



SOUTH EASTERN KENYA UNIVERSITY

UNIVERSITY EXAMINATIONS 2017/2018

SECOND SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE

DAC 406 : CONTEMPORARY ISSUES IN MANAGEMENT ACCOUNTING

DATE: 10TH APRIL, 2018

TIME: 4.00-6.00PM

INSTRUCTIONS TO CANDIDATES

- 1. Answer QUESTIONS ONE and any other TWO.**
- 2. Be clear, neat and orderly in your presentation**

QUESTION ONE (COMPULSSORY) (30MARKS)

- a) “Accounting standards can be seen as providing an important mechanism to help in the resolution of potential financial conflicts of interest between the various important groups in society”. Comment. **(8marks)**
- b) You are approached by Mr. Kimani the Managing Directors of K.V Limited, a company that you are the auditor. He feels that there is no need your firm to carry out an interim audit during the audit of the year ended 31 December 2017. He states that an interim audit is only a ways of increasing your audit fees and there is no value to his company.

Required:-

- (a) State and explain why an interim audit is necessary and how it can be of benefit to the client. **(10marks)**
- (b) Which work is normally carried out before an audit is done? **(5marks)**
- c) You have been asked by the partner in charge of your firm to provide guidance to the audit staff about materiality; he believes that if this guidance is provided to the staff it will allow them to carry out audits more effectively.

You are required:-

- (a) To provide a definition of the term '*material*' and explain why the concept is important to auditors. **(7markx)**

QUESTION TWO

20MARKS

- a) What is audit sampling? Describe the main factors which influence the audit in determining the size of the sample he will use for his detailed testing. **(10marks)**
- b) Under the provisions of Companies Act the auditors is required to make certain disclosures in his audit report. Briefly describe these provisions. **(10marks)**

QUESTION THREE

20MARKS

- a) In the context of a computer based accounting system, explain the following terms:-
- i) Application controls. **(2marks)**
 - ii) General controls **(2markx)**
- b) State six examples of controls to prevent unauthorized changes to data files that you would expect to find in a new computer based accounting system. **(6marks)**
- c) Explain the importance of the concept of professional independence to the auditor. **(4marks)**
- d) Discuss the classification of audits according to the terms of engagement. **(6marks)**

QUESTION FOUR

20MARKS

- a) Outline the basic elements of an unqualified audit report. **(6marks)**
- b) What are post balance sheet events? Give examples of adjusting and non-adjusting events, **(8marks)**
- c) State the meaning of Auditing Standard? Discuss the Procedure of issuing auditing standards. **(6marks)**