



The Co-operative University of Kenya

END OF SEMESTER EXAMINATION AUGUST -2018

EXAMINATION FOR THE DIPLOMA IN CO-OPERATIVE MANAGEMENT

(YR II SEM I)

UNIT CODE: COCM 1203

UNIT TITLE: AUDITING I

DATE: 23RD AUGUST, 2018

TIME: 2:00 PM – 4:00 PM

INSTRUCTIONS:

- Answer question **ONE (compulsory)** and any other **TWO** questions

QUESTION ONE

- (a) Briefly discuss the term professional ethics in relation to auditing. (5 Marks)
- (b) Differentiate between statutory and private audits. (5 Marks)
- (c) Discuss audit recording. (5 Marks)
- (d) Waziri Kenya Ltd was formed on 1st December 2017 to facilitate export to European and US markets. The Directors are from different countries therefore unsure as to their responsibilities and the nature of their relations with the external auditor. One of the partners has asked you to visit the client and explain to the directors the relationship with the auditor being and auditing student.
- (e) Explain to the directors of Waziri Kenya Ltd.
- (i) The need for an audit (5 Marks)
- (ii) The procedure for appointing an auditor under the Companies Act. (5 Marks)
- (iii) How they can remove the auditor in case they are dissatisfied with his services. (5 Marks)

QUESTION TWO

- (a) Your company has recently hired an audit clerk. Explain to her the similarities between an internal and external auditor. (5 Marks)
- (b) Briefly explain the following terms;
- (i) Qualified audit report (3 Marks)
- (ii) Unqualified audit report (3 Marks)
- (c) Distinguish between auditing and investigation (4 Marks)
- (d) Discuss FIVE advantages of working papers. (5 Marks)

QUESTION THREE

- (e) What are the disadvantages of rigidly adhering to an Internal Control system? (5 Marks)
- (f) Explain the term ‘independence of Auditors’ and indicate its importance to the auditing profession. (5 Marks)
- (a) Explain the rights and duties of an auditor. (10 Marks)

QUESTION FOUR

- (a) What are the instances in which a casual vacancy can arise? (6 Marks)
- (b) Discuss in detail any FOUR types of errors. (8 Marks)
- (c) Define an audit program and discuss the advantages of a good audit planning. (6 Marks)

QUESTION FIVE

- (a) Discuss FIVE methods of audit sampling. (10 Marks)
- (b) Briefly explain the advantages of an interim audit in an organization. (10 Marks)