



# UNIVERSITY OF KELANIYA – SRI LANKA

## Centre for Distance and Continuing Education

### FACULTY OF COMMERCE & MANAGEMENT STUDIES

Bachelor of Commerce (Special) Degree Second Year Examination (External) – 2015

March/ November 2021

### **BCOM E 2063 – Auditing**

**No. of questions: Five (05)**

**Time: 03 hours**

**Answer all questions.**

#### **Question No. 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)**

#### **Question No. 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)**

**Question No. 03**

- a) Distinguish the “Fraud” from “Error” in accordance with SLAuS 240.

(04 Marks)

- b) Briefly explain the various types of fraudulent activities possible in entity’s financial statements.

(04 Marks)

- c) Discuss the importance of obtaining an understanding over internal control system by the auditor prior to commence the audit.

(12 Marks)

**(Total 20 Marks)**

**Question No. 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)**

**Question No. 05**

Explain the following.

- a) Audit Plan
- b) Documentation
- c) Recurring Audits
- d) Financial Statement Assertions

**(05 Marks x 4 = Total 20 Marks)**