## EGERTON UNIVERSITY- NAKURU TOWN CAMPUS

## BCOM 412: AUDITING II- CAT 1 DAY

## ATTEMPT ALL QUESTIONS. BREVITY AND CLARITY OF EXPRESSION IS EMPHASISED

1. ‘Every expense incurred in an organization must be justified.’ discuss this statement in light of salaries/ wages, travel, and trainings. (10 mks)
2. you have been appointed as auditor of a company. after conducting tests of controls, you decide to undertake substantive tests. describe the substantive tests to verify account balances that you would conduct over:
   1. directors fees.
   2. rent and utilities
   3. share capital (3.5 mks each)
3. “Fraud is big business!”
   1. Discuss the meaning of FRAUD citing its components (6 mks)
   2. Discuss the role of the auditor regarding the detection and prevention of FRAUD. (4 mks)
4. Jane, an employee of abc ltd had her e-mail account compromised, and accessed by unknown people. as a result, her account was used to send threatening messages and insults to her friends, and worst of all, her superiors at work.
   1. state one possible way that the people who accessed her email might have used to obtain her account user name and password. (2 mks)
   2. advice Jane, detailing the steps she should take to prevent the recurrence of such incidences in future (8 mks)