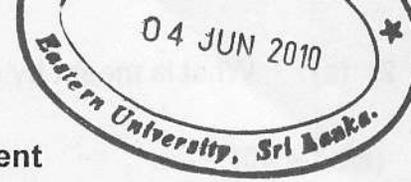


Eastern University, Sri Lanka  
Faculty of Commerce and Management



Final Year Repeat Examination in Business Administration /Commerce-  
2008/2009(Feb'2010)  
COM 4013 Auditing

Answer All Questions

Time: 02 Hours

- 
1. (a) List the sources of information used by an auditor to identify the nature of the business for an entity  
(03 Marks)
- (b) An internal audit is established by the management while the proprietors or shareholders arrange for an external audit.  
You are required to list (i) Three main differences and (ii) Three main similarities among Internal External Audit  
(06 Marks)
- (c) List six (06) duties of internal auditor.  
(04 Marks)
- (d) What is meant by scope of audit? State the manner in which limitations in scope occurs.  
(03 Marks)
- (e) Discuss briefly "internal control system" and its objectives  
(04 Marks)

(Total 20 Marks)

2. (a) What is meant by documentation?

(03 Marks)

(b) List four (04) objectives of audit working papers.

(04 Marks)

(c) Who are the usual contents of permanent audit file?

(06 Marks)

(d) Give reasons why planning is considered to be important in performing an audit.

(04 Marks)

(e) Enumerate the items to be taken into consideration in developing overall audit plan.

(03 Marks)

(Total 20 Marks)

3. (a) Explain what do you meant by verification of assets and liabilities shown in balance sheet.

(04 Marks)

(b) Explain why you should circularize the debtors.

(03 Marks)

(c) List four (04) types of evidence used by the Auditor.

(04 Marks)

(d) State what do you understand by the terms "Adverse opinion" and "Disclaimer of opinion" Given an example for each.

(06 Marks)

(e) In what situations an auditors' report is considered to be modified?

(03 Marks)

(Total 20 Marks)

4. (a) Explain the term fraud and error  
(06 Marks)
- (b) What do you understand by audit risk? Explain three (03) components of audit risk?  
(05 Marks)
- (c) What is meant by vouching or expenditure Audit?  
(03 Marks)
- (d) What do you understand by internal control system?  
(03 Marks)
- (e) What are the responsibilities of the management and the auditor in relation to fraud and error?  
(03 Marks)
- (Total 20 Marks)**
5. (a) List three (03) important points to be noted when vouching each of following:
- (i) Interest receivable on book 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. (Not on the balance sheet)  
(04x02=08 Marks)
- (b) State the basic elements of an Auditors reports as mentioned in the SLAUS 26.  
(04Marks)
- (c) State three (03) categories of persons who are not eligible to be appointed as an auditor of a limited liability Company.  
(03 Marks)
- (d) Under which circumstances an auditor could express unqualified opinion in audit report.  
(05 Marks)
- (Total 20 Marks)**