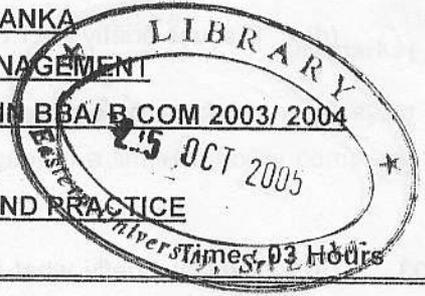


EASTERN UNIVERSITY, SRI LANKA
FACULTY OF COMMERCE AND MANAGEMENT
SECOND YEAR/ FIRST SEMESTER EXAMINATION IN BBA/ B.COM 2003/ 2004
(DECEMBER 2004)
COM 2033 AUDITING THEORY AND PRACTICE



Answer all Questions

01. (a) State briefly the objectives of audit of financial statements of a Limited Liability Company. (03 marks)
- (b) Explain the statutory requirements relating to :
- (i) Appointment
 - (ii) Remuneration
 - (iii) Rights
 - (iv) Duties and
 - (v) Removal
- of the Auditor General appointed in terms of the constitution of Sri Lanka and Auditor appointed in terms of the Companies Act No. 17 of 1982. (10 marks)
- (c) What are the qualifications to be required to appoint an Auditor of
- (i) A Public company
 - (ii) A Private company
- ((04 marks)
- (d) Distinguish between internal audit and external audit. (04 marks)
- (e) In what ways can the internal auditor and external auditor cooperate with each other? (04 marks)
- (Total 25 marks)**
02. (a) What do you understand by audit risk? What are its components? (05 marks)
- (b) Explain the contents of
- (i) Permanent Audit File and
 - (ii) Current Audit File
- (05 marks)**

- (c) List four (04) objectives of working papers. (05 marks)
- (d) Discuss briefly the Principal contents of audit engagement letter. (05 marks)
- (e) Explain the term fraud and error. (05 marks)
- (Total 25 marks)

03. (a) Explain briefly what is an Audit Programme. Give two (02) objectives of such programme. (04 marks)
- (b) List the steps to be included in an Audit Programme in verifying purchase of raw material. (05 marks)
- (c) (i) Define "Vouching" (02 marks)
- (ii) Five (05) audit tests to be carried out to vouch each of the following items appearing in the financial statements of a manufacturing company.
- (i) Wages
- (ii) Raw material purchased (04 marks)
- (d) Explain the procedures involved in the verification of;
- (i) Fixed assets
- (ii) Investments (04 marks)
- (e) Briefly describe the audit procedure you would carry out at the time of the stock verification. (06 marks)
- (Total 25 marks)

04. Sri Lanka Auditing standard on Audit evidence require an auditor to obtain sufficient appropriate audit evidence.
- (a) Briefly explain what is audit evidence. (05 marks)
- (b) State (04) factors that would be considered in determining sufficient audit evidence. (04 marks)

- (c) Explain the methods involved in evidence gathering procedure? (06 marks)
- (d) List the audit test an auditor would carry out to obtain audit evidence in verifying the following items appearing in the balance sheet of a limited liability company, which transacts business mainly on credit.

- (i) Office equipment
- (ii) Trade debtors
- (iii) Trade creditors

(06 marks)

- (e) In circularisation of debtors what type of account that should not be overlooked in selecting a sample.

(04 marks)

(Total 25 marks)

05. Write short notes on the following.

- (a) (i) Committee on Public Enterprise (COPE)
- (ii) Confirmation letter
- (iii) Management letter
- (iv) Finance Act No. 38 of 1971.

(12 marks)

- (b) Explain the meaning of analytical review procedure and its importance in planning the audit.

(03 marks)

- (c) Identify three (03) audit procedures to be carried out by you to check the accuracy of the long-term liability shown in the Balance sheet of the ABC Company Limited.

(03 marks)

- (d) Explain and illustrate the following terms by giving an example for each item.

- (i) Internal control
- (ii) Internal check

(04 marks)

- (e) What do you understand by cut-off procedure? Give two methods of applying cut-off procedures?

(03 marks)

(Total 25 marks)

