

EASTERN UNIVERSITY, SRI LANKA
FACULTY OF COMMERCE AND MANAGEMENT
SECOND YEAR - FIRST SEMESTER EXAMINATION IN BACHELOR OF
BUSINESS ADMINISTRATION HONOURS /BACHELOR OF COMMERCE
HONOURS 2018/ 2019 (DECEMBER 2021)
(PROPER/ REPEAT)

COM 2053 AUDITING AND ASSURANCE

Answer all questions

Time: 03 Hours

Question 01

- a) **Discuss** briefly the major elements of assurance service. **(04 Marks)**
- b) What are the ethical principles or general principles governing the Auditors' Professional Responsibilities? **Explain**. **(04 Marks)**
- c) **State** four example for each of the followings. **(08 Marks)**
- (i) Misstatements resulting from fraudulent financial reporting
 - (ii) Misstatements resulting from misappropriation of assets
- d) **(04 Marks)**
- (i) **Differentiate** the term 'fraud' from the term 'error'
 - (ii) **Discuss** the Auditor's General responsibilities on the prevention and detection of fraud.

(04 Marks)
(Total 20 Marks)

Question 02

SLAus 610 'Using the work of Internal Auditor' states that 'the objective of the external auditor, where the entity has an internal audit function that the external auditor has determined is likely to be relevant to the audit'

- a) What do you understand by an internal audit function? **Explain**

(04 Marks)

- b) **State** the objectives of an internal audit function. (05 Marks)
- c) State four (04) differences between internal and external audits. (04 Marks)
- d) What are the factors that should be considered by the external auditor, when determining the adequacy of specific work performed by the internal auditors for the external auditor's purposes? **Explain** (04 Marks)
- e) What do you understand by Internal Controls? **Explain** (03 Marks)
- (Total 20 Marks)

Question 03

- a) **State** three (03) primary objectives of audit documentation as mentioned in the SLAuS 230 – Audit Documentation (03 Marks)
- b) What are the factors that affect the form and content of audit working papers? **Explain** (03 Marks)
- c) **State** four (04) types of information and documents generally included in the audit working papers. (04 Marks)
- d) Briefly explain the permanent audit file and current audit file. (03 Marks)

SLAus 210 (Agreeing the Terms of Engagement) state that "The auditor and client should agree on the terms of engagement"

- e) **State** purpose of an Audit Engagement letter. (02 Marks)
- f) **List** five (05) matters that could be included in an audit engagement letter. (05 Marks)
- (Total 20 Marks)

Question 04

- a) What is meant by Audit Planning ? **Explain**
(03 Marks)
- b) **Enumerate** the items to be taken into consideration in developing overall audit plan.
(05 Marks)
- c) **List** three (03) advantages and three (03) disadvantages of using an audit programme.
(03 Marks)
- d) **State** basic elements of auditors report as mentioned in SLAuS – 700 – Audit Report
(05 Marks)
- e) **Explain** the meaning of 'Limitation of Scope" and 'Disagreement with the management' in relation to an audit opinion by giving an example for each situation.

(04 Marks)
(Total 20 Marks)

Question 05

- a) **Briefly explain** the auditor's responsibilities with regard to audit evidence
(03 Marks)
- b) What is meant by audit evidence? **Explain**
(02 Marks)
- c) **State** the relationship between audit risk, quantity (sufficiency) and quality (Appropriateness) of audit evidence
(02 Marks)
- d) **Provide** three (03) generalizations about reliability of evidence.
(03 Marks)
- e) **State** five (05) financial statement assertions about Land and Buildings that are shown in the Statement of Financial Position.
(05 Marks)
- f) **List** five (05) of audit procedures for obtaining evidence.

(05 Marks)
(Total 20 Marks)