

# UNIVERSITY OF COLOMBO, SRI LANKA

## FACULTY OF MANAGEMENT AND FINANCE

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

July, 2022

**ACT 3204 - Auditing**

**Two (02) Hours**

**Answer All Questions**

**This is an Open Book Examination**

**This Paper Consists of Five (04) Questions Printed in Two (02) Pages**

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1. i. Discuss the importance of having an understanding about the client's internal controls by an auditor.

(05 Marks)

- ii. Discuss each of the components of internal controls giving appropriate examples from a manufacturing firm.

(20 Marks)

**(Total 25 marks)**

2. i. Discuss why planning an audit becomes important prior to initiating the audit.

(06 Marks)

- ii. 'There are many misconceptions about auditing among stakeholders and thereby the audit expectation gap is increasing.'

Explain the meaning of the audit expectation gap AND discuss how it can be minimized.

(09 Marks)

- iii. 'Audit firms changed their auditing practices during the Covid-19 pandemic period.'  
Discuss how an audit firm can continue to conduct effective audits during such pandemic periods, providing examples from practice.

(10 Marks)

**(Total 25 marks)**

3. i. Differentiate between 'Relevance' and 'Reliability' of audit evidence providing appropriate examples.  
(04 Marks)
- ii. 'Professional ethics are important in any profession.'  
a. Discuss the importance of code of ethics for professional accountants.  
(04 Marks)
- b. State six (06) signs that indicate a possible ethical collapse in an organization.  
(03 Marks)
- iii. Explain the meaning of 'Assertions' and discuss the categories of assertions that an auditor is concerned about, during an audit.  
(14 Marks)
- (Total 25 marks)**
4. i. State the constitutional provision relating to the control over public finance.  
(03 Marks)
- ii. Compare and contrast the appointment, functions, accountability, and removal of the Auditor General and the Auditor of a limited liability company.  
(08 Marks)
- iii. Briefly explain the role of two parliament committees of COPA and COPE with regard to the audit aspect of control over public finance.  
(04 Marks)
- iv. Briefly explain the differences between 'Reasonable Assurance' and 'Limited Assurance.'  
(05 Marks)
- iv. What are the documents needed to be submitted to the Registrar of Companies when applying to incorporate a limited liability company other than a company limited by guarantee.  
(05 Marks)
- (Total 25 marks)**