

LAIKIPIA



UNIVERSITY

UNIVERSITY EXAMINATIONS

1ST SEMESTER 2023/2024 ACADEMIC YEAR

FOURTH YEAR EXAMINATION FOR THE DEGREE
OF BACHELOR OF COMMERCE

BCOM 410: AUDITING I

STREAM:

TIME: 2 HRS

DAY: MONDAY [14.30-16.30 P.M]

DATE: 11/12/2023

THIS QUESTION PAPER CONSISTS OF THREE (3) PAGES

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INSTRUCTIONS TO CANDIDATES:

This paper contains four questions

Answer question one and any other two questions in the answer booklets provided

QUESTION ONE

Bestmount Kenya Ltd. was formed on 1 October 2022 in order to export tea and coffee to European markets. The Directors are unsure as to the nature of the audit and the role of external auditors. The audit partner has asked you to visit the client and explain to the directors, the fundamental aspects of the accountability of the directors and role of the external auditor.

Required:

Explain to the directors of Bestmount Kenya Ltd: -

- i) The need for an audit of the Company's financial statements . (6marks)
- ii) Who cannot be appointed as an auditor of a public company under the Companies Act. (Cap486) (3marks)
- iii). The purpose and important matters which must be included in the letter of engagement (8marks)
- iv). The potential users of the company's audited financial statements (5marks)
- v). The rights of an auditor under the Companies Act (Cap. 486) (8marks)

QUESTION TWO

a) The Auditors Operational Standard requires the auditor to obtain relevant and reliable audit evidence sufficient to enable him to draw reasonable conclusions therefrom'

Required:

- i). What is audit evidence? (2marks)
- ii). Explain five procedures for obtaining audit evidence. (10marks)



- b) The Companies Act (Cap 486) sets out the duties of the auditors for a company in respect of his report and other matters

Required:

Explain four situations under which the Act requires auditors to qualify their reports.

(8marks)

QUESTION THREE

The directors of one of your growing clients have decided to create an internal audit function in their organizational structure.

Required:

- a). Describe the duties you would expect the internal audit staff to perform. **(8marks)**
b). Explain the criteria which you would consider before deciding to rely on the work of the internal audit function. **(12marks)**

QUESTION FOUR

- a). Distinguish between statutory and non-statutory audit **(4marks)**
b) Discuss the objectives of an audit according to the Companies Act (Cap. 486) **(8marks)**
b). Explain the inherent limitations / disadvantages of auditing. **(8marks)**

