



THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

A. M. E. C. E. A

MAIN EXAMINATION

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JANUARY – APRIL 2014 TRIMESTER

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING AND FINANCE

REGULAR PROGRAMME

CAC 321: PRINCIPLES OF AUDITING

Date: APRIL 2014

Duration: 2 Hours

INSTRUCTIONS: Answer Question ONE and ANY OTHER TWO Questions

- Q1. a) What is meant by the term “audit”? (4 marks)
- b) What is the significance of an audit to a limited liability company? (8 marks)
- c) Other than the shareholders, there are a number of parties interested in the audited accounts of a company. List **FOUR** such parties and explain the significance of audited accounts to each of them. (6 marks)
- d) Distinguish between the work of the internal auditor and the external auditor. (5 marks)
- e) List **FIVE** objectives in the audit of fixed assets. (5 marks)
- Q2. a) The Companies Act (Cap 486) requires certain standard matters (disclosures) to be expressly stated by an auditor in his audit report. Briefly outline these disclosures. (8 marks)

- b) List and explain **FOUR** types of audit opinion that may be expressed by an auditor in his report indicating the circumstances in which each audit opinion would be appropriate. **(12 marks)**

Q3. With reference to the Companies Act (Cap 486) state:

- a) The various ways in which a company auditor may be appointed. **(8 marks)**
- b) The statutory duties of a company auditor. **(6 marks)**
- c) The statutory rights of a company auditor. **(6 marks)**

- Q4. a) What is the significance of the concept of professional independence to an auditor in the discharge of his audit function? **(6 marks)**
- b) Briefly, outline the ways in which an auditor's independence may be compromised in the course of his audit function. **(8 marks)**
- c) With reference to the professional guidelines of the Institute of Certified Public Accountants of Kenya outline the steps that an external auditor should take to enable him safeguard his independence. **(6 marks)**

END