



UNIVERSITY OF COLOMBO, SRI LANKA

FACULTY OF MANAGEMENT AND FINANCE

Bachelor of Business Administration (Level II - Semester VI) Examination – December,

2018

ACT 2207- Advanced Auditing

Two (02) Hours

Answer Four (04) questions in all selecting any Three (03) questions from PART A and One (01) question from PART B

PART A

1. i. State Three (03) financial events that may cast significant doubt about the going concern assumption of an organization.

(03 Marks)

ii. Briefly explain the circumstances where Negative confirmation request is appropriate.

(08 Marks)

iii. 'Information technology (IT) is integral to modern accounting and management information systems. It is, therefore, imperative that auditors should be fully aware of the impact of IT on the audit of a client's financial statements, both in the context of how it is used by a client to gather, process and report financial information, and how the auditor can use IT in the process of auditing the financial statements.'

Comment on the above statement emphasizing the impact of Information Technology in the auditing process and the specific audit techniques use in a computerized environment.

(14 Marks)

(Total 25 marks)

2. i. State four responsibilities of an audit committee.
(04 Marks)

ii. Define acceptable audit risk and achieved audit risk and briefly explain the relationship between those risks and audit materiality.
(10 Marks)

iii. Elaborate the factors determined by the external auditors to measure the adequacy of internal audit work for their purpose.
(11 Marks)

(Total 25 marks)

3. i. Briefly describe the matters to be communicated between the auditor and those who charged with governance.
(10 Marks)

ii. 'Most of the organizations have recognized that their environmental performance is being scrutinized by a wide range of interested parties. Therefore, environmental auditing has become an important tool in order to measure the effects of certain activities on the environment against a set of criteria/standards.'
Comment on the above statement emphasizing the objectives and the benefits of performing an environmental audit in an organization.

(15 Marks)

(Total 25 marks)

4. i. State Five (05) situations where requesting a written representation necessary.
(05 Marks)

ii. One of the auditor's responsibilities is to obtain sufficient audit evidence about the appropriateness of the use of going concern assumption in preparation of financial statements. Explain the audit procedures used to assess the appropriateness of going concern assumption.

(20 Marks)

(Total 25 marks)

PART B

5. i. Briefly explain the key elements of an assurance engagement process.

(10 Marks)

ii. As per the Code of Best Practice on Corporate Governance every public company should be headed by an effective board which should direct, lead and control the company. Explain six matters the board should be responsible for performing its role.

(15 Marks)

(Total 25 Marks)

6. What are the functions of the following institutions in relation to the control of public finance?

- a. Parliament
- b. General Treasury
- c. Auditor General
- d. Public Accounts Committee
- e. Committee on Public Enterprises.

(25 Marks)
