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**University Examinations 2015/2016**

FIRST YEAR, SECOND SEMESTER EXAMINATION FOR THE DIPLOMA IN BUSINESS ADMINISTRATION, DIPLOMA IN PURCHASING AND SUPPLIES MANAGEMENT

**BFD 2154: PRINCIPLES OF AUDITING**

**DATE: AUGUST 2016 TIME: 11/2 HOURS**

**INSTRUCTIONS: -** *Answer question* ***one*** *and any other* ***two*** *questions*

**QUESTION ONE (30 MARKS)**

1. The auditing operational standard requires the auditor to obtain relevant and reliable audit evidence sufficient to enable him to draw a reasonable conclusion there from:

**Required:**

1. What is audit evidence? (2 marks)

Explain the meaning of the following terms:

1. Relevant audit evidence (2 marks)
2. Reliable audit evidence (2 marks)
3. Explain any three legal and professional requirements for one to be appointed as an auditor. (6 marks)
4. Distinguish between audit and investigation. (4 marks)
5. Explain any four limitations of conducting an audit in a business especially in a public limited company. (8 marks)
6. Outline any documents contained in permanent and current audit file (hint two for each). (4 marks)
7. The above two documents are the auditors working papers. Sometimes these working papers may be standardized, explain the meaning of the term “standardized working papers”. (2 marks)

**QUESTION TWO (20 MARKS)**

1. Briefly discuss these types of audits:
2. Interim audit and final audit (4 marks)
3. Continuous audit and procedural audit (4 marks)
4. Management audit and balance sheet audit. (4 marks)
5. Define audit programme (2 marks)
6. List and explain advantages of audit firm using standardized audit programme in its assignment. (6 marks)

**QUESTION THREE (20 MARKS)**

1. Distinguish between auditing and investigation (4 marks)
2. Explain the differences between internal and external auditors’ responsibilities. (6 marks)
3. Discuss how the auditor of a public company may be appointed under companies act. (6 marks)
4. List and explain the rights of auditor in companies act. (4 marks)

**QUESTION FOUR (20 MARKS)**

1. Explain different functions of internal auditing. (10 marks)
2. Outline the factors to consider when designing an internal auditing function (10 marks)

**QUESTION FIVE (20 MARKS)**

1. Highlight five characteristics of an auditor. (5 marks)
2. Highlight five problems encountered in gathering audit evidence. (5 marks)
3. Identify and explain five types of audit evidence. (10 marks)