



UNIVERSITY OF KELANIYA – SRI LANKA
Centre for Distance and Continuing Education
Faculty of Commerce & Management Studies

Bachelor of Commerce (Special) Degree Third Year Examination (External) – 2022

March – 2025

BCOM E 3072 - Auditing & Assurance Service

No. of Questions : Five (05)

Time: 03 hours

Answer any four (04) questions

Question No.01

You are an undergraduate in the Faculty of Management Studies at one of the State Universities of Sri Lanka, working as an audit trainee. Your audit manager has requested that you prepare a summary report to be used in the orientation program for new audit trainees. The summary should cover the following areas.

- a) Legal requirements for auditing of financial statements
- b) Ethical requirements for an accountant in public practice
- c) Objective of Audit of Financial Statements
- d) Elements of an assurance engagement

You are required to prepare the report for the orientation program that explains the above topics clearly.

(Total 25 Marks)

Question No. 02

Risk assessment is a key requirement of the planning phase of an audit.

- a) Explain the Audit risk with its components. (07 Marks)
- b) An audit does not guarantee that the Financial Statements are free of material misstatements. Do you agree? Explain your answer. (08 Marks)
- c) Why is it necessary to maintain professional skepticism throughout an audit? (10 Marks)

(Total 25 Marks)

Question No. 03

You have been assigned as Sunrise PLC's audit manager for the financial year ending 31st March 2024. The firm's audit partner asked you to plan the audit with your team members.

- a) Distinguish between the audit plan and the overall audit strategy. (06 Marks)
- b) List the key planning activities that you wish to perform at the planning stage of Sunrise PLC's audit. (07 Marks)
- c) Prepare an audit programme to ensure the classes of transactions, account balances, and presentations & disclosures of Property, Plant & Equipment of Sunrise PLC. (12 Marks)

(Total 25 Marks)

Question No. 04

You have been working as the audit manager for Bazzar Holdings PLC for three consecutive years. Your audit firm has been newly appointed as the auditor for Nazzar Hotels PLC, a subsidiary of Bazzar, for the year ending 31st March 2024.

- a) Which factors will you consider when deciding whether to send a separate audit engagement letter to Nazzar Hotels PLC? (07 Marks)
- b) What aspects of Nazzar Hotels will you study to understand its business and environment? (08 Marks)
- c) Why is it important to understand the company's internal control system before starting the audit? (10 Marks)

(Total 25 Marks)

Question No. 05

Sri Lanka Auditing Standards offer guidance on what qualifies as audit evidence in a financial statement audit, the amount and quality of evidence required, and the audit procedures auditors follow to gather that evidence.

- a) Explain the reliability of audit evidence with examples. (07 Marks)
- b) Discuss the sufficiency and appropriateness of audit evidence with examples. (08 marks)
- c) Recognize the audit assertions when obtaining audit evidence under the account balances, classes of transactions, and presentation and disclosure levels. (10 marks)

(Total 25 Marks)