

12 FEB 2018

EASTERN UNIVERSITY, SRILANKA

FACULTY OF COMMERCE AND MANAGEMENT

THIRD YEAR SECOND SEMSTER EXAMINATION IN BACHELOR OF COMMERCE/
BACHELOR OF COMMERCE SPECIALISATION IN ACCOUNTING AND FINANCE- 2014/2015

(OCTOBER 2017) (PROPER/ REPEAT)

DAF 3062 - ADVANCED AUDITING

Answer all Questions

Time: 02 Hours

Part - I

Write the letter of the most appropriate answer for each question in the given answer

The first auditors of a company are usually appointed by

- a) Shareholders of the company
- b) Members of the auditor committee
- c) Registrar of companies
- d) Directors of the company

The major objective of any statutory audit is to

- a) detect fraud and errors
- b) Prevent fraud and errors
- c) Ascertain material misstatement in the financial statements
- d) Express an opinion of whether or not the financial statements show a true and fair view

Who is responsible for the appointment of the auditor if it is not the first appointment of the auditor of the company

- a) The shareholders in a general meeting
- b) The managing director
- c) The board of directors in a board meeting
- d) The audit committee

Which of the followings not an internal control?

- a) Authorizing purchase orders
- b) Ensuring cash is locked away
- c) Performing external confirmation of receivables
- d) The opening of the post should not be the same person who banks the cheques

A reason for private companies to be audited is

- a) Having a professional account perform their bookkeeping
- b) Facilitating access to capital
- c) Complying with the laws requiring them to be audited
- d) Ensuring that their financial statement do not contain errors

06. Verification is carried out for
- Dividend received
 - Interest income
 - Furniture
 - Salaries paid
07. Vouching / expenditure audit is carried out to
- Verify stocks and inventories
 - Verify assets and liabilities
 - Evaluation of efficiency internal control
 - Examination of each payments along with supporting documents
08. Auditor's of public corporations in Sri Lanka are appointed by the
- Board of the Public Corporations
 - Members of Institute of Chartered Accountants of Sri Lanka
 - President of Sri Lanka
 - Monitoring Board established in terms of the Sri Lanka Accounting and Audit Standard Act No. 15 of 1995
09. What is the principal objective of the statutory auditor of company in carrying out evaluation of internal control system?
- To comply with the Sri Lanka auditing standards issued by the ICASL
 - To find out whether the management is efficient or not
 - To issue letter of weaknesses in internal control to the management
 - To determine the nature, timing and extent of substantive procedures.
10. Whether the auditor becomes aware of material weaknesses in the internal control of the company under audit to whom should be communicate his findings?
- To the Board of Directors / Committee of the Board of Directors
 - To the head of accounts division
 - To the Chief Internal Auditor
 - To the Chief Executive Officer or Managing Director of the Company

(Total 10 X 02 = 20)

Part – II

- I. a) Discuss the provisions of the companies Act No. 07 of 2007 regarding the following
- (i) Qualification to be an auditor
 - (ii) Disqualification
 - (iii) Appointment of partnership as auditor
 - (iv) Changing of auditor

(04 X 04 = 16 Marks)

- b) What are the rights of the auditor appointed in terms of companies Act No. 07 of 2007.

(04 Marks)

(Total 20 Marks)

- a) Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 contain provisions relating to Audit of specified business enterprises state the following.

- (i) Criteria for companies to become specified business enterprises
- (ii) Duties of auditor of specified business enterprises
- (iii) Role of monitoring Board

(03 X 04 Marks = 12 Marks)

- b) Write short notes on the following

- (i) Committee on Public Accounts (COPA)
- (ii) Auditor General of Sri Lanka

(02 X 04 = 08 Marks)

(Total 20 Marks)

03.

- a) What is meant by internal check and internal controls
- b) Briefly explain five components of the internal control system described by Committee of Organization of the Tread way Commission (COSO)
- c) List elements of control environment
- d) State four (04) categories of control activities
- e) State four (04) kinds of segregation of duties

(Total 05 X 04 = 20 M²)

04.

- a) Briefly explain the verification of the following items shown in the financial position of the company
 - (i) Plant and machinery
 - (ii) Long term liabilities
 - (iii) Share capital
 - (iv) Debtors

(04 X 03 = 12 M²)

- b) (i) When carrying out expenditure audit / vouching what are the needs to attention of audit on transaction of contracts

(04 M²)

- (ii) State four types of Parliamentary is controls over Public Finance

(04 M²)

(Total 20 M²)