

2804/304
AUDITING
March/April 2025
Time: 3 hours



THE KENYA NATIONAL EXAMINATIONS COUNCIL
DIPLOMA IN ACCOUNTANCY
AUDITING

3 hours

INSTRUCTIONS TO CANDIDATES

*This paper consists of SIX questions.
Answer any FIVE questions in the answer booklet provided.
All questions carry equal marks.
Candidates should answer the questions in English.*

This paper consists of 2 printed pages.

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

1. (a) Explain each of the following types of audit:
- (i) Statutory audit;
 - (ii) Private audit;
 - (iii) Balance sheet audit;
 - (iv) Procedural audit. (8 marks)
- (b) Explain six legal liabilities of an auditor to the client under the law of contract. (10 marks)
2. (a) Outline five contents of a permanent audit file. (10 marks)
- (b) Explain five factors that an auditor should consider before relying on the work of an internal auditor. (10 marks)
3. (a) Explain five qualities of a good internal control questionnaire (ICQ). (10 marks)
- (b) Outline the preliminary work that an auditor should perform before preparing audit programmes.. (10 marks)
4. (a) Explain five factors that may influence the sufficiency of audit evidence. (10 marks)
- (b) Maboh limited has purchased an equipment that cost ksh.5 million. Prepare an Internal Control Questionnaire (ICQ) over this purchase. (10 marks)
5. (a) Outline the audit procedure that an auditor should perform to confirm the genuineness of the discount allowed appearing in the income statement. (10 marks)
- (b) One of the risks in electronic data processing (EDP) systems is unauthorized use of passwords. Explain five measures that may be put in place to mitigate such risk. (10 marks)
6. (a) Explain six circumstances under which an auditor may issue an unqualified audit report. (12 marks)
- (b) Explain four events that may necessitate an audit investigation in a company (12 marks)

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