



MAASAI MARA UNIVERSITY

REGULAR UNIVERSITY EXAMINATIONS

2021/2022 ACADEMIC YEAR

FOURTH YEAR FIRST SEMESTER EXAMINATION

SCHOOL OF BUSINESS AND ECONOMICS

THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: BCM 4105

COURSE TITLE: AUDITING AND ASSURANCE SERVICES

DATE: 7 TH APRIL, 2022

TIME: 1100-1300HRS

INSTRUCTIONS

Answer question ONE and ANY OTHER THREE Questions

Question One

- a) Corporate Governance has become an issue of worldwide importance. In furtherance to corporate governance, Audit Committees have been established by various companies.

Required:

Explain 6 (Six) ways in which the establishment of an Audit Committee would assist in improving the effectiveness of external audit work.

(6 marks)

- b) The ban on advertising of accountancy services in Kenya is not sustainable. Discuss.

(7 marks)

- c) The auditors have a legal duty to their clients. This legal duty appears to have, of late, been extended to cover third parties not in direct contractual relationship with the auditors.

Explain, giving relevant cases, Auditors' Liability to Third Parties.

(8 marks)

- d) State specific actions an auditor or an audit firm should take to minimise liability deriving from audit risk.

(4 marks)

Question Two

You have recently been appointed auditor of Narok Hotels Ltd., a company which owns and runs a number of hotels. The company has an established internal audit department whose staff operate from the head office and visit the hotels.

Each hotel has a computer which records the bookings of rooms for overnight accommodation and produces the billing account for each guest.

Required:

- (a) Describe the work you would expect to be carried out by the internal audit staff of Narok Hotels Ltd

(5 marks)

(b) Describe the factors you would consider and the work you would perform to enable you assess the extent to which you could rely on the work of the internal auditors. **(5 marks)**

(c) Describe the effect that a reliable internal audit department's would have on your audit work. **(5 marks)**

Question Three

(a) State the respective responsibilities of the directors and management of a company and its external auditors with respect to the financial statements. **(5 marks)**

(b) Describe the inherent limitations facing auditors in undertaking their work. **(5 marks)**

(c) Describe the significant types of judgements made by auditors in gathering evidence **(5 marks)**

Question Four

In auditing of a major client, reliance is placed on Audit Evidence by the auditor. As part of the Audit Evidence, explain the following:

(a) Meaning of Audit Evidence **(4 marks)**

(b) Level of reliance on each category of audit evidence **(6 marks)**

(c) Limitations of Audit Evidence **(5 marks)**

Question Five

A practising auditor in Kenya operates under a particular Environmental Framework with specific guidelines. As part of this Framework, explain the following:

(a) Duties of the Institute of Certified Public Accountant of Kenya (ICPAK) **(7 marks)**

(b) Duties of Kenya Accountant and Secretarial National Examination Board (KASNEB) **(8 marks)**

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