**MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**P.O. Box 972-60200 – Meru-Kenya**

**Tel: 020-2069349, 061-2309217. 064-30320 Cell phone: +254 712524293, +254 789151411**

**Fax: 064-30321**

**Website:** [**www.must.ac.ke**](http://www.must.ac.ke) **Email:** **info@must.ac.ke**

**University Examinations 2015/2016**

FIRST YEAR SECOND SEMESTER EXAMINATION FOR THE DEGREE

OF

 BACHELOR OF COMMERCE

SECOND YEAR SECOND SEMESTER, BACHELOR OF AGRIBUSINESS MANAGEMENT

**BFC 3228: PRINCILES OF AUDITING**

**DATE: APRIL 2016 TIME: 2 HOURS**

**INSTRUCTIONS:** *Answer question* ***one*** *and any other* ***two***questions.

**QUESTION ONE (30 MARKS)**

1. Describe the users of auditors account specifying the kind of information they require.

(10 marks)

1. Explain four sources of Audit Evidence (5 marks)
2. Outline 5 criteria for evaluating the relevance of an audit evidence (5 marks)
3. Differentiate the following:
4. Unqualified report and qualified report. (5 marks)
5. Sufficiency of audit evidence and reliability of audit evidence. (5 marks)

**QUESTION TWO (20 MARKS)**

1. Explain the importance of internal controls in a company’s accounting system (10 marks)
2. Outline the matters an auditor takes into consideration when preparing an engagement letter to review the financial statements of a company. (10 marks)

**QUESTION THREE (20 MARKS)**

With reference to the companies act

1. State the procedures of appointing an auditor (6 marks)
2. State the rights of an auditor. (8 marks)
3. Explain the procedure a company should follow when removing an auditor. (6 marks)

**QUESTION FOUR (20 MARKS)**

1. The auditor must exercise the care and skill before he certifies that the financial statement show a true and fair view. Explain the ways in which an auditor can minimize his potential liability for professional negligence (10 marks)
2. Outline the ways in which an auditor acquires knowledge about the clients business and industry. (10 marks)

**QUESTION FIVE (20 MARKS)**

1. What is an interim audit and how is it different from financial audit. (6 marks)
2. Identify any four circumstances under which interim audit is used. (4 marks)
3. List and explain five disadvantages of an interim audit (5 marks)
4. Suggest solutions to the above disadvantages you have identified. (5 marks)