



# **MAASAI MARA UNIVERSITY**

**REGULAR UNIVERSITY  
EXAMINATIONS  
2018/2019 ACADEMIC YEAR  
THIRD YEAR FIRST SEMESTER  
EXAMINATION**

**SCHOOL OF BUSINESS AND  
ECONOMICS  
THE DEGREE OF BACHELOR OF  
PROJECT MANAGEMENT**

**COURSE CODE: BPM 2205  
COURSE TITLE: AUDITING AND  
INTERNAL**

**PROJECTS**

**REVIEW IN**

**DATE: 26<sup>TH</sup> APRIL, 2019**  
**HRS**

**TIME: 0830 - 1030**

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**INSTRUCTIONS**

Answer all questions in Section A and **ANY OTHER THREE in section B**

## **Section A**

### **Question One 25 marks compulsory**

It is the practice of some businesses to outsource internal audit as part of a management technique to strengthen internal control. However in most business concerns internal audit is a department within the business organization.

In light of this statement, address the following:

- a)** What do you understand by the term 'Outsourcing Internal Audit?

**(6**

**marks)**

- b)** What factors would you consider in deciding on outsourcing internal audit function?

**(8 marks)**

Explain five advantages of outsourcing internal audit.

**(5 marks)**

- c)** What are the limitations of Internal Auditing?

**(6 marks)**

## **SECTION B**

### **Question Two**

At the end of every audit the auditor is expected to give a report to the shareholders of the cooperation. Such a report is obligatory and is normally presented at the Annual General Meeting (AGM) The auditor may issue either a qualified or unqualified report.

- (a)** What do you understand by 'qualified audit report'?

**(5 marks)**

- (b)** Give the circumstances where an auditor would issue a qualified audit report.

**(5 marks)**

- (c)** Give the main paragraphs of a standard audit report

**(5 marks)**

### Question Three

In the course of an audit, an auditor is at times made to rely on the work of others and also consider the evidence from related parties.

- (a) When should an auditor rely on the work of others?  
**(5 marks)**
- (b) Explain the existence of related parties and how they can be useful to the auditor of an establishment.  
**(5 marks)**
- (c) When should an auditor put reliance on external rather than internal sources of information  
**(5 marks)**

### Question Four

Internal Control System is very vital to any business organization as it forms part of management control tools.

- (a) Explain the meaning of the term 'Internal Control'  
**(5 marks)**
- (b) Explain the components of Internal Control system in an organization.  
**(5 marks)**
- (c) Explain the limitations of Internal Control System  
**(5 marks)**

### Question Five

Explain the distinction between each of the following:

- (a) Internal check and internal audit  
**(5 marks)**
- (b) Private audit and statutory audit  
**(5 marks)**

**(c) Compliance audit and Environmental audit  
(5 marks)**

**Question Six**

As part of audit planning, it is important to have knowledge of client business.

Explain the types and sources of information that can be used at this step of the planning process, giving any relevant illustrations .

**(15 marks)**

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