

LAIKIPIA



UNIVERSITY

UNIVERSITY EXAMINATIONS

FIRST SEMESTER 2025/2026 ACADEMIC YEAR

SECOND YEAR EXAMINATION FOR THE DEGREE
OF BACHELOR OF COMMERCE

**ACCT 411/AGBM 414: PRINCIPLES OF AUDITING &
ASSURANCE/ AUDITING**

STREAM: R

TIME: 2 HRS

DAY: WEDNESDAY [11.30 P.M-13.30 P.M] DATE: 04/02/2026

THIS QUESTION PAPER CONSISTS OF THREE (3) PAGES

PLEASE DO NOT OPEN UNTIL THE INVIGILATOR SAYS SO.

INSTRUCTIONS TO CANDIDATES:

Answer Question One and any other two questions.

The duration of this paper is two hours

QUESTION ONE

- a). The auditor should obtain sufficient and appropriate audit evidence to be able to draw reasonable conclusions on which to base the audit opinion. Identify and explain any four procedures for obtaining audit evidence **(12marks)**
- b). Explain the purpose and principal contents of a letter of engagement **(6 marks)**
- c). State the factors that the external auditor should consider before placing reliance on the work of the internal auditor. **(8 marks)**
- d). Why should an auditor be unwilling to take full responsibility for the detection of fraud during the annual audit? Explain. **(4 marks)**

QUESTION TWO

You are an audit senior in a firm of practicing accountants and your manager has gone out for an urgent meeting with a partner. Mr. Christopher Khaemba, a manager with Khaemba and Company Manufacturers Ltd, has come to your office with a request that your firm becomes their auditors.

Required:

- a) Describe to Mr. Christopher the legal, ethical and practical factors your firm would consider before accepting the appointment. **(10 marks)**
- b) Explain to Mr. Christopher the qualification and disqualification of an auditing firm under the provisions of the Companies Act to become auditors. **(10 marks)**

QUESTION THREE

- a). Discuss the limitations of an audit **(5 marks)**
- b). Explain the criteria which you would consider before deciding to rely on the work of an internal audit function. **(6 marks)**
- c). Identify the potential users of audited financial statements. **(6 marks)**
- d). What are the objectives of an audit according to the Companies Act? **(3 marks)**

QUESTION FOUR

- a). In the context of the Companies Act (Cap. 486), discuss the rights of an auditor. **(8marks)**
- b). An internal control system is designed to provide reasonable assurance that all the control objectives are being achieved.

Required:

- i). What purpose does an internal control system serve in an organization? **(6 marks)**
- ii). Identify and briefly explain the three key elements of a good internal control system. **(6marks)**