



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: HBA 2402

UNIT TITLE: ADVANCED AUDITING

DATE: 17TH DECEMBER, 2018

TIME: 9:00 AM – 11:00 AM

INSTRUCTIONS:

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

QUESTION ONE

- (a) Distinguish the following in the audit cycle of an organization.
- (i) Tolerable error and expected error in audit sampling. (6 Marks)
 - (ii) Current audit file and permanent audit file. (6 Marks)
- (b) In reference to where a business has changed from a manual accounting system to a computerized one explain;
- (i) Whether in your opinion the work of the auditor becomes less or more important than before, giving your reasons. (6 Marks)
 - (ii) How the planning of the auditor's test in relations to the processing of data will be affected. (6 Marks)
 - (iii) The areas of internal control that will necessarily be affected. (6 Marks)

QUESTION TWO

- (a) As a partner of ABC Audit firm describe matters that might help you assess the risk of material mistreatment. (10 Marks)
- (b) The directors of a company are of the opinion that their auditor's current files might contain a great deal of useful management information. They write to the auditor after the conclusion of the Audit and ask for access to the files. How should the auditor respond to the request in practice. (10 Marks)

QUESTION THREE

- (a) In reference to auditing of computer based accounting system, describe the following;
- (i) Auditing around the computer. (3 Marks)
 - (ii) Auditing through the computer. (3 Marks)
- (b) Audit reports (ISA 700) are important in the audit cycle. Describe the usage of except for and disclaimer opinion in the cycle. (6 Marks)
- (c) You are among the audit partners of XY. Discuss any **FOUR (4)** major concerns in assessing factors to determine depreciation in your audits. (8 Marks)

QUESTION FOUR

- (a) In reference to the growing concern, describe **FOUR (4)** steps the management might use to save company from being liquidated. (8 Marks)
- (b) You have been called upon to auditor a concern, describe the relevant committees you might assess to find out its governance structure. (12 Marks)

QUESTION FIVE

- (a) Describe FOUR (4) factors in adopting statistical techniques in audit sampling. (8 Marks)
- (b) The auditor's operational standard states; the auditor should obtain relevant and reliable audit evidence sufficient to enable him draw reasonable conclusions therein.
 - (i) Describe factors from third party that could affect audit evidence. (6 Marks)
 - (ii) Matters to be considered in assessing the reliability of audit evidence. (6 Marks)