



**MASINDE MULIRO UNIVERSITY OF SCIENCE AND
TECHNOLOGY**

UNIVERSITY EXAMINATIONS

2022/2023 ACADEMIC YEAR

SECOND YEAR FIRST SEMESTER

MAIN EXAMINATION

**FOR THE DEGREE OF DOCTOR OF PHILOSOPHY IN
BUSINESS ADMINISTRATION**

COURSE CODE: PBA 940

COURSE TITLE: ADVANCED AUDITING AND ASSURANCE

DATE: THURSDAY 24TH APRIL 2023 TIME: 2.00- 5.00PM

INSTRUCTIONS TO CANDIDATES

ANSWER ALL QUESTIONS

TIME: 3 HOURS

MMUST observes ZERO tolerance to examination cheating

This Paper Consists of 3 Printed Page. Please Turn Over.

QUESTION ONE (30 MARKS)

Your audit firms, ABC Certified Public Accountants have recently been appointed the auditors of Impact group which is a highly geared manufacturing concern. The holding company is based in Nairobi with several small manufacturing subsidiary companies located in other towns in East Africa. It also recently acquired a subsidiary company in Europe dealing in E commerce. The outgoing auditors XYZ CERTIFIED PUBLIC ACCOUNTANTS had issued an unqualified opinion on the group financial statements for the year ended 31 March 2021.

Required

- a. Summarize the special considerations to take into account with respect to audit of Impact group Ltd for the year ended 31 March 2022 10mks
- b. Explain the importance of comparatives to conduct of the audit group 10mks
- c. Discuss the procedures you would like undertake in relation to the consolidation of the group's financial statement. 5mks
- d. Describe the challenges you may encounter in carrying an audit in an e commerce environment 5mks

QUESTION TWO (20 MARKS)

- a. One of the requirements of corporate governance is to set up a qualified and independent audit committee. With reference to the above requirement, justify the need for setting up an audit committee within an organization 10mks
- b. Describe the circumstance under which the auditor's liability may arise 10mks

QUESTION THREE (20 MARKS)

Maxwell and associates an audit firm comprising three professional accountants has been in operation for the past three years. The staff in the firm include two junior auditors and two trainee auditors. The firm's client include small companies, partnership firms and sole proprietorship. The company in which Maxwell and associates operates recently decided to adopt international standards of accounting and auditing. The auditors have been using national standard while conducting audits.

- a. Explain how the change to international standards of accounting and auditing would affect Maxwell and associates approach to audit 10mks
- b. Highlight the areas of focus on in an organization when undertaking value for money audits 10mks

QUESTION FOUR (20 MARKS)

- a. Describe the circumstance that could lead to each of the following audit opinions and implications of each opinion 10mks

Adverse opinion

Emphasis of matter

Disclaimer opinion

Except for opinion

- b. Explain the auditor's responsibilities in relation to prevention and detection of fraud and error 10mks