

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

FOURTH YEAR EXAMINATION FOR THE AWARD OF DEGREE  
OF BACHELOR OF AGRIBUSINESS MANAGEMENT

AGBM 414: AUDITING

STREAMS: AGBM(Y4S1)

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 06/12/2017

8.30 A.M. – 10.30 A.M.

**INSTRUCTIONS:**

- ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS
- MARKS WILL BE AWARDED FOR CLARITY AND ORIGINALITY OF IDEAS
- DO NOT WRITE ON THE QUESTION PAPER

1. Your manager believes that the organization can benefit from auditing due to the frequent losses. However, he has discovered there are several types of auditing and he does not know how is appropriate for the organization.
  - (a) What are the objectives of auditing and what are the types of audits according to the approach of work done. [10 marks]
  - (b) Distinguish between auditing and investigation. [10 marks]
  - (c) Compare and contrast between internal and external auditing [10 marks]
2.
  - (a) An auditor is guided by professional ethics in performing his job. In Kenya the professional ethics are issued by ICPAK. Explain any five professional ethics as given by ICPAK. [10 marks]
  - (b) Discuss audit evidence and detail the characteristics that auditors use in evaluating audit evidence in order to arrive at their conclusions. [10 marks]
3.
  - (a) Explain the following terminologies in relation to audit reports showing when they are applicable:
    - (i) Emphasis of matter paragraph [2 marks]
    - (ii) Except for [2 marks]

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- (iii) Disclaimer of opinion [2 marks]
  - (iv) Material and pervasive [2 marks]
  - (v) Inherent uncertainties [2 marks]
- (b) One of the audit assistants assigned to you has been brought to you for disciplinary measures due to insubordination. The manager explains to you that the assistant has consistently failed to document all the information he gathers on audit assignments. The assistant believes that to document everything is a waste of time. Explain to the assistant how detailed his documentation should be and why good documentation is important. [10 marks]
4. (a) Internal control systems are the processes that managers use to provide reasonable assurance that the organization's objectives will be achieved. Explain five limitations that are associated with internal control systems. [10 marks]
- (b) You have been appointed as the auditor for Finex Ltd, a company listed at the NSE. You are drafting the engagement letter for the assignment. Set out six issues that you would address in your letter as per ISA 210 and outline your rights in case there is an attempt to remove you from office. [10 marks]
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