



MAIN PAPER

(University of Choice)

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

**UNIVERSITY EXAMINATIONS
2021 / 2022 ACADEMIC YEAR**

**SECOND YEAR SEMESTER TWO EXAMINATION
FOR DIPLOMA
IN
BUSINESS MANAGEMENT**

COURSE CODE: DAB 231

COURSE TITLE: PRINCIPLES OF AUDITING

DATE: Tuesday 2nd August 2022

TIME: 8-10am

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS



MMUST observes ZERO tolerance to examination cheating

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

QUESTION ONE (30 MARKS)

- a) An auditor should consider materiality when conducting an audit and provide an assurance to the financial statement users that the information provided to them is reliable and shows a true and fair view of the state of affairs as well as financial performance of a concern. Explain the underlined key words using appropriately examples in the above statement (5mks)
- b) The primary objective of an audit of financial statements is to enable an auditor to express an opinion whether the financial statements are prepared in all material respect. However, there are other objectives, identify and explain any other three objectives of an audit (6mks)
- c) Describe the circumstances under which the following types of audit may be carried out:
- i) Interim audits (3mks)
 - ii) Continuous audits (3mks)
 - iii) Procedural audits (3mks)
- d) The reasons that could lead to the removal of an auditor from office vary but there are common grounds that this could be effected. Outline any five of such grounds (10mks)

QUESTION TWO (20 MARKS)

- a) The degree of risk of misstatement is essential in the auditor's judgement as to what is sufficient appropriate audit evidence. That degree of risk of misstatement may be affected by a number of factors. Briefly explain any five of such factors (10mks)
- b) Describe any five features of computerised information system (10mks)

QUESTION THREE (20 MARKS)

An auditor should perform three risk assessment procedures in an understanding of an entity and its environment including the internal control. Identify the three risk assessment procedures and explain them appropriately (20mks)

QUESTION FOUR(20 MARKS)

The auditor and client should agree on the terms of the engagement. The agreed terms should be recorded in an audit engagement letter or other suitable form of contract. Explain the purpose of an engagement letter (20mks)

QUESTION FIVE (20 MARKS)

Many auditors now use laptops computers to perform various audit tasks. However, if audit firms use laptop computers they risk data being corrupted and appropriate controls must therefore be put in place to prevent the corruption of data.

- (a) Explain six ways which auditors can use laptop computers in their audit work (other than computer-assisted audit techniques). (6 marks)
- (b) Explain the computer assisted audit techniques listed below:
- (i) Embedded audit facilities. (2 marks)
 - (ii) Integrated test facilities. (2 marks)
- (b) Briefly describe two types of software that might be used by auditors in their work other than Computer Assisted Audit techniques. (4 marks)