

**Eastern University, Sri Lanka**  
**Faculty of Commerce and Management**  
**Third Year Second Semester Examination in Bachelor of Commerce 2012/ 2013**  
**(February 2015)**  
**(Proper / Repeat)**  
**DAF 3062 Advanced Auditing**



**Answer all questions**

**Time: 02 Hours**

**01.**

- (a) The companies Act No. 7 of 2007 contain provisions relating to audit of limited liability companies.

State the provision of companies Act relating to

- (i) the appointment of first auditors
- (ii) the disqualifications to being an auditor of a company
- (iii) replacement of an auditor
- (iv) information accessibility

**(4 X 3 = 12 Marks)**

- (b) In order to comply with statutory requirement of the companies Act No. 7 of 2007, What are the matters auditor should include in his report?

**(07 Marks)**

- (c) Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 contain provisions relating to Accounting and Audit of specified business enterprises. state;

- (i) Four types of specified business enterprises
- (ii) Duties of specified business enterprises
- (iii) Duties of auditors

**(3 X 2 = 6 Marks)**

**(Total 25 Marks)**

02.

(a) An internal audit is established by the management while proprietors or share holders are arrange for an external audit. You are required to list.

(i) Four (04) main differences and similarities between internal and external audit.

(08 Marks)

(ii) List five (05) duties of an internal audit.

(05 Marks)

(b) (i) How adequate planning of audit work facilitates to perform audit an effective manner

(04 Marks)

(ii) What are the two activities involved in planning an audit

(02 Marks)

(c) (i) Explain the term fraud and errors.

(03 Marks)

(ii) State conditions and events which increase the risk of fraud and error.

(03 Marks)

(Total 25 Marks)

03.

(a) What do you understand by the term vouching / expenditure audit and state its objectives.

(03 Marks)

(b) Explain the procedures involved in the verification of the following items shown in [tic statement of financial position.

(i) Fixed assets

(ii) Long term liabilities

(2 X 4 = 8 Marks)

- (c) (i) What is meant by analytical procedure,  
(03 Marks)
- (ii) Define the term audit evidence. Why audit evidence, are important to auditor  
(03 Marks)
- (iii) State four (04) factors that would be considered in determining the reliability of audit evidence.  
(04 Marks)
- (iv) Explain the methods of obtaining audit evidence.  
(04 Marks)
- (Total 25 Marks)**

04.

- (a) (i) List the components of a, complete set of financial statements as mentioned in the LKAS 1  
(05 Marks)
- (ii) State the basic elements of an auditor's report as mentioned ill the SLAUS- 700  
(06 Marks)
- (b) (i) Explain the following types of audit opinion and state situation in which each of these opinion are expressed.
- Unqualified opinion.
  - Disclaimer opinion.
- (06 Marks)
- (ii) In what situations an auditor's report is considered to be modified.  
(02 Marks)
- (c) Briefly discuss the duties and functions of the Auditor General of Sri Lanka as mentioned in the Constitution of Sri Lanka.  
(06 Marks)
- (Total 25 Marks)**