



The Co-operative University College of Kenya
(A Constituent College of Jomo Kenyatta University of Agriculture & Technology)

END OF SEMESTER EXAMINATION APRIL-2016

EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE

(YR II SEM I)

UNIT CODE: HCB 2207

UNIT TITLE: PRINCIPLES OF AUDITING

DATE: 29TH APRIL, 2016

TIME: 9.00 A.M. – 11. 00 A.M.

INSTRUCTIONS:

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

QUESTION ONE

- (a) Differentiate between compliance test and substantive test (5 marks)
- (b) Identify the FIVE components of internal control (15 marks)
- (c) Explain the matters that must be included in the letter of engagement (10 marks)
- (d) Explain the importance of internal control system to a firm. (5 marks)
- (e) Identify FIVE advantages of statistical sampling (5 marks)

QUESTION TWO

- (a) Analyze why audit planning is necessary to an auditor before undertaking any auditing assignment. (10 marks)
- (b) In each of the potential error and irregularities in question (a) identify preventive measures. (4 marks)
- (c) Explain the following approaches for computer audit
 - i. Around the computer. (4 marks)
 - ii. With the computer (4 marks)

QUESTION FOUR

- (a) Explain the main purpose of the letter of representation (5 marks)
- (b) One important aspect of audit evidence is reliability. Discuss the FIVE factors that may influence the reliability of audit evidence. (10 marks)
- (c) Differentiate between audit risk and inherent risk (5 marks)

QUESTION FIVE

- (a) Some audit assignments involve high risk areas explain the indication of an audit that has an element of higher than normal audit risk. (10 marks)
- (b) Compare and contrast the internal and external auditor (10 marks)