



**THE COOPERATIVE UNIVERSITY OF KENYA, TOWN CAMPUS**

**COCM 1203 AUDITING 1 END OF SEMESTER EXAM**

DIPLOMA IN CO-OPERATIVE MANAGEMENT. YEAR 2 SEMESTER 1

INSTRUCTIONS: ANSWER QUESTIONS ONE AND TWO OTHERS.

**QUESTION ONE**

- a) i) Define the term Auditing. (2marks)
- ii) Qualified audit report (3 marks)
- b) Write brief notes on the following:
- i) Final or completed audit (5 marks)
- ii) Interim audit (5 marks)
- iii) Continuous audit (5 marks)
- iv) Balance Sheet audit (5 marks)
- v) Fundamental uncertainty (5 marks)

**(Total: 30 marks)**

**QUESTION TWO**

- a. “ The auditor should adequately plan, control and record his work’  
Why is audit planning considered so important? (8 marks)
- b. The most effective plan is one that is reduced in writing in a planning memorandum. Name four items that should be included in this memorandum (4 marks)
- c. Suggest the practical problems, which are encountered in implementing audit planning and how you would endeavor to minimize these. (8 marks)

**(Total 20 Marks)**

### QUESTION THREE

Restmount Kenya Ltd. was formed on 1 October 2018 in order to export tea and coffee to European markets. The Directors are unsure as to their responsibilities and the nature of their relationship with the external auditors. The audit partner has asked you to visit the client and explain to the directors, the fundamental aspects of the accountability of the directors and their relationship with the auditor.

Required:

Explain to the directors of Rest Mount Kenya Ltd.

- a. The need for an audit (6 marks)
- b. Procedures for the appointment of an auditor of a public company under the Companies Act. (5 marks)
- c. Directors responsibilities in relation to the accounting function of the Company (4 marks)
- d. Auditors' statutory responsibilities in relation to the audit of the company's financial statements (5 marks)

(Total: 20 marks)

### QUESTION FOUR

The external auditor of a company uses the system of internal control to determine the nature, extent and timing of his audit tests.

Required:

- a) Whose responsibility is it to ensure the existence of a strong system of internal controls? (4 marks)
- b) What value does a client obtain from the external auditor with respect to internal controls? Explain how the auditor provides that value. (6 marks)
- c) What is the main role of the internal auditor with respect to internal controls? (4 marks)  
How does the external auditor assure himself that internal audit is effective? (6 marks)

(Total: 20 marks)

### QUESTION FIVE

The Companies Act (Cap.486) sets out the duties of the auditors for a company in respect of his report and other matters.

Required:

- a. State four situations under which the Act requires auditors to qualify their report (8 marks)
- b. State two circumstances in which the auditors may qualify their report owing to inherent uncertainty. (4 marks)
- c. State four types of circumstances in which the auditors may qualify their report as a result of disagreement with the directors (8 marks)

(Total: 20 marks)

