UGANDA MARTYRS UNIVERSITY

FACULTY OF BUSINESS ADMINISTRATION AND MANAGEMENT

DEPARTMENT OF ACCOUNTING AND FINANCE

ACADEMIC YEAR: 2023/2024 SEMESTER: TWO

COURSE CODE: AUD3202, IBM3202

COURSE NAME: AUDITING

BAM III, BIBM II AND BIBM III

DATE: Friday, 17th May 2024

Time allowed: 3 Hours (9:30am 12:30pm)

INSTRUCTIONS:

Read the following before answering the examination questions

- Do not write anything on this question paper.
- Attempt Four questions in total
- Question **ONE** is compulsory
- Attempt any three numbers from section B
- Write clearly and neatly. Credit will be given to candidate whose work is tidy
- Read further instructions on the answer booklet

Section A- Compulsory

Question one

Auditing involves the application of different procedures by the auditors to obtain sufficient appropriate evidence to help in making an opinion as to whether the financial statements are free from material misstatements and also if they have been prepared in accordance with the applicable frameworks

(a) Explain any five distinctions between internal and external auditing **(10 marks)**

(b) Explain any five audit procedures that the auditor can use to obtain sufficient appropriate evidence. **(10 marks)**

Explain different audit opinions that you may issue as an Auditor **(10 marks)**

(c) Discuss any five advantages of audit planning. **(10 marks)**

Section B

Attempt any three questions from this section

Question Two

Otel Co. Ltd owned by Mr. Otel and his wife, manufactures plastic products which sell over the East African region. The company employs both skilled and unskilled labor most of whom are relatives of the proprietors. Over a period of time, the company has been operating at losses due to rampant misconduct of its employees. The proprietors of the company are much puzzled on the way forward in attaining stability in the company's operations. Your audit firm has been approached for guidance over this challenge. Advise on;

(a) Six internal controls which the company can put in place **(12 marks)**

(b) Four objectives of having strong internal controls **(08 marks)**

Question Three

MK an audit firm located in Mbale has recruited you to join their audit team as an auditor

(a) Explain the five ways in which the auditor's independence could be compromised in the course of his duties (10 marks)

(b) Briefly suggest other ways in which the independence of the auditor might be enhanced by the profession, regulation and clients (10 marks)

Question Four

(a) Explain any **four** types of auditing **(08 marks)**

(b) Discuss the **six** importance of auditing any organization's financial statements **(12 marks)**

Question Five

Auditing is the process of examining the books of accounts of an organization with the view of obtaining reasonable assurance that the accounts show true and fair view of the company's state of affair; What are management assertions and what is the importance of management assertions to the auditor **(10 marks)**

(a) Discuss any **six** users/stakeholders of audited financial statements **(10 marks)**

Question Six

(a) Describe any **six** rights of an auditor **(12 marks)**

(b) Explain any **four** ways in which you can obtain an understanding of a client business before starting an audit engagement **(08 marks)**

Question Seven

(a) Explain with five examples of controls to prevent unauthorized changes to data files that you would expect to find in the new computer based accounting system **(10 marks)**

(b) A company wishes to change from old computerized sytem to a new computer based accounting system. Explain how and why both systems should run parallel prior to change over to the new system **(10 marks)**

END