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EASTERN UNIVERSITY, SRI LANKA
FACULTY OF COMMERCE AND MANAGEMENT
PART - III EXAMINATION IN BACHELOR OF COMMERCE/ BUSINESS ADMINISTRATION

2002/ 2003 (REPEAT)

BBA/ COM 401 (A) AUDITING

Answer any five Questions

Time : 02 Hours

01. Sri Lanka Auditing standards (SLAuS -- 01) States that "The Auditor should comply with code of professional conduct act ethics"
- a. What are the ethical principles or general principles governing the auditors' professional responsibilities?
(05 marks)
 - b. Discuss briefly the objective of an auditor of a financial statement.
(05 marks)
 - c. What is meant of scope of an audit?
(05 marks)
 - d. The auditor shall be independent in relation to the auditor. State five situations in which the auditor may not be considered independent of the auditee.
(05 marks)
 - e. What are the inherent limitations in an audit that will affect the auditors' abilities to detect material misstatements.
(05 marks)
- (Total 25 Marks)**
02. a. Explain briefly the objectives of enacting the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.
(05 marks)
- b. Who should follow Sri Lanka Auditing Standards.
(05 marks)
 - c. The Sri Lanka Auditing standards are classified into five (05) groups. Name the five (05) groups.
(05 marks)
 - d. What are the differences between Auditing standards and Audit procedures.
(05 marks)

e. State the purpose and importance of Auditing standards in the Public sector.

(05 marks)

(Total 25 Marks)

03. a. List the circumstances under which the following opinions could be expressed.

1. Qualified opinion
2. Un qualified opinion

b. List elements of an audit report. (10 marks)

c. Explain the manner in which scope limitation occurs. (05 marks)

d. What is meant by "disagreement with management" (05 marks)

(05 marks)

(Total 25 Marks)

04. a. Discuss briefly the Principal contents of an audit engagement letter.

(04 marks)

b. What are the factors that decide the appropriateness of sending a new audit engagement letter (03 marks)

c. What are the advantages and disadvantages of including an audit programme in the audit working papers. (04 marks)

d. Design a procedural audit programme for the purchase and sales of a very large company. (10 marks)

e. List four (04) objectives of maintaining working papers. (05 marks)

(05 marks)

(Total 25 Marks)

05. a. List five (05) types of evidence used by an auditor. (05 marks)

(05 marks)

b. What factors contribute to the determination of sufficiency of evidence. (04 marks)

(04 marks)

c. Explain how you would vouch the following items appearing in the accounts

1. Purchase of computers

2. Telephone and electricity charges

(04 marks)

- d. Explain the terms Fraud and Error. (04 marks)
- e. Briefly discuss the basic differences between the following terms.
1. Test of control and substantive procedure.
 2. Internal Audit and External Audit.
 3. Statutory audit and Private Audit.
 4. Internal Control Letter and Audit Engagement Letter.

(05 marks)

(Total 25 Marks)

06. I. a. List four (04) duties of an internal auditor.
- b. Briefly discuss the duties of Auditor General of Sri Lanka.
- II. Outline how you would verify the stock in trade in a trading company. (06 marks)
- III. As an auditor, how would you verify the following items appearing in the accounts of a limited liability company.
1. Bank overdrafts – Rs. 05 million
 2. Debtors - Rs. 1.5 million

(08 marks)

- IV. List three (03) audit procedures in respect of the following items in the financial statement of manufacturing company.
- a. Manufacturing wages.
 - b. Bad and doubtful debts.

(06 marks)

(Total 25 Marks)