

EASTERN UNIVERSITY, SRI LANKA  
FACULTY OF COMMERCE AND MANAGEMENT  
SPECIAL EXAMINATION IN BUSINESS ADMINISTRATION / COMMERCE  
2005/2006 (MAY 2009) (Re-Repeat)  
COM 4013 AUDITING



**Answer any 4 Questions only**

**Time: 2 Hours**

- 01 (a) State Five (05) basic or general Principles governing an audit of financial statement of an entity in accordance with Sri Lanka Auditing Standards (SLAUS-01) (05 Marks)
- (b) Discuss briefly the objectives of an Audit of Financial Statements (05 Marks)
- (c) What is meant by scope of an Audit? (03 Marks)
- (d) List four (04) duties of an internal auditor. (04 Marks)
- (e) State four (04) similarities and differences between Internal and External Audit. (08 Marks)
- (Total 25 Marks)
- 02 (a) What is meant by documentation? (04 Marks)
- (b) List Four (04) objectives of audit working papers. (04 Marks)
- (c) What are the usual contents of permanent audit file? (05 Marks)
- (d) Give reasons why planning is considered to be important in performing an audit. (05 Marks)
- (e) Enumerate the items to be taken into consideration in developing overall audit plan. (07 Marks)
- (Total 25 Marks)
- 03 (a) Explain the term fraud and error. (06 Marks)
- (b) What do you understand by audit risk? Explain three (3) components of **audit risk**. (06 Marks)
- (c) What is meant by vouching or expenditure Audit? (03 Marks)
- (d) What do you understand by internal control system? (04 Marks)
- (e) What are the responsibilities of the management and the auditor in relation to fraud and error? (06 Marks)
- (Total 25 Marks)

- 04 (a) Discuss briefly principal contents of an audit engagement letter. (05 Marks)
- (b) Briefly explain what is an audit evidence. (03 Marks)
- (c) State four (04) factors that would be considered in determining the sufficiency of audit evidence. (04 Marks)
- (d) Explain the procedure for obtaining audit evidence. (05 Marks)
- (e) Write short notes on the followings
- (i) Internal check
  - (ii) Test of control
  - (iii) Substantive procedure
  - (iv) Analytical review procedure
- (4 x 02= 08 Marks)
- (Total 25 Marks)

- 05 (a) List three (03) important points to be noted when vouching each of following.
- (i) Interest receivable on fixed deposits.
  - (ii) Loans to employees.
  - (iii) Cost of machinery imported and installed in newly constructed factory.
  - (iv) Contingent liabilities on bills receivable discount Rs 10,000 (A note on the balance sheet)
- (4 x 2 = 08 Marks)
- (b) State the basic elements of an auditors report as mentioned in the SLAUS-26. (04 Marks)
- (c) State three (03) categories of persons who are not eligible to appointed as an auditor of a limited liability company. (03 Marks)
- (d) Under which circumstances an auditor could express unqualified opinion in the Audit report. (05 Marks)
- (e) Briefly discuss duties and powers of the Auditor General. (05 Marks)
- (Total 25 Marks)