



MACHAKOS UNIVERSITY

University Examinations for 2020/2021 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING BANKING AND FINANCE

THIRD YEAR FIRST TERM EXAMINATION FOR

DIPLOMA IN ACCOUNTANCY

AUDITING

DATE: 11/6/2021

TIME: 2.30-5.30 PM

INSTRUCTIONS:

Answer any three questions

QUESTION ONE

- (a) What is an “interim audit”? (2 marks)
- (b) Identify any four circumstances under which an interim audit would be ideal. (4 marks)
- (c) List and briefly explain five disadvantages of an interim audit. (10 marks)
- (d) Suggest solutions to any four disadvantages you have identified in (c) above. (4 marks)

QUESTION TWO

- a) Write briefly explanatory notes on the following types of audit:
 - i. Statutory audit; (2 marks)
 - ii. Private audit; (2 marks)
 - iii. Balance sheet audit; (2 marks)
 - iv. Management audit; (2 marks)
- b) Explain the value derived from the work of external auditors. (5 marks)
- c) Outline the statutory provisions with regard to duties of external auditors. (7 marks)

QUESTION THREE

- a) What are the main objectives of an internal control system? (5 marks)
- b) What are the disadvantages of rigidly adhering to a system of internal control? (5 marks)
- c) Explain the matters that have to be considered in respect of a system of internal control for cash sales in a service station that sells petrol and repairs motor vehicles. (10 marks)

QUESTION FOUR

- a)
 - i Briefly explain the meaning of the term “audit” (2 marks)
 - ii What are the objectives of an audit according to the Companies Act? (3 marks)
- b) List four advantages to a company of having its accounts audited (4 marks)
- c) Identify and list the responsibilities of company directors in relation to the company’s accounting system. (6 marks)
- d) List five limitations of an audit (5 marks)