KASNEB
ATD LEVEL III
AUDITING

TUESDAY: 24 May 2016.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE
(a) Discuss five groups of users of audited financial statements. (10 marks)

(b) Explain five ways in which the independence of an auditor might be compromised. (10 marks)

(Total: 20 marks)

QUESTION TWO
(a) Define the following terms:

(i) Detection risk. (2 marks)

(ii) Control risk. (2 marks)

(iii) Teeming and lading. (2 marks)

(iv) Analytical review. (2 marks)

(v) Substantive tests. (2 marks)

(b) Discuss five methods an auditor could use to gather audit evidence. (10 marks)

(Total: 20 marks)

QUESTION THREE
(a) Describe five general control procedures for cash and bank. (10 marks)

(b) Discuss five inherent limitations of an internal control system. (10 marks)

(Total: 20 marks)

QUESTION FOUR
(a) Highlight two benefits of audit planning. (2 marks)

(b) You have been appointed the lead auditor of ABC Ltd. As part of the audit, you are required to prepare an overall audit plan.

Required:
(i) Summarise ten areas you might consider in preparing the overall audit plan. (10 marks)

(ii) Explain four likely limitations of the audit plan. (8 marks)

(Total: 20 marks)

QUESTION FIVE
(a) List six advantages of a computerised accounting system. (6 marks)

(b) Highlight six reasons why an auditor might audit around the computer. (6 marks)

(c) Outline eight elements of an audit report. (8 marks)

(Total: 20 marks)