

1804/304
AUDITING
March/April 2024
Time: 3 hours



THE KENYA NATIONAL EXAMINATIONS COUNCIL

CRAFT CERTIFICATE IN ACCOUNTANCY

AUDITING

3 hours

INSTRUCTIONS TO CANDIDATES

This paper consists of TWO sections; A and B.

Answer ALL the questions in section A and any FOUR questions from section B in the answer booklet provided.

Maximum marks for each question or part of the question are indicated.

Candidates should answer the questions in English.

This paper consists of 3 printed pages.

Candidates should check the question paper to ascertain that all the pages are printed as indicated and that no questions are missing.

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SECTION A (32 marks)

Answer ALL questions in this section.

*Audit report -
Financial statement
representation letter*
(2 marks)

1. State two secondary aims of an audit. (2 marks)
2. State three contents that may be found in both the current audit file and the permanent audit file. *date, sign*. (3 marks)
- ③ List three advantages of an organizational chart to a business. *Address: They show complete data sample and concise way. They help in highlighting trends, patterns, relationship of a business. Enable you to visually compare multiple sets of data.* (3 marks)
4. State four categories of debtors who should be circularized during an audit. *Negotiation, Overhead, Disposition*. (4 marks)
5. State three criteria that an auditor may use to assess the reliability of audit evidence. *Internal documents such as policies, procedures or records. External documents such as legislation.* (3 marks)
- ⑥ List four methods that an auditor may use to select an audit sample. (4 marks)
7. Identify three circumstances that may give rise to a "limitation of scope" paragraph in an audit report. (3 marks)
8. State three situations when the first auditors of a company are assumed to have been automatically re-appointed. (3 marks)
- ⑨ List three qualities of an auditor. *They show integrity. They are innovative. They are good with technology.* (3 marks)
10. Distinguish between a letter of representation and a management letter. (4 marks)

SECTION B (68 marks)

Answer any **FOUR** questions in this section.

11. (a) Explain four contents of a letter of engagement. (8 marks)
• Address and E-mail.
- (b) *Date and time.* According to the Company's Act, certain parties are disqualified from being auditors of a company. Highlight six such parties. (9 marks)
12. (a) Explain four ways in which sampling may be of benefit to an auditor. (8 marks)
- (b) Explain six benefits of a non-statutory audit to a partnership firm. (9 marks)
13. (a) Explain six actions that an auditor should take upon discovery of weaknesses in the internal control system of a client. (9 marks)
- (b) Describe four steps that should be followed by an auditor in verifying depreciation on non-current assets appearing in the accounts of a client. (8 marks)
14. (a) Explain four challenges that may be encountered when establishing an internal control system in a small business organization. (8 marks)
- (b) Explain six actions of an auditor that may be seen to compromise his independence. (9 marks)
15. (a) Explain four ways in which a cashier may misappropriate cash in a business organization. (8 marks)
- (b) Highlight six advantages of preparing audit working papers. (9 marks)

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