

**UNIVERSITY OF COLOMBO, SRI LANKA**  
**FACULTY OF MANAGEMENT AND FINANCE**

Bachelor of Business Administration Honours in Accounting (Semester - VI) Examination –  
December 2021

**ACT 3213 - Advanced 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**

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1. i. Define 'Audit Quality' and discuss the elements of a framework that can be used in evaluating the audit quality.

(15 Marks)

ii. Audit quality can be assessed using many proxies. Discuss five (05) such proxies including your views on why each of them is suitable to be used as a proxy.

(10 Marks)

**(Total 25 marks)**

2. i. During an audit, a percentage is often applied to a chosen benchmark as a starting point in determining materiality for the financial statements as a whole. State the relationship between the percentage used and the benchmark selected using an example.

(05 Marks)

ii. Discuss five (05) factors that affect the decision on selecting a benchmark for materiality calculation.

(10 Marks)

iii. State six (06) financial conditions that may create a doubt on the going concern of an organization and discuss how other factors might mitigate those doubts.

(10 Marks)

**(Total 25 marks)**

3. i. Discuss the main elements in the fraud triangle using an example. (06 Marks)

ii. Discuss how the thinking patterns and working methods of audit staff should be changed to face audits in digital environments. (07 Marks)

iii. Assume that you are a partner of a small-scale audit firm. Using appropriate examples, discuss the challenges faced while conducting audits by your audit firm during the COVID-19 pandemic and how you mitigated those challenges. (12 Marks)

**(Total 25 Marks)**

4. i. Define 'Assurance Engagement' based on the international framework for assurance engagement of International Auditing and Assurance Standards Board (IAASB). (03 Marks)

ii. What are the objectives of an assurance engagement? (03 Marks)

iii. Briefly explain the difference between reasonable assurance and limited assurance. (04 Marks)

iv. Provide five (05) examples for limited assurance. (05 Marks)

v. What are the five (05) key elements of an assurance engagement? (05 Marks)

vi. The practitioners who perform assurance engagements are governed by the Code of Ethics for Professional Accountants issued by the Chartered Accountants of Sri Lanka. What are the fundamental ethical principles that all practicing accountants are required to observe? (05 Marks)

**(Total 25 Marks)**