

EASTERN UNIVERSITY, SRI LANKA
FACULTY OF COMMERCE AND MANAGEMENT
SECOND YEAR FIRST SEMESTER EXAMINATION IN BACHELOR OF
BUSINESS ADMINISTRATION IN HONS/ BACHELOR OF COMMERCE

2020/2021

(FEBRUARY/MARCH 2023)

PROPER/REPEAT

COM 2053 AUDITING AND ASSURANCE

Answer all Questions

Time: 03 Hours

01. a). According to the Sri Lanka Frame work for the Assurance engagement, Professional Accountants in public practice are encourage to consider the Frame work when performing assurance engagement.
- i) List fundamental ethical principles that all professional Accountant are required to observe when conducting their work. (03 Marks)
 - ii) State definition of Assurance engagement. (02 Marks)
 - iii) List key elements of an Assurance engagement. (03 Marks)
- b). Differentiate the terms Reasonable assurance and limited assurance engagement. (03 Marks)
- c). SLAUS 200 deals with overall objective of the independent Auditor and conduct of Audit in accordance with Sri Lanka Auditing Standards. State two (2) overall objectives of auditor in conducting an audit of financial statements (03 Marks)
- d). As per SLAUS 210, Agreeing the terms of engagement “The Auditor and management or those charged with governance should agree on the terms of engagement”.
- i) State the main purposes of Audit Engagement Letter. (03Marks)
 - ii) List six (06) important matters to be included in the audit engagement letter (03Marks)
- e). In recurring audit, the auditor may decide to send a new engagement letter or other written agreement each period
What are the five (5) factors may make it appropriate to revise the terms of audit engagement letter or remind the entity of existing term (05Marks).
- (Total 25 Marks)**

02. a). SLAUS 230 State that, the auditor should document matters which are important to provide audit evidence to support auditor's opinion and evidence that the audit was carried out in accordance with SLAUS.
- i) State three (03) primary objectives of audit documentation as mentioned in the SLAUS 230. (03 Marks)
 - ii) What are the five (05) factors affecting form, content and extent of audit documentation. (05 Marks)
- b). As per SLAUS 240, Auditors Responsibilities Relating to fraud in an audit of financial statements,
- i) What you understand the terms Fraud and Fraud Risk factors. (04 Marks)
 - ii) State three ways in which misappropriation of assets can be accomplished. (03 Marks)
- c). SLAUS 300 Planning an audit of financial statement provide guidance to assist auditors in planning an audit.
- i) List four (04) objectives of audit planning. (04Marks)
 - ii) State two (02) main activities of audit planning. (02 Marks)
- d). What do you understand by internal control? State three (03) components of internal control. (04 Marks)

(Total 25 Marks)

03. a). i) What are the three (03) main audit procedures to be performed as required by and explained in SLAUS 315 to draw reasonable conclusions on which to base the auditor's opinion. (03 Marks)
- ii) List four (04) audit procedures used by the auditor to obtain audit evidence as mentioned in SLAUS 500. (04 Marks)
 - iii) State three (03) generalizations about reliability of audit evidence. (03 Marks)
- b). i) State objectives of the internal audit function in terms of SLAUS 610- Using the work of internal auditors. (03 Marks)
- ii) Briefly explain the differences between internal audit and external audit. (04 Marks)

c). State elements of audit report as per SLAUS 700.

(04 Marks)

d). Briefly discuss the following audit opinions as mentioned in SLAUS 705

i) Unmodified opinion

ii) Qualified opinion

(04 Marks)

(Total 25 Marks)

04. a). Discuss the provisions of the companies Act No. 07 of 2007 regarding the following.

i) Qualification and disqualification to be an auditor

ii) Replacement of auditor

(05 Marks)

b). In order to comply with statutory requirement of the Section of the Companies Act No 7 of 2007, what are the five matters should include in the audit report on the financial statements of the Limited Liability Companies.

(05 Marks)

c). Write short notes on the following

i) Analytical procedures

ii) Audit Risk

iii) Financial statement assertions

(15 Marks)

(Total 25 Marks)