



**STRATHMORE UNIVERSITY BUSINESS SCHOOL
BACHELOR OF FINANCIAL SERVICES
BFS 2102: PRINCIPLES OF AUDIT & RISK MANAGEMENT
END OF SEMESTER EXAMINATION**

Date: Thursday, 27th July, 2023

Time: 2 Hours

Instructions

- 1. This examination consists of FIVE questions.**
- 2. Answer Question ONE (COMPULSORY) and any other TWO questions.**

QUESTION ONE **(TOTAL 30 MARKS)**

- a) Explain the importance of auditing to a partnership business **(5 Marks)**
- b) Identify any five benefits of audit programs **(5 Marks)**
- c) Explain five roles of International Standards on Auditing **(5 Marks)**
- d) Identify any five errors and frauds that could be disclosed by debtor circularization **(5 Marks)**
- e) List five examples of irregular vouchers **(5 Marks)**
- f) Give any five reasons as to why an auditor would be interested in examining the directors minutes book **(5 Marks)**

QUESTION TWO **(TOTAL 20 MARKS)**

- a) Unlike errors, frauds are difficult to detect. Explain **(6 Marks)**
- b) Explain the impact of window dressing **(6 Marks)**
- c) Explain how the internal control system can help in detecting errors and fraud **(8 Marks)**

QUESTION THREE **(TOTAL 20 MARKS)**

- a) Explain the matters that should be outlined in unqualified audit report **(5 Marks)**
- b) Give five examples of processing controls in a computerized business environment **(5 Marks)**

- c) Explain the common risks encountered by an auditor in a computerized environment (5 Marks)
- d) Identify five disadvantages of standardized working papers (5 Marks)

QUESTION FOUR (TOTAL 20 MARKS)

- a) Explain five factors that determine the reliability of audit evidence (5 Marks)
- b) Give five examples of information that can be revealed through the bank standard letter (5 Marks)
- c) Explain the importance of the letter of representation (5 Marks)
- d) Explain the responsibility of internal auditor over the internal control system (5 Marks)

QUESTION FIVE (TOTAL 20 MARKS)

- a) Explain the importance of considering materiality to an auditor (5 Marks)
- b) Identify five benefits of automated working papers (5 Marks)
- c) List five examples of documents that an auditor cannot exercise lien over (5 Marks)
- d) Highlight the rights of a company auditor during removal (5 Marks)