



# The Co-operative University of Kenya

**END OF SEMESTER EXAMINATION DECEMBER -2018**

**EXAMINATION FOR THE DEGREE OF BACHELOR OF CO-OPERATIVE  
BUSINESS / BACHELOR OF COMMERCE  
(YR I SEM II)**

**UNIT CODE: HBC 2207**

**UNIT TITLE: PRINCIPLES OF AUDITING**

**DATE: 17<sup>TH</sup> DECEMBER, 2018**

**TIME: 9:00 AM – 11:00 AM**

**INSTRUCTIONS:**

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

**QUESTION ONE**

- (a) Name and explain the factors that have influenced the growth of auditing in Kenya. (5 Marks)
- (b) One of the primary objectives of an audit is the requirement of the Company's Act. Cap. 486 Laws of Kenya. Highlight the contingency the auditor's opinion? (5 Marks)
- (c) Audited financial report is used for different needs by different people. Name any FIVE users and indicate their need for the audited financial statement. (10 Marks)
- (d) An engagement letter is a written confirmation to the acceptance of an audit assignment and appointment by a statutory auditor in pursuance to his/her appointment and in compliance with the requirement of the Professional body ICPAK. Outline the content of the engagement letter. (10 Marks)

**QUESTION TWO**

- (a) Highlight the advantages of final audits? (5 Marks)
- (b) In a continuous audit, the auditor is engaged throughout the year. State FIVE pros and FIVE cons of a continuous audit? (10 Marks)
- (c) The legal environment of the auditor is governed by the Company's Act Cap. 486 and the Accountants Act Cap. 531. What is the purpose of the legislation? (5 Marks)

**QUESTION THREE**

- (a) State and explain the rights of an auditor? (10 Marks)
- (b) Irrespective of who appointed the auditor, he/she can only be removed from office by shareholders. State THREE reasons for auditor's dismissal. (3 Marks)
- (c) Give the actions an auditor can take on discovery of questionable payments. (7 Marks)

**QUESTION FOUR**

- (a) Explain FIVE factors that undermine the auditor's independence. (10 Marks)
- (b) Unqualified audit report is given by the auditor when he/she has no reservations on any of the requirements of the 7<sup>th</sup> schedule of the Company's Act. What is contained in the unqualified audit report? (10 Marks)

### **QUESTION FIVE**

- (a) Professional misconduct is a breach of professional ethics as outline by the Accountants Act Cap 531 if the Laws of Kenya. Discuss how ICPAK deal with such breach? (10 Marks)
- (b) What is the procedure that will be followed by an auditor when resigning? (10 Marks)