

**EASTERN UNIVERSITY, SRI LANKA**

**FACULTY OF COMMERCE AND MANAGEMENT**

**SECOND YEAR/ SECOND SEMESTER EXAMINATION IN BACHELOR OF COMMERCE/**

**BACHELOR OF BUSINESS ADMINISTRATION 2007/2008**

**DAF 2212 Introduction to Auditing**

**Time: 03 Hours**

**Answer all questions.**

01. "Sri Lanka Auditing Standard (SLAuS-13) states that the auditor should obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base audit opinion."
- (a) Briefly explain what you meant by **audit evidence** (02 Marks)
- (b) Distinguish test of control and substantive procedure with regard to **obtaining audit evidences**. (04 Marks)
- (c) What are the factors influenced for determining the **sufficiency and appropriateness of Audit evidence?** (04 Marks)
- (d) How the **financial statement assertions** can be Categorized? (02 Marks)
- (e) What are the generalizations or criteria will help in **assessing the reliability of audit evidence?** (04 Marks)
- (f) Explain the methods involved in **evidence gathering procedures**. (04 Marks)
- (Total 20 Marks)
02. (a) List the purpose of an **Audit engagement letter**. (03 Marks)
- (b) List the principal **contents of an engagement letter**. (05 Marks)
- (c) Explain the term **fraud and error**. (04 Marks)
- (d) Briefly explain the **responsibility of management and responsibility of Auditor** with regard to fraud and error. (04 Marks)
- (e) State procedures to be performed by the auditor **when there is an indication that fraud or error** may exist in the organisation. (04 Marks)
- (Total 20 Marks)
03. "Sri Lanka Auditing Standard (SLAuS 4) States that the Auditor should document matters which are important in providing evidence to support the audit opinion and evidence that audit was carried out in accordance with Sri Lanka Auditing standards"
- (a) List four (04) objectives of **working papers** (04 Marks)
- (b) What is meant by **documentation?** (02 Marks)

(c) State five (05) types of information and documents ordinarily included in **the working papers** (05 Marks)

(d) List four (04) types of information usually retained in **permanent Audit file**. (04 Marks)

(e) What are the factors affecting form and **content of working papers?** (02 Marks)

(f) Discuss **confidentiality, safe custody, retention and ownership** of working papers. (03 Marks)

(Total 20 Marks)

04. (a) Give reasons why **planning** is considered to be important in performing an audit. (03 Marks)

(b) Enumerate the items to be taken into consideration in **developing an overall audit plan**. (05 Marks)

(c) List three (03) advantages and disadvantages of using an **audit programme**. (03 Marks)

(d) What are the sources mentioned in the Sri Lanka Auditing Standard 08 (SLAuS-08) for obtaining **knowledge of business**. (05 Marks)

(e) State what are the factors to be considered by the auditor in **preparing an audit program** (04 Marks)

(Total 20 Marks)

05. (a) Write short notes on the following

(i) Audit risk

(ii) Vouching

(iii) Accountability

(iv) Analytical procedure

(v) Scope of Audit

(vi) Internal audit

(06 x 1½ = 09 Marks)

(b) Who are the **persons qualified to audit** the following organizations and state the legal instruments which makes an audit binding of these organization

(i) Government Ministries and Departments

(ii) Government Corporations and Statutory Boards

(iii) State Banks

(iv) Public Limited liability Companies

(v) Private Limited liability Companies

(vi) Partnership, Sole trades and Other Organizations

(06 Marks)

(c) State purpose and importance of Sri Lanka Auditing Standards (02 Marks)

(d) Briefly explain legal provision relating to **Sri Lanka Accounting and Auditing Standard Act No.15 of 1995**. (03 Marks)

(03 Marks)

(Total 20 Marks)