



DIPLOMA IN SUPPLY MANAGEMENT

END OF TERM EXAMINATION

DEPARTMENT: BUSINESS

COURSE CODE: DSM 200

COURSE TITLE: AUDITING (DIPLOMA)

TIME:

INSTRUCTIONS

- This examination script consists of **SIX (6)** questions.
- Read all questions carefully before attempting.
- Question **One** is compulsory and Answer any **Three (3)** questions.
- Write your **student number** on the answer booklet provided.

SECTION A: COMPULSORY

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QUESTION ONE

a) Distinguish between accounting and auditing (5 Marks)

b) Tumaini Ltd. is in the process of setting up an internal audit function.

Discuss **five** benefits that would accrue to the company upon setting up the internal audit function. (5 Marks)

SECTION B: ANSWER ANY THREE QUESTIONS

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QUESTION TWO

a) Discuss with an example in each case users of audited financial statements (5 Marks)

b) Explain ways in which the independence of an auditor might be compromised (5 Marks)

QUESTION THREE

a) With an example Distinguish between errors and frauds (2 Marks)

b) Explain **two** fundamental ethical principles that auditors are required to follow. (4 Marks)

c) Analyze **three** circumstances where professional accountants might be required to disclose confidential information (3 Marks)

QUESTION FOUR

- a) Outline **two** reasons why an auditor might need to understand an entity and its environment before undertaking an audit assignment (4 Marks)
- b) Explain **three** conditions under which a retiring auditor, however appointed, shall not be deemed reappointed. (6 Marks)
- c) Discuss **two** factors that would affect the sufficiency of Audit evidence (2 Marks)

QUESTION FIVE

- a) Describe **three** objectives of documenting the audit process. (6 Marks)
- b) It is important for management to design and implement a system of accounting and internal controls.

With reference to the above statement, analyze two aspects of a good internal control system. (4 Marks)

QUESTION SIX

- a) Discuss the importance of the following provisions of professional ethics
 - i. Due care and skill (2 Marks)
 - ii. Audit fees (2 Marks)
- b) Describe **three** circumstances in which the management of an organization may request the auditor to change the terms of the engagement. (3 Marks)
- c) Evaluate **three** procedures that an auditor will perform before relying on the work of an expert (3 Marks)

