

UNIVERSITY OF COLOMBO, SRI LANKA

FACULTY OF MANAGEMENT AND FINANCE

Bachelor of Business Administration Honours in Accounting (Semester V) Examination –
August, 2021

ACT 3204 - Auditing

Two (02) Hours

This Paper Consists of Four (04) Questions Printed on Two (02) Pages

This is an Open Book Examination

Answer All Questions

1.
 - i. 'Audits may take many forms.' Discuss five (05) different types of audits.
(05 Marks)
 - ii. Discuss how the concept of auditing has evolved overtime.
(05 Marks)
 - iii. When the information to be used as audit evidence is prepared using the work of a managements' expert, the auditor will not accept them as it is. The auditors will follow certain steps prior to using them as evidence. Discuss those steps an auditor shall perform.
(15 Marks)

(Total 25 marks)

2. Assume that you recently joined a consultancy firm, and you are allocated to the division that provides services on internal controls to business organizations. As your first assignment, the Head Consultant asks you to write a 300-400 words summary explaining the types of control activities that can be used by business organizations including examples to understand your summary better (you may use examples applicable for both manufacturing and service organizations in drafting the summary).
(15 marks)

3. i. Define 'audit risk' and 'audit risk assessment', and discuss how an auditor can reduce the audit risk?

(12 Marks)

- ii. Describe ten (10) principal areas to be covered during the process of an audit, together with the purpose of covering each principal area.

(10 Marks)

- iii. A professional accountant is required to comply with several fundamental principles. Discuss four (04) threats faced by professional accountants in their attempts to comply with these fundamental principles.

(08 Marks)

(Total 30 marks)

4. i. As per the Section 5 of the Companies Act No. 07 of 2007, the Registrar of Companies incorporates a limited liability company on receipt of a properly completed application for incorporation in the prescribed form. What are the documents required to constitute a properly completed application?

(05 Marks)

- ii. Corporate governance is the system by which companies are directed and controlled and it is a responsibility of those who are in charge of governance. Discuss why corporate governance is important to auditors.

(10 Marks)

- iii. 'SLAuS 500 Audit Evidence' requires auditors to design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient and appropriate audit evidence. Explain the procedures which can be used by an auditor to obtain audit evidence?

(15 Marks)

(Total 30 marks)