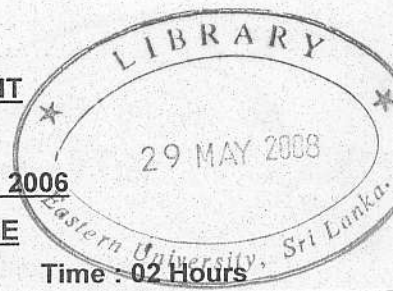


**EASTERN UNIVERSITY, SRI LANKA**  
**FACULTY OF COMMERCE AND MANAGEMENT**  
**SPECIAL EXAMINATION FOR FINAL YEAR**  
**BUSINESS ADMINISTRATION/ COMMERCE 2005/ 2006**  
**COM 2033 AUDITING THEORY AND PRACTICE**



Answer All Questions

Time : 02 Hours

01. (i) What are the ethical principles or General Principle Governing the auditors Professional responsibilities?  
(03 marks)
- (ii) What do you understand by scope of an audit? Explain the manner in which scope limitations occurs.  
(02 marks)
- (iii) Who are the persons qualified to audit the following organizations and state the legal instruments which makes an audit binding of these organizations.
- (a) Govt. ministries and Departments
  - (b) Govt. Corporations and Statutory Boards
  - (c) State Banks
  - (d) Public Limited Liability companies
  - (e) Private Limited Liability Companies
  - (f) Partnership sole traders other organizations.  
(12 marks)
- (iv) State three (03) categories of persons who are not eligible to appointed as an auditor of a Limited Liability company.  
(03 marks)
- (v) Distinguish between internal audit and external audit.  
(05 marks)
- (Total 25 marks)**

02. (i) (a) Explain the term working papers as mentioned in the SLAuS – 04.  
(b) What are the objectives of working papers?  
(04 marks)
- (ii) List the contents of ;  
(a) Permanent file  
(b) Current file  
(06 marks)
- (iii) (a) List the purposes of an engagement letter.  
(b) List the principal contents of an engagement letter.  
(04 marks)
- (iv) Explain the term fraud and error.  
(05 marks)
- (vi) (a) Explain briefly what is an Audit programme.  
(b) List the steps to be include in an Audit programme in verifying purchase of material.  
(06 marks)
- (Total 25 marks)
03. (i) Briefly explain what is audit evidence.  
(03 marks)
- (ii) What criteria are there for determining the sufficiency of audit evidence?  
(05 marks)
- (iii) What criteria are there for assessing reliability of audit evidence?  
(06 marks)
- (iv) Give one example of third party evidence for each of the following items and state how reliable you consider that evidence to be.  
(a) Land owned by the client reserved for future factory building.  
(b) Trade Creditors.  
(c) Investment held by bank for safekeeping.  
(06 marks)
- (iv) Explain the methods involved in evidence gathering procedure.  
(05 marks)
- (Total 25 marks)

04. (a) Write short notes on the following.

- (i) Committee On Public Enterprise (COPE)
- (ii) Internal Control and Internal Check
- (iii) Audit Risk
- (iv) Test of control and substantive procedure.

**(08 marks)**

(b) (i) Explain the meaning of analytical review and how analytical review procedure can contribute to an audit.

(ii) Explain the stages at which analytical review procedure should be carried out.

**(04 marks)**

(c) (i) Define vouching.

(ii) List two (02) important points to be noted when vouching each of following :

- (a) Loans to employees
- (b) Interest paid on Loan
- (c) Wages paid to employees of the factory

**(07 marks)**

(d) Explain the procedures involved in the verification of the following Fixed Assets.

- (i) Land and Building
- (ii) Investments

**(03 marks)**

(e) Briefly explain the audit procedure you would carryout at the time of stock verification.

**(03 marks)**

**(Total 25 marks)**

