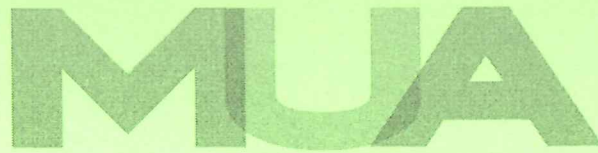


The
Management
University
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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF COMMERCE

ACC 421: AUDITING AND INVESTIGATIONS

DATE: 7TH AUGUST 2024

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. Write all your answers in the Examination answer booklet provided.

QUESTION ONE

Read the Case Study below carefully and answer the questions that follow:

KENYA KAZI LIMITED

Kenya Kazi Limited (KKL) was incepted in May 2010 and has a total of 200 employees located in all the five branches of the company in various parts of the country. One of the employees is Mr. Mwakazi who is an auditor by profession. Mr. Mwakazi has been appointed as the auditor of KKL and has been performing the audit on the company financial statements for the last five years. The company has experienced increased costs in the payroll expenses in the last three years. The Management Board suspects that the Human Resource Department may be inflating the payroll by having ghost workers in the payroll system. Mwakazi has been assigned the task to perform the forensic audit on the company's payrolls to determine the extent of payroll frauds if any.

Required:

- a) Explain five (5) benefits that KKL company will derive from the audit that will be conducted by Mr. Mwakazi (10 Marks)
- b) Discuss five (5) types of testing methods that Mr. Mwakazi can use when conducting audits on the KKL's payroll system (10 Marks)
- c) Define internal audit and state the four (4) types of internal audits that Mr. Mwakazi can conduct in KKL company (5 Marks)

QUESTION TWO

- a) Analyze five (5) rights of an auditor (10 Marks)
- b) Identify and state the five (5) C's of internal audit reports (5 Marks)

QUESTION THREE

- a) Describe five (5) types of internal controls that an organization can adopt (10 Marks)
- b) Highlight five (5) limitations of internal control systems (5 Marks)

QUESTION FOUR

- a) There are standard steps that an organization should follow when conducting an audit. Illustrate five (5) steps in the audit processes (10 Marks)
- b) Assess five (5) advantages of good audit planning (5 Marks)

QUESTION FIVE

- a) Discuss five (5) strategies that organizations can adopt to prevent fraud (10 Marks)
- b) Outline five (5) types of fraud that are likely to happen in a business (5 Marks)

QUESTION SIX

- a) Explain the following terms as used in auditing
- i. Audit evidence (2 Marks)
 - ii. Sufficiency (of audit evidence) (2 Marks)
 - iii. Accounting records (2 Marks)
 - iv. Management Letter (2 Marks)
 - v. Audit sample (2 Marks)
 - vi. Audit opinion (2 Marks)
- b) Outline three (3) types of audit opinions (3 Marks)

