Scott Christian
UNIVERSITY

SCHOOL OF PROFESSIONAL STUDIES

BACHELOR OF BUSINESS ADMINISTRATION

UNIT CODE/NAME: BAA 301: PRINCIPLES OF AUDITING

September- December 2019/2020 End Semester Exam - Time: 2 Hours

Instructions: Answer Question ONE (Compulsory) and any other TWO questions.

QUESTION ONE

Audit planning process allows the audit senior to acquire adequate knowledge about the entity. This process ensures an effective control of audit work.

Required:

a) Explain the auditor's planning process when planning for an audit of a new client. **(8 Marks)**

b) How does audit planning assist in the conduct of an audit? **(5 Marks)**

c) Explain the following controlling procedures in a well-planned audit:

i. Direction and supervision of work. **(2 Marks)**

ii. Review and coordinating of work. **(2 Marks)**

iii. Quality controls. **(3 Marks)**

d) 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)**

e) Explain the value derived from the work of external auditors. **(2 Marks)**

QUESTION TWO

a) Write brief explanation notes on each of the following terms:

(i) Audit risk. **(2 Marks)**

(ii) Inherent risk **(2 Marks)**

(iii) Control risk **(2 Marks)**

(iv) Detection risk **(2 Marks)**

b) List four advantages and Three disadvantages of using the risk-based audit approach when auditing the financial statements of limited companies **(7 Marks)**

QUESTION THREE

It has often been said that the auditors' report is the formal result of all his efforts. This being the case, it is very important that the reader well understands the meaning of the Audit Report, particularly where the auditor wishes to qualify his opinion on the financial statements.

Required:

a) Under statutory provision, what are the main contents of the auditors' report? **(6 Marks)**

b) State how the international standards on auditing attempt to ensure that the report of the auditors is clearly understood. **(3 Marks)**

c) Describe clearly the circumstances in which an adverse opinion and a disclaimer of opinion would be appropriate and give two examples, one each, to illustrate your answer. (A full audit opinion is not required). **(6 Marks)**

QUESTION FOUR

a) Explain the meaning of the 'audit evidence'. **(2 Marks)**

b) Write a brief explanatory notes on the following terms in relation to audit evidence:

   i. Relevance. **(2 Marks)**

   ii. Reliability. **(2 Marks)**

   iii. Sufficiency. **(2 Marks)**

c) Describe the various procedures of obtaining audit evidence giving an example of each by way of illustration. **(7 Marks)**

QUESTION FIVE

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. **(5 Marks)**