KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2016/2017

SECOND SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE

BAC 303: PRINCIPLES OF AUDITING

DATE: Wednesday, 10th May 2017 **TIME: 2.00 p.m. - 4.00p.m.**

INSTRUCTIONS:

Answer ALL Questions

Question One

a) The auditor must not only be independent, but must be seen to be independent. Briefly comment on this statement. (4 Marks)

b) Suggest how the independence of an auditor may be strengthened. (8 Marks)

c) Explain the challenges that auditors face in the process of being independent. (8 Marks)

d) Outline the ways in which an auditor may be held criminally liable in the course of his audit duties. (2 Marks)

Total **(22 Marks)**

Question Two

a) In undertaking an audit assignment, the auditor checks the specific assertions of the items appearing in the financial statements and renders an opinion about the overall assertions they signify.

Required:

Explain any six specific assertions that the auditor checks for. (12 Marks)

b) Describe the five main stages of audit sampling. (10 Marks)

Total (22 Marks)

Question Three

a) What is a management letter? (2 Marks)

b) Explain the purpose of a management letter. (10 Marks)

Question Four

a) Explain the meaning of the following types of audit opinions and indicate the circumstances under which each can be issued:

i) Qualified opinion

ii) Unqualified opinion. (4 Marks)

b) Discuss five matters that should be included in an unqualified audit report. (10 Marks)

Total (14 Marks)