

EASTERN UNIVERSITY, SRI LANKA
FACULTY OF COMMERCE AND MANAGEMENT

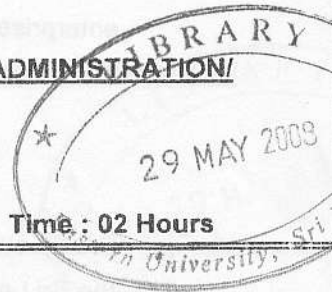
SECOND YEAR SECOND SEMESTER EXAMINATION IN BUSINESS ADMINISTRATION/

COMMERCE 2005/ 2006

DAF 2212 INTRODUCTION TO AUDITING

Time : 02 Hours

Answer All Questions



01. (a) State briefly objectives of the audit on Financial Statements of the company.
(06 marks)
- (b) State four (04) matters to be expressly stated in the auditors report in accordance with the provisions of the companies Act No. 07 of 2007.
(04 marks)
- (c) State three (03) primary objectives of maintaining audit working papers.
(03 marks)
- (d) Explain the purpose of an engagement letter and its principal contents.
(05 marks)
- (e) Briefly describe the principal objectives in maintaining a permanent Audit File (PAF) and list three items which would be included in a Permanent Audit File.
(07 marks)
- (Total 25 marks)**
02. (a) Explain the ethical principals of Independence, objectivity and confidentiality by giving an example of non observance of principles.
(04 marks)
- (b) Explain the statutory requirements of an Auditor appointed in terms of the companies Act No. 07 of 2007, relating the following.
- (i) Appointment
 - (ii) Remuneration
 - (iii) Right and duties
 - (iv) Removal
- (08 marks)**
- (c) What do you understand internal control system.
(03 marks)
- (d) List five (05) duties of an internal auditor.
(05 marks)

(e) State five (05) specified business that lie within the meaning of specified business enterprises stipulated in the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.

(05 marks)

(Total 25 marks)

03. (a) Briefly explain the term "sufficient and appropriate audit evidence" as stipulated in the Sri Lanka Auditing Standards SLAUS – 13.

(08 marks)

(b) Describe Test of Controls and substantive procedure in relation to obtaining of audit evidence.

(06 marks)

(c) Explain the difference methods involved in obtaining audit evidence.

(05 marks)

(d) What do you understand by Audit Risk?

(03 marks)

(e) Explain (03) components of audit risk.

(03 marks)

(Total 25 marks)

04. (a) (i) What is meant by Audit Planning?

(ii) Differentiate the terms fraud and error.

(iii) Discuss the Auditor's general responsibility in the prevention and detection of fraud.

(06 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) Give an instance of modifying an auditors report without effecting the audit opinion. Explain your answer giving an example.

(04 marks)

(e) Explain the meaning of "Limitation of Scope" and disagreement with the management in relation to an audit opinion give an example for each situation.

(04 marks)

(Total 25 marks)