

Name: _____

Index No: _____

1804/304

AUDITING

July 2012

Time: 3 hours

Candidate's Signature: _____

Date: _____



THE KENYA NATIONAL EXAMINATIONS COUNCIL

CRAFT CERTIFICATE IN ACCOUNTANCY

AUDITING

3 hours

INSTRUCTIONS TO CANDIDATES

Write your name and index number in the spaces provided at the top of this page.

Write the date of the examination and sign in the spaces provided above.

This paper consists of 15 questions in TWO sections; A and B.

Answer ALL the questions in section A answer any FOUR questions in section B in the spaces provided.

For Examiner's Use Only

Section	Question	Maximum Score	Candidate's Score
A	1 - 10		
B			
Total Score			

This paper consists of 16 printed pages.

Candidates should check the question paper to ascertain that all the pages are printed as indicated and that no questions are missing.

SECTION A (32 marks)

Answer ALL the questions in this section in the spaces provided.

1. State **three** reasons why an auditor may use system based audit approach in the conduct of an audit. (4 marks)

2. Outline **three** limitations of standardized audit working papers. (3 marks)

3. Highlight **three** reasons why it is important for an auditor to communicate with the outgoing auditor before conducting an audit. (3 marks)

4. Identify **four** circumstances under which an auditor may obtain evidence by applying substantive procedures. (2 marks)

5. Outline **three** factors that an auditor may consider in determining the size of a sample. (3 marks)

6. Outline **four** situations that may limit proper operations of an internal control system in an organization. (4 marks)

10. State **three** objectives of internal controls in respect to wages and salaries. (3 marks)

SECTION B (68 marks)

*Answer any **FOUR** questions from this section in the spaces provided.*

11. (a) Outline the differences between statutory and private audits. (10 marks)
(b) Highlight **seven** limitations of statistical sampling. (7 marks)
12. (a) Explain **four** reasons that make auditor's independence important in an audit. (10 marks)
(b) Highlight **nine** internal controls over cheque payments. (9 marks)
13. (a) The management of Madex Ltd's is considering establishing an internal audit department. Explain **five** duties that may be performed by the staff in this department. (10 marks)
(b) Highlight **seven** problems that an auditor may face in gathering audit evidence. (7 marks)
14. (a) Explain **five** irregularities that may arise in a payroll system. (10 marks)
(b) Enumerate **seven** qualities of a good audit report. (7 marks)
15. (a) Outline **nine** audit procedures that an auditor may take to verify motor vehicles of a client. (9 marks)
(b) Explain **four** uses of a letter engagement. (8 marks)