

Name \_\_\_\_\_

Index No. \_\_\_\_\_ / \_\_\_\_\_

2804/304  
AUDITING  
November 2012  
Time: 3 hours

Candidate's Signature. \_\_\_\_\_

Date \_\_\_\_\_



**THE KENYA NATIONAL EXAMINATIONS COUNCIL**

**DIPLOMA IN ACCOUNTANCY**

AUDITING

**3 hours**

**INSTRUCTIONS TO CANDIDATES**

*Write your name and index number in the spaces provided above.  
Sign and write the date of the examination in the spaces provided above.  
This paper consists of SIX questions.  
Answer any FTVE questions in the spaces provided in this question paper.  
All questions carry equal marks.*

**For Examiner's Use Only**

Question	1	2	3	4	5	6	TOTAL
Marks							

**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.**

1. (a) Elgo Associates have been appointed to audit the accounts of Longo Limited.  
Explain six steps that the firm should consider before accepting the appointment. (12 marks)
- (b) Highlight **four** differences between a statutory audit and a private audit. (8 marks)
2. (a) Explain six ways in which an audit firm may overcome the threats of independence. (12 marks)
- (b) Prepare an internal control questionnaire that would assure the auditor that control objectives over fixed assets have been achieved. (8 marks)
3. (a) Explain six circumstances under which an auditor may seek evidence from third parties. (12 marks)
- (b) Prepare an audit programme for bank reconciliation. (8 marks)
4. (a) Explain five ways in which an external auditor may benefit from relying on the work of the internal auditor. (10 marks)
- (b) Explain five advantages of using computer assisted audit techniques (CAATs) during auditing. (10 marks)
5. (a) Outline the elements of an unqualified audit report. (12 marks)
- (b) Explain **four** factors that might influence the analytical review procedures conducted by an auditor. (8 marks)
6. (a) Highlight **six** advantages of statistical sampling. (12 marks)
- (b) Stock and work-in-progress forms a significant proportion of the current assets.  
Enumerate the audit procedures that an auditor should carry out before the stock take. (8 marks)