



FACULTY OF BUSINESS

FINAL EXAMINATION

Student ID (in Figures) :

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Student ID (in Words) : _____

Course Code & Name : **ACC3423 ADVANCED AUDIT AND ASSURANCE**
Semester & Year : JANUARY – APRIL 2024
Lecturer/Examiner : JAMES LIOW
Duration : 3 Hours

INSTRUCTIONS TO CANDIDATES

1. This question paper consists of 1 part:
PART A (100 marks) : **FOUR (4) compulsory questions. Answers are to be written in the Answer Booklet provided.**
2. Candidates are not allowed to bring any unauthorised materials except writing equipment into the Examination Hall. Electronic dictionaries are strictly prohibited.
3. This question paper must be submitted along with all used and/or unused rough papers and/or graph paper (if any). Candidates are NOT allowed to take any examination materials out of the examination hall.
4. Only ballpoint pens are allowed to be used in answering the questions, with the exception of multiple choice questions, where 2B pencils are to be used.

WARNING: The University Examination Board (UEB) of BERJAYA University College regards cheating as a most serious offence and will not hesitate to mete out the appropriate punitive actions according to the severity of the offence committed, and in accordance with the clauses stipulated in the Students' Handbook, up to and including expulsion from BERJAYA University College.

Total Number of pages = 5 (Including the cover page)

PART A : COMPULSORY QUESTIONS (100 MARKS)

INSTRUCTION (S) : There are **FOUR (4)** questions in this section. Write your answers in the Answer Booklet(s) provided.

QUESTION 1

Auditors are required to adhere to the Fundamental Principles of the Malaysian Institute of Accountants (MIA) By-Laws (on Professional Ethics, Conduct and Practice) to safeguard the profession.

Required

- a) Explain **FIVE (5)** fundamental principles of the MIA By-Laws on Professional Ethics for Professional Accountants. (15 marks)

The following cases are to be dealt separately:

- (i) Pertama Resources Bhd (PRB) is a public listed company and the financial statements are audited by Sathy & Co. The partner, Sathy has been a close friend to one of the major shareholders of PRB. Recently, she was told by the major shareholder that there is impending announcement of the company takeover of another listed company. After hearing the news, Sathy contacted her remisier to buy the shares in PRB.
- (ii) Hamilton & Partners, a public accounting firm based in Johor Bharu. Has been offered to provide IT services to an existing client, Utama Jasa Bhd. Nevertheless, the partner of Hamilton & Partners has declined the offer due to shortage of staff. The partner then introduced the prospective client to Kassim & Co, another public accounting firm in Johor Bharu who then accepted the appointment. For the referral, the partner of Hamilton & Partners received RM1,000 as a token of appreciation and this is acknowledged by Utama Jasa Bhd.
- (iii) Bermuda Supplies Sdn Bhd (BSSB) has appointed Teo & Co. as their company auditors. BSSB is a newly setup company and requested Teo & Co to assign one of its staff members to head the accounts department for one year. For this services, Teo & Co received a fee of RM36,000 per annum.

Required

- b) For the above three scenarios, explain whether the MIA By-Laws (on Professional Ethics, Conduct and Practice) has been violated. If it is violated, identify the categories of threats to auditors' independence. (8 marks)

A board of directors is the governing body of a company, whose members are elected by shareholders to set strategy, oversee management, and protect the interests of shareholders.

Required

- c) List any **TWO (2)** board committees which serves to ensure the good corporate governance practices of a Malaysia listed company. (2 marks)

[Total 25 marks]

QUESTION 2

The International Auditing and Assurance Standards Board (IAASB) identifies two levels of assurance that can be provided by the auditors.

Required

- a) Describe the two levels of audit assurance and provide **ONE (1)** example each of the assurance engagement provided by the auditors. (10 marks)

It is a common for audit firms to provide various types of assignments which involve the auditors' skills but not in the context of providing any form of assurance.

Required

- b) Explain the nature of the following non-audit services:
(i) Agreed upon procedure
(ii) Compilation reporting

(6 marks)

- c) Discuss **THREE (3)** arguments against auditors of providing non-audit services to their clients.

(9 marks)

[Total 25 marks]

QUESTION 3

ISA 560 *Subsequent Events* defines subsequent events as those events that occur between the reporting date and the date of approval of the financial statements and the signing of the auditor's report.

Required

- a) Explain **TWO (2)** types of subsequent events. (10 marks)

The following 3 events are to be dealt separately:

Event 1

BeWell.com is a website design company whose year-end is 31 October 2023. The audit is almost complete and the financial statements are due to be signed shortly. Revenue for the year is RM11.2 million and profit before tax is RM3.8 million. A key customer, with a receivables balance at the year-end of RM283,000 has

just notified the BeWell.com that they are experiencing cash flow difficulties and so are unable to make any payments for the foreseeable future.

The finance director has notified the auditor that he will either write this balance off as an irrecoverable debt or make an allowance for doubtful debts in the 2024 financial statements instead of 2023.

Required

- b) Justify whether the 2023 financial statements require amendment. Your answer must include the materiality test on the significant impact of the overall financial statements. (4 marks)
- c) Describe **ONE (1)** audit procedures which should be performed in order to form a conclusion on any required amendment. (2 marks)

Event 2

The audit of Gangsa Resources Bhd's (GRB) financial statements for the year ended 31 October 2023 has been completed, the audit report and the financial statements have been signed but not yet issued.

The finance director of GRB has just informed the audit team that he has received notification that a material receivable balance has become irrecoverable and GRB will not receive any of the amounts owing.

Required

- d) Justify whether the 2023 financial statements require amendment. (2 marks)

Event 3

The financial year end for Zack Mattress Bhd (ZMB) is on 30 September 2023. On 3 December 2023, the audit of ZMB is nearly completed and the financial statements and the audit report are due to be signed next week. However, on 4 December 2023 the following material events have just been presented to the auditor:

The springs in a new type of mattress have been found to be defective and unsafe for use. There have been no sales of this mattress as it was due to be marketed in the next few weeks. ZMB's insurers estimate that inventory to the value of RM750,000 has been affected.

The insurers also estimate that the mattresses are now only worth RM225,000. No claim can be made against the supplier of springs as this company is in liquidation with no prospect of any amounts being paid to third parties.

The insurers will not pay ZMB for the fall in value of the inventory as the company was underinsured. The entire inventory was in the finished goods store at the end of the year and no movements of inventory have been recorded post year-end.

Required

- e) Explain the auditors' responsibility and actions that should be carried out according to ISA 560 *Subsequent Events*. (4 marks)
- f) Describe **THREE (3)** audit procedures which should be performed in order to form a conclusion on any required amendment. (3 marks)

[Total 25 marks]

QUESTION 4

Haustek Supplies Bhd, a listed company is considering establishing an internal audit department. The finance director has asked the audit firm, Ramsay & Co about the roles and objectives of internal audit.

Required

- a) Outline **FIVE (5)** differences between internal auditor and external auditors. (10 marks)
- b) Explain **TWO (2)** different types of internal audit engagements required to be performed by the internal auditors. (6 marks)
- c) Explain the 'Three Es' of a value for money audit and provide **ONE (1)** example each. (9 marks)

[Total 25 marks]

END OF QUESTION PAPER