



MACHAKOS UNIVERSITY COLLEGE

(A Constituent College of Kenyatta University)

University Examinations 2013/2014

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND SECRETARIAL

Examination for Diploma in Accountancy – Year 3

AUDITING

Date: 18/7/2014

Time: 2Hours

INSTRUCTIONS

ANSWER ALL QUESTIONS

1. The directors of Wananchi Coffee Export Ltd have resolved to introduce an improved computer based accounting system to replace the existing one. Live running of the new system is planned to commence on 1st Dec.2004 and will run parallel with the present computer system for a period of three months thereafter.

Required:

- a) Explain why wananchi coffee Exporters ltd should run both the existing and give reasons why you, as the auditor, would wish to be involved at this stage of the development process of the new system. (14marks)
 - b) On the assumption that the new computer based accounting system will be run as live with effect from 1st December 2004, briefly describe what effects this will have on your audit of the company's accounts for the year ended 31st Dec.2004. (6marks)
2. a) Explain examples of controls to prevent unauthorized changes to data files that you would expect to find in a new computer based accounting system. (12marks)
b) Explain the limits of using Computer Assisted Audit Techniques (CAATs) (8marks)
 3. Name four types of audit opinions, which the auditor may express in his report indicating the circumstances under which each can be issued. (20marks)
 4. Explain the factors that external Auditors should consider in determining whether the financial statements of a limited company show a true and fair view. (10marks)