

EASTERN UNIVERSITY, SRI LANKA
FACULTY OF COMMERCE AND MANAGEMENT
DEPARTMENT OF COMMERCE



Third Year Second Semester Examination in Business Administration/ Specialization
in Enterprise Development– 2005/2006
DAF 3223 Advanced Auditing

Answer all questions.

Time: 2 Hours

1. a) Explain the Auditing Standard (SLAUS-10) relating to risk assessment and internal control.

(04 Marks)
 - b) Define the following terms
 - (i) Audit risk
 - (ii) Inherent risk
 - (iii) Control risk
 - (iv) Detection risk

(4x2=08 Marks)
 - c) Explain briefly “internal control system” and its objectives

(06 Marks)
 - d) What are the factors contributed in the control environment.

(04 Marks)
 - e) State what are the specific control procedure established by the management to achieve the entity’s specific objectives.

(03 Marks)
- (Total 25 Marks)***
2. a) What are the objectives of the quality control policies to be adopted by an audit firm?

(05 Marks)
 - b) What are the quality control procedures should implement to the individual audit

(05 Marks)
 - c) What are the skill and competence auditor should have in a computer information system environment. (CIS)

(05 Marks)
 - d) Briefly explain the nature of risk and Internal control characteristics in computer information system (CIS) environment.

(06 Marks)
 - e) Explain what is meant by computer assisted audit techniques (CAATs)

(04 Marks)
- (Total 25 Marks)***

3. a) State audit procedures in relation to inquiry regarding litigation and claims as mentioned in the SLAUS – 14 – audit evidence additional considerations for specific Items. (05 Marks)
- b) What do you understand by Analytical procedure. (03 Marks)
- c) State purpose of Analytical procedure. (04 Marks)
- d) What are the factors the auditor will need to consider when intending to perform analytical procedure as substantive procedure? (04 Marks)
- e) (i) What are the aspects to be considered by the auditor When designing an audit sample? (06 Marks)
- (ii) List three selection methods of samples, commonly used by the auditor. (03 Marks)
- (Total 25 Marks)
4. a) Internal auditing is an appraisal activity established within an entity as a service to the management. State Five (5) advantages of an efficient internal audit system to the management. (05 Marks)
- b) Briefly discuss distinction between internal and External audit. (04 Marks)
- c) What are the important criteria for understanding and preliminary assessment of internal audit functions? (04 Marks)
- d) What are the inherent limitations of internal controls? (04 Marks)
- e) Write short notes on the following
- (i) Investigating unusual items.
 - (ii) Audit sampling
 - (iii) General CIS Controls
 - (iv) Internal control Questionnaires(ICQs)
- (4x2=08 Marks)
- (Total 25 Marks)