THE CO-OPERATIVE UNIVERSITY OF KENYA

END OF SEMESTER EXAMINATION

UN IT CODE: BACC 2204

UNIT TITLE: AUDITING OF SMALL ENTERPRISES

DATE: TIME:

INSTRUCTIONS:

- **Answer question ONE(compulsory) and any other TWO questions**

QUESTION ONE

The objective of International standard on Auditing ISA 500"Audit evidence requires auditor to obtain sufficient, appropriate audit evidence.

a) Discuss FIVE matters that auditors should consider with regard to reliability of audit evidence(5 marks)
b) Describe THREE types of corruption fraud that may be carried out in an entity(3 marks)
c) Explain THREE reasons why internal audit is necessary and how it could benefit a client.(6 marks)
d) Analyze THREE audit procedures that may be undertaken by a small enterprise in response to errors and frauds reported in the entity's financial statements(6 marks)
e) Describe FOUR objectives of audit(4 marks)
f) Describe THREE components of an entity's internal control system.(6 marks)

QUESTION TWO

a) Explain the following terms as used in Audit

   i. Auditor (2 marks)
   ii. Audit (2 marks)
   iii. Internal check(2 marks)

b) Citing a relevant example in each case, explain the following types of audit

   i. Interim audit (2 marks)
   ii.
   iii. Final audit (2 marks)
   iv. Internal audit (2 marks)

c) Write short notes on early and modern audit (8 marks)

QUESTION THREE

a) Explain TWO objectives of internal checks as applied to audit carried out on small enterprises(4 marks)

b) Discuss the importance of the following provisions of professional ethics in

   Audit.

   i. Audit fees (2 marks)
   ii. Conflict of interest (2 marks)
   iii. Due care and skill (2 marks)

c) Outline how auditors are appointed in:

   i. A partnership (2 marks)
   ii. A company (2 marks)
   iii. The case of a sole proprietorship (2 marks)
   iv. The reappointment of a retiring auditor (2 marks)

QUESTION FOUR

a) Discuss FIVE mechanisms that the management of an audit firm could use to ensure compliance with professional code of ethics by members of staff. (10 marks)

b) Discuss FOUR procedures followed by an audit firm to detect fraud(10 marks)

QUESTION FIVE

a) Outline two objectives of internal audit(2 marks)

b) Explain any FOUR benefits of Auditing (4 marks)

c) Explain seven keys of control which an auditor may seek to rely on (14 marks)