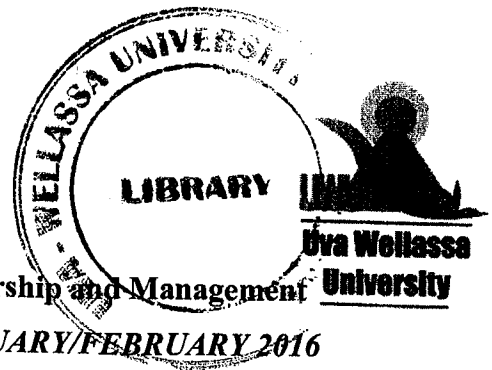


**Uva Wellassa University**  
**Faculty of Management**



**Degree of Bachelor of Business Management in Entrepreneurship and Management**  
**THIRD YEAR SECOND SEMESTER EXAMINATION – JANUARY/FEBRUARY 2016**

**EMG 312-2 Auditing**

**Instructions to candidates:**

No. of pages : Three (03)  
No. of questions : Six (06)  
Time : Two (02) Hours  
Marks allocated : 100 Marks

**Index No:**

Answer **only four (04)** questions.

01.

- i) Define the term 'Audit'. (03 Marks)
  - ii) Briefly explain the objective of an auditor. (04 Marks)
  - iii) Describe "Risk of material misstatement". (03 Marks)
  - iv) An auditor cannot obtain absolute assurance because there are inherent limitations in an audit that affect the auditor's ability to detect material misstatements. State the factors cause to such inherent limitations. (05 Marks)
  - v) Explain responsibilities of management with relate to an audit which is conducted in an organization. (10 Marks)
- (Total Marks-25)

02.

- i) What is meant by statutory audit? (02 Marks)
  - ii) State five (05) differences between external and internal audit. (05 Marks)
  - iii) Write short notes on following types of audits.
    - a) Forensic audit
    - b) Compliance audit
    - c) Environmental and social audit
    - d) Operational audit
    - e) Information system audit
    - f) Financial audit
- (3x6=18 Marks)

(Total Marks-25)

03.

- i) What is meant by audit risk? (03 Marks)
  - ii) State the difference between "Professional judgment" and "professional skepticism". (06 Marks)
  - iii) "The sufficiency and appropriateness of audit evidence are interrelated." Explain the statement, clearly stating whether you agree on it or not. (06 Marks)
  - iv) Explain the six (06) types of audit procedures an auditor may carryout for obtaining audit evidence. (10 marks)
- (Total Marks-25)

04.

- i) Explain fundamental principles of professional ethics with examples from real business scenario. (10 Marks)
  - ii) State basic elements of the Auditor's report. (08 Marks)
  - iii) In which situations an auditor express an adverse opinion? (02 Marks)
  - iv) What are the rights and duties of an auditor? (05 Marks)
- (Total Marks-25)

05. An audit plan reduces the audit risk to an acceptably low level. It is more detailed than the overall audit strategy and the purpose of the audit plan is to obtain sufficient and appropriate audit evidence to reduce audit risk to an acceptably low level.

- i) List five (05) major phases of an audit process. (05 Marks)
  - ii) List down the factors to be considered in establishment of an overall audit strategy? (06 Marks)
  - iii) Briefly describe the content of an audit plan. (05 Marks)
  - iv) In which situations the auditor may need to modify the overall audit strategy and audit plan? (03 Marks)
  - v) Briefly explain the advantages of adequate planning of an audit. (06 Marks)
- (Total Marks-25)

06. The auditor shall agree the terms of the audit engagement with management or those charged with governance, as appropriate. The agreed terms of the audit engagement shall be recorded in an audit engagement letter or other suitable form of written agreement.

- i) State major considerations during “engagement activities” (05 Marks)
- ii) Describe the **principal contents** of an audit engagement letter. (15 Marks)
- iii) State the factors affecting on revising the terms of the audit engagement.

(05 Marks)

(Total Marks-25)

