

**KASNEB
CPA
AUDIT AND ASSURANCE**

27th may 2014

QUESTION ONE

- a) Outline four qualities of a good audit report (4 marks)
- b) Distinguish between "statutory audit" and "private audit" (4 marks)
- c) Explain three conditions under which each of the following audits should be conducted:
 - i. Continuous audit (6 marks)
 - ii. Interim audit (6 marks)

(Total: 20 marks)

QUESTION TWO

- a) Describe four audit procedures that an auditor should carry out when events or conditions are identified that could cast significant doubt on the entity's ability to continue as a going concern. (8 marks)
- b) With reference to International standards on Auditing (ISA) 580 (Written Representations), explain three objectives of the auditor in obtaining written representations (6 marks)
- c) Highlight three matters that's an external auditor should communicate to those charged with governance as per International Standard on Auditing (ISA) 260 (Communication with those Charged with Governance) (6 marks)

(Total: 20 marks)

QUESTION THREE

- a) External auditors of a company often write to their clients' banks inquiring details about bank balances and matters at the year end.
With reference to the above statement:
 - i. Explain the rationale behind obtaining confirmation from the bank account and not from the client (2 marks)
 - ii. Highlight five matters that you would expect the bank to give a confirmation on (8 marks)
- b) Verifications of account receivables is essential as they form a large proportion of the assets of most trading companies.
With reference to the above statement, explain five audit procedures that you would use in the verification of accounts receivable. (10 marks)

(Total: 20 marks)

QUESTION FOUR

- a) State two fundamental principles with which the auditor is required to comply with as provided by Part A of the International Ethics Standards Board for Accounts (IESBA) Code (2 marks)
- b) According to International Standards on Auditing (ISA) 200 (Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with ISA), describe four decisions in which an independent auditor should apply professional judgment. (8 marks)
- c) Explain three conditions under which a retiring auditor, however appointed, shall not be deemed reappointed (6 marks)

- d) Identify four persons who are disqualified from appointment as auditors as per the companies act in your country. (4 marks)

(Total: 20 marks)

QUESTION FIVE

- a) Describe four benefits of audit planning (8 marks)
b) Explain four matters that the auditor should take into consideration while establishing the overall audit strategy in an audit plan (8 marks)
c) Highlight four risk management responsibilities of an audit manager (4 marks)

(Total: 20 marks)

QUESTION SIX

In the context of the use of Computer Assisted Audit Techniques (CAATs)

- a) Explain three ways in which CAATs might be used in performing audit procedures (6 marks)
b) Describe three types of computer programs that are commonly used as part of the audit procedures to process data (6 marks)
c) Discuss four factors that an auditor should consider in determining whether to use CAATs (8 marks)

(Total: 20 marks)

QUESTION SEVEN

You have been appointed as the external auditors of Jitegemee enterprise Ltd. for the year ended 31st March 2014. Jitegemee Enterprise Ltd. has an internal audit department, whose work you have reviewed. You are of the opinion that you can rely on this work.

Required:

- a) Explain two conditions that you should fulfill prior to using internal auditors to provide direct assistance for purposes of the audit (4 marks)
b) Highlight three matters that you should include in the audit's documentation (6 marks)
c) Describe five ways in which the work of the internal auditor might be of help to you as the external auditor of Jitegemee Enterprise Ltd (10 marks)

(Total: 20 marks)