



Riara School of Business
Nurturing business innovators

JANUARY-APRIL 2023 TRIMESTER
EXAMINATION FOR BACHELOR OF BUSINESS ADMINISTRATION

DAY PROGRAMME

RAC 302: PRINCIPLES OF AUDIT AND ASSURANCE

DATE: APRIL 2023

TIME: 2 HOURS

INSTRUCTIONS

- i) **Answer question one and any other two**
 - ii) **Marks allocated to each question are shown at the end of the question**
 - iii) **Arrange your work neatly and indicate the questions answered in the Examination booklet**
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QUESTION ONE: COMPULSORY (30 MARKS)

- a) Distinguish between an internal audit and an external (statutory) audit by citing TWO examples for each **(5 marks)**
- b) Describe independence of an auditor considering that independence is an essential quality of a professional **(5 marks)**
- c) Explain TWO challenges of adopting policeman theory of auditing **(5 marks)**
- d) Discuss materiality as a key factor in forming an audit opinion **(5 marks)**
- e) Differentiate between an accounting error and fraud in the context of recording accounting transactions **(5 marks)**
- f) Describe verification of assets as part of the scope of an auditor **(5 marks)**

QUESTION TWO

- a) Discuss materiality as a factor in determining the attention of an auditor in the course of auditing school fees collections of a University which charges sh. 65,000 fees **(4 marks)**
- b) Explain working papers (permanent and current files) as audit documentation **(4 marks)**
- c) Describe TWO causes of a vacancy in the office of an external/statutory Auditor **(6 marks)**
- d) Discuss vouching in the context of auditing of cash transactions of a bank **(6 marks)**

(Total= 20 marks)

QUESTION THREE

- a) Discuss how a newly appointed external auditor conducts audit planning **(6 marks)**
- b) Discuss FOUR contents of an engagement letter in view of client acceptance **(6 marks)**
- c) Describe the scope paragraph of an adverse opinion audit report **(4 marks)**
- d) Explain TWO functions/roles of an audit committee in a commercial bank **(4 marks)**

(Total= 20 marks)

QUESTION FOUR

- a) Explain THREE reasons why an auditor may consider sampling transactions relating to stock of a Supermarket as opposed to auditing all the transactions **(6 marks)**
- b) As the lead Auditor of a large manufacturing firm in the soft drinks industry, advise your Audit staff on how they will go about auditing Internal Control Systems relating to Furniture and loose tools by citing TWO examples **(4 marks)**
- c) Discuss TWO main issues captured in the opinion paragraph of an unqualified opinion audit report **(6 marks)**
- d) Describe the lending credibility theory as a distinguished theory of auditing **(4 marks)**

(Total= 20 marks)