



MAASAI MARA UNIVERSITY

REGULAR UNIVERSITY EXAMINATIONS

2021/2022 ACADEMIC YEAR

THIRD YEAR FIRST SEMESTER EXAMINATION

SCHOOL OF BUSINESS AND ECONOMICS

THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: BCM 3105

**COURSE TITLE: AUDITING AND INTERNAL
REVIEW**

DATE: 30TH MARCH, 2022

TIME: 0830-1030

INSTRUCTIONS

Answer question ONE and ANY OTHER THREE Questions

Question One 25 marks compulsory

It is the practice of some businesses to outsource internal audit as part of a management technique to strengthen internal control. However in most business concerns internal audit is a department within the business organization.

In light of this statement, address the following:

- (a) Explain the term 'Outsourcing Internal Audit. **(6 marks)**
- (b) Explain 6 factors would you consider in deciding on outsourcing internal audit function **(8 marks)**
- (c) Explain five advantages of outsourcing internal audit. **(5 marks)**
- (d) Explain six limitations of Internal Auditing **(6 marks)**

Question Two

At the end of every audit the auditor is expected to give a report to the shareholders of the cooperation. Such a report is obligatory and is normally presented at the Annual General Meeting (AGM) The auditor may issue either a qualified or unqualified report.

- (a) Explaining your understanding by 'qualified audit report' **(5 marks)**
- (b) Give the circumstances where an auditor would issue a qualified audit report. **(5 marks)**
- (c) Explain five main paragraphs of a standard audit report **(5 marks)**

Question Three

In the cause of an audit, an auditor is at times made to rely on the work of others and also consider the evidence from related parties.

- (a) When should an auditor rely on the work of others? **(5 marks)**
- (b) Explain the existence of related parties and how they can be useful to the auditor of an establishment. **(5 marks)**
- (c) When should an auditor put reliance on external rather than internal sources of information **(5 marks)**

Question Four

Internal Control System is very vital to any business organization as its forms part of management control tools.

- (a) Explain the meaning of the term 'Internal Control' **(5 marks)**
- (b) Explain the components of Internal Control system in an organization. **(5 marks)**
- (c) Explain the limitations of Internal Control System **(5 marks)**

Question Five

Explain the distinction between each of the following:

- (a) Internal check and internal audit **(5 marks)**
- (b) Private audit and statutory audit **(5 marks)**
- (c) Compliance audit and Interim audit **(5 marks)**