



MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY

P.O. Box 972-60200 – Meru-Kenya

Tel: +254(0) 799 529 958, +254(0) 799 529 959, + 254 (0) 712 524 293,

Website: info@must.ac.ke Email: info@must.ac.ke

University Examinations 2024/2025

SECOND YEAR FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR
OF COMMERCE

BFC 3228: PRINCIPLES OF AUDITING

DATE: JANUARY 2025

TIME: 2 HOURS

INSTRUCTIONS: Answer question *one* and any other *two* questions

QUESTION ONE (30 MARKS)

- Briefly explain why auditors send a letter of engagement to clients before they carry out the first audit (5 marks)
- Discuss the importance of an audit to an organisation (5 marks)
- List five ways in which the independence of the auditor could be compromised in the course of his duties (5 marks)
- What is the importance of internal control systems to the client (5 marks)
- Describe four duties performed by internal audit staff (5 marks)
- Discuss five content of audit working paper (5 marks)

QUESTION TWO (20 MARKS)

- Explain the auditors planning process when planning for an audit of a new client (8 marks)

- b) Define and explain the meaning of an audit programme (7 marks)
- c) State three factors that must be considered when assessing the reliability of audit evidence (5 marks)

QUESTION THREE (20 MARKS)

- a) Outline the matters which should be included in an unqualified audit report (7 marks)
- b) Outline the basic elements of an unqualified audit report (7 marks)
- c) Explain two types of audit (6 marks)

QUESTION FOUR (20 MARKS)

- a) Describe the auditors general responsibility with regard to the prevention and detection of errors and fraud (7 marks)
- b) Outline the matters that auditor should consider when planning an audit in regard to fraud and other irregularities (7 marks)
- c) Differentiate between auditing and accounting (6 marks)

QUESTION FIVE (20 MARKS)

- a) The auditor's operational statements standards state the auditor should obtain relevant and reliable audit evidence sufficient to enable him draw reasonable conclusions theorem
 - i. What factors would influence the judgment of the auditor with regard to sufficiency of audit evidence (7 marks)
 - ii. What factors to be considered in accessing reliability of audit evidence (8 marks)
 - iii. List the factors that would influence the auditor to accept third party certificate as audit evidence (5 marks)