BACHELOR OF COMMERCE
BACHELOR OF BUSINESS LEADERSHIP

END OF TERM EXAMINATION

DEPARTMENT: BUSINESS

COURSE CODE: CAC 401

COURSE TITLE: AUDITING II

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

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QUESTION ONE

a) Your auditing firm has just concluded an external audit on Familia Medical services Ltd. based on the audit finding you have issued an unqualified report to the company.

Required

i. Explain the term unqualified opinion (2 Marks)

ii. Discuss any two matters that can be included in the unqualified in the unqualified report to the company (4 Marks)

b) In the context of International Standards on Auditing (ISA) 560 – subsequent events

Distinguish between "adjusting events" and "non- adjusting events" giving an example in each case. (4 Marks)

SECTION B: ANSWER ANY THREE QUESTIONS

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QUESTION TWO

a) In relations to auditing in a computerized environment:
   i. Explain the term test data (2 Marks)
   ii. Analyze two uses of test data when auditing in a computerized environment. (4 Marks)

b) Explain two specific guidelines regarding to independence given to auditors of a firm (4 Marks)

QUESTION THREE

a) Explain two benefits that an auditor may derive from using computerized auditing software. (4 Marks)

b) Explain matters commonly discussed in the letter of representation (6 Marks)

QUESTION FOUR

Verifications of account receivables is essential as they form a large proportion of the assets of most trading companies.

Required

With reference to the above statement, explain five audit procedures that you would use in the verification of accounts receivable. (10 Marks)

QUESTION FIVE

a) Explain any two maters to consider in forming an opinion on the financial statements (4 Marks)

b) Describe three circumstances an auditor to issue a qualified opinion. (6 Marks)

QUESTION SIX

a) Outline three factors to consider before you firm accepts appointment as external auditors of a company (3 Marks)

b) Your firm has been the auditors of ABC Company limited for many years, it has now been discovered that for the past few years, the managing director has consistently over valued stock. Discuss the possible defense's for an auditor should a liability claim arise (7 Marks)