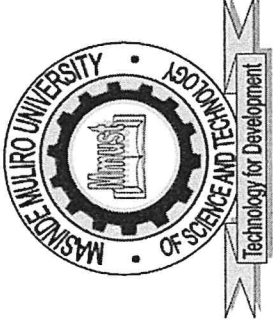


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(University of Choice)

**MASINDE MULIRO UNIVERSITY OF
SCIENCE AND TECHNOLOGY
(MMUST)**

MAIN, BUNGOMA, NAIROBI, WEBUYE CAMPUS

UNIVERSITY EXAMINATIONS

2021/2022 ACADEMIC YEAR

SECOND YEAR SEMESTER TWO EXAMINATION (FINAL EXAM)

FOR DIPLOMA

IN

BUSINESS MANAGEMENT

COURSE CODE: DAB 231

COURSE TITLE: PRINCIPLES OF AUDITING

DATE: Tuesday 26TH APRIL 2022 TIME: 8-10AM

INSTRUCTIONS TO CANDIDATES

Answer QUESTION ONE and any OTHER TWO questions

TIME: 2 Hours observes ZERO tolerance to examination cheating

This Paper Consists of 2 Printed Pages. Please Turn Over.

QUESTION ONE

Onyango and associates, an accounting firm, are the auditors of Toyota motors for the year ended 31st December 2022. You are a member of the audit team and the following information relates to the client.

1. The company has ten branches located in different parts of the country and has head office in Nairobi
2. Each branch sells cars. In addition, each branch has, a garage, and other accessories.

Required

- i. Identify five risk areas that your firm considers when developing the audit plan. (10 marks)
- ii. Explain the components of an internal control system as applicable in Julika petrol station. (10 marks)
- iii. Explain four ways in which the auditor might minimize risk during the auditing of the petrol stations above (10 marks)

QUESTION TWO (20 Marks)

- i) Highlight five ways in which an auditor might reduce potential liability for professional negligence [10 marks]
- ii) Explain five fundamental principles a professional accountant/auditor is required to comply when performing the audit functions [10 marks]

QUESTION THREE

Mumias Sugar Company has depots across the western region. Due to the complexity of its operations; the company management has employed you as their internal Auditor to lead a team of Auditors to help streamline internal controls which had constantly slowed the rapid expansion into other parts of the country.

Required

- i. What are the objectives of the newly introduced Internal Audit Function? (10 marks)
- ii. Explain the similarities between internal audit and external audit.(10 marks)
- iii. State reasons why an auditor might be removed from office [10 marks]
- iv. State four reasons why an auditor might resign from office [10 marks]

QUESTION FOUR

In the context of International Standards on Auditing (ISA) 620 relating to reliance on the work of an expert:

- i) Describe situations where an auditor might need to rely on the work of an expert. (10 marks)
- ii) Explain the factors taken into consideration by an auditor when placing reliance on the work of an expert. (10 marks)

QUESTION FIVE

- a) Explain the meaning of the following types of audit opinion and indicate the circumstances under which each can be issued:
 - i) Qualified opinion (5 Marks)
 - ii) Unqualified opinion 5 marks)
- b) Explain the contents of the main body of an audit report. (10 marks)