**BACHELOR OF COMMERCE**
**BACHELOR OF BUSINESS LEADERSHIP**

**END OF TERM EXAMINATION**

**DEPARTMENT: BUSINESS**

**COURSE CODE: BUA 3323**

**COURSE TITLE: AUDITING PRINCIPLES**

**TIME:**

## INSTRUCTIONS

- This examination script consists of **SIX (6)** questions.
- Read all questions carefully before attempting.
- Question **One** is compulsory and Answer any **Four (4)** questions.
- Write your **student number** on the answer booklet provided.

# SECTION A: COMPULSORY

## QUESTION ONE (COMPULSORY)

a) Discuss two advantages of undertaking an audit exercise in an organization (2 Marks)

b) It is the responsibility of the directors of the company to prepare financial statements that are presented to the shareholders upon completion of the audit process.
Apart from shareholders, describe, using examples in each case other users of financial statement (3 Marks)

c) The directors of Tuliko Ltd. Company have approached you with the intention of appointing your firm as their auditors for the next financial year. They have not given any reason for their desire to replace the current auditor, they criticise his quality of work and fell they are not getting value for their money.
**Required**
Discuss five reasons why you should communicate with the previous auditor before accepting the new appointment from the directors of Tuliko company Ltd. (5 Marks)

# SECTION B : ATTEMPT ANY THREE QUESTIONS

## QUESTION TWO

a) Explain an interim audit (2 Marks)

b) Mary Jones is one of the directors of Bestfoods Ltd, a company that you audit. Mary does not find the need to conduct an interim audit and states that, it only increases audit fees but does not add value to the company.
**Required**
Explain to Mary Jones four benefits that Bestfoods Ltd will enjoy from carrying out an interim audit (8 Marks)

## QUESTION THREE

During planning for an audit for Jikaze Ltd, who is you new client. The audit Supervisor emphasized for more time to be allocated to peer reviewing of audit working papers to ensure the audit findings is well supported by sufficient audit evidence.

**Required**

a) Explain five objectives of undertaking peer review. (5 Marks)

b) Propose five reasons for maintain good working papers (5 Marks)

During an induction program of new auditors, the Audit Senor emphasised the need for confidentiality of the auditors in the execution of their duties.

Required

a) Explain the principle of confidentiality (2 Marks)

b) Discuss four circumstances under which professional auditors would be required to disclose confidential information (4 Marks)

c) Describe two other fundamental principles that auditors should adhere to (4 Marks)

## QUESTION FIVE

a) In relation to Audit Report, using an example in each case, describe three types of modified opinions (6 Marks)

b) Explain two circumstances under which an Auditor can issue an unqualified report (4 Marks)

## QUESTION SIX

a) Explain three differences between an internal audit and an external audit (6 Marks)

b) Using an example in each case, distinguish between an error and fraud in auditing (4 Marks)