



University of Kelaniya – Sri Lanka

External Examinations Branch

Bachelor of Commerce (Special) Degree Second Examination (External)- 2010 December 2011/ January 2012

Faculty of Commerce and Management

BCOME 2063 – Auditing

No. of questions: Five (05)

Time: 03 hours

Answer all questions.

- (01) a) According to the Sri Lanka Framework for Assurance Engagement explain the term 'Assurance Engagement'.
(04 marks)
- b) Distinguish 'Reasonable Assurance Engagement' from 'Limited Assurance Engagement'.
(04 marks)
- c) Explain the characteristics to be exhibited in an Assurance engagement.
(12 marks)
(Total 20 marks)
- (02) a) What are the factors that influence the decision whether to send a separate engagement letter to the subsidiary, when the auditor of a parent entity is also the auditor of its subsidiary.
(04 marks)
- b) Briefly explain the three components of audit risk.
(06 marks)
- c) 'An auditor cannot obtain absolute assurance on Financial Statements'. Do you agree? Justify your answer.
(10 marks)
(Total 20 marks)
- (03) a) Distinguish the 'Fraud' from 'Error' in accordance with SLAuS 240 – The Auditor's Responsibility to consider fraud in an audit of Financial Statements.
(04 marks)
- b) Briefly explain the term 'fraud risk factors' with examples.
(04 marks)
- c) Explain the two types of intentional misstatements which are relevant to the auditor.
(12 marks)
(Total 20 marks)

(04) a) What are the aspects to be considered by an audit firm when developing quality control policies and procedures at audit firm level.

(08 marks)

b) Design suitable quality control procedures to maintain the 'skills and competence' of the audit personnel at audit firm level.

(12 marks)

(Total 20 marks)

(05) Explain the following.

- a). Audit plan
- b). Documentation
- c). Principal auditor
- d). Financial statement assertions.

(05 marks x 4 = 20 marks)