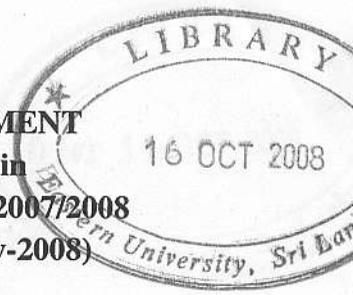


**EASTERN UNIVERSITY, SRI LANKA**  
**FACULTY OF COMMERCE AND MANAGEMENT**  
**Second Year Second Semester Examination in**  
**Business Administration/ Commerce/ Economics – 2007/2008**  
**(Special Examination – 2003/2004) (Repeat) (July-2008)**



**DAF 2212 Introduction to Auditing**

**Answer all questions.**

**Time: 02 Hour**

1. (a) State five (05) General principles governing an audit of financial statements of an entity in accordance with Sri Lanka Auditing standards 1. (SLAus-1)  
(05 Marks)
- (b) What is meant by scope of an audit?  
(03 Marks)
- (c) List four (04) duties of an internal auditor.  
(04 Marks)
- (d) State similarities and differences between internal audit and external audit  
(06 Marks)
- (e) How can assess the internal auditor's work by the external auditor to rely on the internal auditor?  
(07 Marks)
- (Total 25 marks)**
  
2. (a) Explain the terms fraud and errors  
(05 Marks)
- (b) Discuss the objectives of an audit engagement letter  
(04 Marks)
- (c) a. What is meant by documentation  
b. What are the contents of a permanent audit file  
(06 Marks)
- (d) Give objectives of planning for performing an audit  
(05 Marks)
- (e) Enumerate the items to be taken into consideration in developing an overall audit plan.  
(05 Marks)
- (Total 25 marks)**

3. (a) (i) Explain briefly what is meant by audit programme  
(03 Marks)
- (ii) Give three(03) Advantages and three (03) disadvantages of audit programme  
(03 Marks)
- (b) What is meant by vouching/ Expenditure Audit?  
(02 Marks)
- (c) List two (02) important matters be noted in vouching each of the following.
- (i) Interest receivable on fixed deposits
  - (ii) Cost of machines imported and installed in newly constructed factory
  - (iii) Loans to employees.
  - (iv) Contingent liability Rs 10,000 discount on bills receivable. (A note on the balance sheet)  
(08 Marks)
- (d) What do you understand by the internal control system?  
(05 Marks)
- (e) What do you understand by audit risk? Explain three (03) components of audit risks?  
(04 Marks)
- (Total 25 marks)**
4. (a) State basic elements of an auditors reports as mentioned in the SLAus 26  
(03 Marks)
- (b) What is meant by analytical review procedure?  
(03 Marks)
- (c) State purposes of analytical review procedure.  
(03 Marks)
- (d) List four (04) types of audit evidence generally used by the auditors.  
(04 Marks)
- (e) Write short notes on the following
- i. Sri Lanka Accounting and auditing standard Act No. 15 of 1995
  - ii. Adverse opinion
  - iii. Disclaimer of opinion.
  - iv. Sri Lanka accounting and auditing standards monitoring board.  
(12 Marks)
- (Total 25 marks)**