



The Co-operative University of Kenya

SUPPLEMENTARY / SPECIAL EXAMINATION AUGUST- 2019

EXAMINATION FOR THE DIPLOMA IN CO-OPERATIVE MANAGEMENT

UNIT CODE: COCM 1203

UNIT TITLE: AUDITING I

DATE: 26TH AUGUST, 2019

TIME: 2:30 PM – 4:00 PM

INSTRUCTIONS:

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

QUESTION ONE

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

QUESTION TWO

- a) “The auditor should adequately plan, control and record his work” Why is audit planning considered so important? (8marks)
- 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 (4marks)
- c) Suggest the practical problems, which are encountered in implementing audit planning and how you would endeavour to minimize these. (8marks)

QUESTION THREE

Rest Mount Kenya Ltd. was formed on 1st 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 fundamentals 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 (6marks)
- b) Procedures for the appointment of an auditor of a public company under the Companies Act. (5marks)
- c) Directors responsibilities in the relation to the accounting function of the company (4marks)
- d) Auditors’ statutory responsibilities in relation to the audit of the company’s financial statements. (5marks)

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? Explain (4marks)
- b) What value does a client obtain from the external auditor with respect to internal controls? Explain how the auditor provides that value (6marks)
- c) What is the role of the internal auditor with respect to internal controls? (4marks)
- d) How does the external auditor assure himself that internal audit is effective? (6marks)

QUESTION FOUR

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

Required:

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