professional indemnity insurance; (3 marks)
- (d) Peer review; (3 marks)
- (e) Quality Control. (5 marks)

(Total: 20 marks)

QUESTION FOUR

- a) Explain the meaning of the „audit evidence“. (4 marks)
- b) Write a brief explanatory notes on the following terms in relation to audit evidence:
 - i. Relevance. (2 marks)
 - ii. Reliability. (2 marks)

iii. Sufficiency. (2 marks)

c) Describe the various procedures of obtaining audit evidence giving an example of each by way of illustration. (10 marks)

(Total: 20 marks)

QUESTION FIVE

a) Write briefly explanatory notes on the following types of audit:

i. Statutory audit; (2 marks)

ii. Private audit; (2 marks)

iii. Balance sheet audit; (2 marks)

iv. Management audit; (2 marks)

b) Explain the value derived from the work of external auditors. (5 marks)

c) Outline the statutory provisions with regard to duties of external auditors. (7 marks)

(Total: 20 marks)