



Riara School of Business
Nurturing business innovators

SEPTEMBER – DECEMBER TRIMESTER, 2019
FULL TIME PROGRAMME
EXAMINATION FOR DEGREE IN BUSINESS ADMINISTRATION MANAGEMENT
RAC 302: PRINCIPLES OF AUDITING AND ASSURANCE SERVICES

DATE: 16TH DECEMBER, 2019

TIME: 2 HOURS

GENERAL INSTRUCTIONS:

Students are NOT permitted to write on the examination paper during reading time.

This is a closed book examination. Text books/reference books/notes are not permitted.

SPECIAL INSTRUCTIONS:

1. Write your ADMISSION NUMBER clearly on the cover of the answer booklet(s).
 2. Answer Question One and ANY other TWO questions.
 3. Questions in all sections should be answered in answer booklet(s).
 4. Marks allocated to each question are shown at the end of the question.
 5. PLEASE start the answer to EACH question on a NEW PAGE.
 6. Indicate the number of the questions answered on the cover of the answer booklet(s) in the order you answered them.
 7. Write your answers in paragraph form unless stated otherwise.
 8. Keep your phone(s) SWITCHED OFF at the front of the examination room.
 9. Keep ALL bags and caps at the front of the examination room and do not refer to any unauthorized material before or during the course of the examination.
 10. You are only allowed to leave the examination room 30 minutes to the end of the Examination.
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QUESTION ONE (COMPULSORY 30 MARKS)

- (a) With respect to the provisions of the companies Act on the appointment and removal of auditors of a company, explain
 - (i) The parties responsible for fixing the auditor's remuneration (3 Marks).
 - (ii) The procedure for the appointment of the external auditor (2 Marks).
- (b) List **four** rights and **four** duties of an independent auditor (8 Marks).
- (c) With examples define substantive test (3 Marks).
- (d) Explain **three** components of an internal control system (6 Marks).
- (e) Explain **four** presumptions the auditor must make to ascertain whether the audit evidence is relevant for (8 Marks).

QUESTION TWO

- (a) Explain **two** types of working papers and their importance (6 Marks).
- (b) Highlight **four** situations that the auditors' independence can be comprised (4 Marks)
- (c) Evaluate **five** matters to be considered when developing an audit plan (10 Marks)

QUESTION THREE

- (a) Explain **three** factors that affect the scope and objective of internal audit (6 Marks).
- (b) Differentiate between periodic and management audit (4 Marks)
- (c) Evaluate the **three** components of audit risk (6 marks)
- (d) Highlight **two** differences between internal and external audit (4 Marks)

QUESTION FOUR

- (a) Explain **four** principal objectives in auditing trade receivables (8 Marks)
- (b) Outline **four** objectives of an internal control system (4 Marks)
- (c) Highlight **eight** duties of an auditor in respect to inventory in trade (8 Marks)