

UNIVERSITY OF COLOMBO, SRI LANKA

FACULTY OF MANAGEMENT AND FINANCE

Bachelor of Business Administration Honours in Finance (Semester VII) Examination – July, 2022

FIN 4237 - Auditing

Instructions.

- Time allowed Two (02) hours.
 - This paper consists of Five (05) questions on Three (03) pages.
 - This is an online and open book examination.
 - Answer any **Four** (04) questions.
-

01.

A business does not operate in a vacuum, and it must act and react to what exist inside and outside the organization. At the same time the auditor also must consider the impact of internal and external environment in the process of planning of the audit since the business operations are impacted by external and internal environment.

You are required to discuss the external environmental forces which impact on the operation of the business.

(25 marks)

02.

A new board of directors was appointed at the recently ended Annual General Meeting of OMEGA PLC. As you are the Chief Financial Officer, the Board Secretary of the company has requested you to prepare a memorandum to the next board meeting covering the following areas of the external audit of the company.

- a. The qualification required to be appointed as an auditor of the company.
- b. The fist auditor and subsequent auditors.
- c. The remuneration of auditor.
- d. The duties and rights of the auditor.
- e. The procedure to be followed in removing the auditor.

(25 marks)

03.

- i. Ever since the auditing profession became an integral part of a company's business management, the objectives of auditing have become two-fold; namely, primary objective and secondary objectives. Discuss the primary objectives and the secondary objectives of auditing.
(05 Marks)
- ii. Define the term 'audit' as per the International Standards of Auditing (ISA).
(05 Marks)
- iii. 'The trust reposed on the auditors by the stakeholder's depend on the auditors' ethical behaviour'. Discuss the ethical principles expected from a professional accountant in public practice.
(05 Marks)
- iv. SLAuS 700 provides guidance on the form and content of the auditor's report. The report contains a number of elements. You are required to mention the elements of an audit report with a brief explanation on each element.

(10 Marks)

(Total 25 marks)

04.

- i. 'Financial statement assertions are the representation made by management in the preparation of financial statements. Auditor designs audit procedures to support and verify the information found in a company's financial statements in relation to these assertions.'

Discuss separately the audit assertions used by the auditor in relation to (a) the transactions and events, (b) account balances (c) and presentation and disclosure.

(09 Marks)

- ii. Discuss five (05) audit procedures auditors can use to obtain audit evidence.
(10 Marks)
- iii. 'Several assumptions are made in assessing the reliability of audit evidence.' Discuss such assumptions.

(06 Marks)

(Total 25 marks)

05.

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

ii. State the objectives of an assurance engagement.
(03 Marks)

iii. Briefly explain the difference between 'Reasonable assurance' and 'Limited assurance'.
(04 Marks)

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

v. State 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 CA Sri Lanka. State the fundamental ethical principles that all practicing accountants are required to observe.
(05 Marks)

(Total 25 marks)
