



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

MAIN/BUNGOMA/WEBUYE /NAIROBI/MUMIAS CAMPUS

UNIVERSITY EXAMINATIONS

2016/2017 ACADEMIC YEAR

THIRD YEAR SECOND SEMESTER EXAMINATIONS

FOR DEGREE

OF

BACHELOR OF COMMERCE

COURSE CODE: BCA320

COURSE TITLE: PRINCIPLES OF AUDITING

DATE: THURSDAY 27TH SEPTEMBER 2017 TIME: 12PM -2PM

INSTRUCTIONS TO CANDIDATES

Question ONE (1) is compulsory
Answer ANY OTHER TWO questions

TIME: 2 Hours

Question One (30 MARKS) ZERO tolerance to examination cheating

- a) There are a number of people and groups that are interested in the company's books of accounts and records. List down the users of the financial statement explaining clearly the interest of each group **(10mks)**
- b) Explain the general principles of auditing **(8mks)**
- c) Explain the qualities of an effective auditor **(6mks)**
- d) Explain who is disqualified to be appointed as an auditor as stipulated in Companies Act Cap 486 **(6mks)**

Question Two (20 MARKS)

- a) Explain how an auditor can be appointed as stipulated in Companies Act Cap 486 **(10mks)**
- b) Auditors provide auditing and other services. Explain the other services that auditor can provide to his client **(3mks)**
- c) Explain the rights of the auditor to access books as stipulated in Companies Act Cap 486 **(7mks)**

Question Three (30 MARKS)

a) The directors of Kijana Mdogo limited, a company just formed a few months ago, have consulted you in writing with a view of engaging you as their first auditors. In their letter you notice the following statements
“Your duties and rights will be determined by the board of the company strictly. In addition the directors retains exclusively the right to dismiss you without necessarily explaining the reasons for their actions”

Required

- i. Describe your duties as an auditor of Kijana Mdogo Limited**(10mks)**
- ii. What should be your relationship as an auditor with the directors of the company**(4mks)**
- iii. Explain your rights as an auditor as stipulated in Companies Act Cap 486 **(4mks)**
- iv. What is your position regarding the exclusive rights of the directors to dismiss you **(2mks)**

Question Four (30 MARKS)

The Companies' Act Cap 486 lays down certain requirements in relation to the accounting records which every company shall keep. You are required to state the records that must maintained and state the information to contained in these records

- i. Explain what the auditor should do if faced with ethical dilemma. **(6mks)**
- ii. Outline the general the guidelines to independence **(6mks)**
- iii. Explain meant by the term insider dealing and the legal implication of the same **(8mks)**