



FACULTY OF BUSINESS

FINAL EXAMINATION

Student ID (in Figures) :

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Student ID (in Words) : _____

Course Code & Name : **ACC3413 AUDITING**
Semester & Year : JANUARY-APRIL 2020
Lecturer/Examiner : Nur Afiqah
Duration : 3 Hours

INSTRUCTIONS TO CANDIDATES

1. This question paper consists of:
PART A (100 marks) : FOUR (4) compulsory structured 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 = 4 (Including the cover page)

PART A : COMPULSORY QUESTION (100 MARKS)

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

QUESTION 1

ZZ Co has been engaged to perform an audit for Platinum Sdn Bhd for year ended 31 January 2020. During the audit process, Zaima noticed that the net profit is higher than the actual amount due to the differences between capital expenditure and revenue expenditure. The results showed the expenses are undervalued while the assets are overvalued. Zaima have made the adjustment accordingly. However, the management refuses to Zaima's adjustments.

Required:

- a. Explain the differences between disclaimer and adverse audit report. (4 marks)
- b. Outline the elements of an unqualified audit report. (15 marks)

Many users fear that the report made by the management may be intentionally biased in management favour, even though the responsibility for preparing the financial statements falls to the management.

- c. Discuss **THREE (3)** importance of an audit report. (6 marks)

[TOTAL: 25 MARKS]

QUESTION 2

- a. Discuss **FIVE (5)** types of audit evidence. (10 marks)
- b. Explain **TWO (2)** types of audit working papers. (10 marks)
- c. Discuss the confidentiality of an audit files. (5 marks)

[TOTAL: 25 MARKS]

QUESTION 3

Silk Bhd operates a chain of motels across the country. Silk employs in excess of 300 full time employees which the financial year ended 31 August 2019. You are under Nabil & Co is assigned to audit Silk Bhd and is currently reviewing the company's documentation.

Full time employees work a standard number of hours per week as specified in their employment contract. However, when the motels are fully occupied, staff can be requested by management to work additional shifts as overtime. This can either be paid on a monthly basis or taken as days off.

Employees record any overtime worked and days taken off on weekly overtime sheets which are sent to the payroll department. The standard hours per employee are automatically set up in the system and the overtime sheets are entered by clerks into the payroll package, which automatically calculates the gross and net pay along with relevant deductions. These calculations are not checked at all. Wages are increased by the rate of inflation each year and the clerks are responsible for updating the standing data in the payroll system.

Employees are paid on a monthly basis by bank transfer for their contracted weekly hours and for any overtime worked in the previous month. If employees choose to be paid for overtime, authorisation is required by department heads of any overtime in excess of 30% of standard hours. If employees choose instead to take days off, the payroll clerks should check back to the 'overtime worked' report; however, this report is not always checked.

The 'overtime worked' report, which details any overtime recorded by employees, is run by the payroll department weekly and emailed to department heads for authorisation. The payroll department asks department heads to only report if there are any errors recorded. Department heads are required to arrange for overtime sheets to be authorised by an alternative responsible official if they are away on annual leave; however, there are instances where this arrangement has not occurred.

The payroll package produces a list of payments per employee; this links into the bank system to produce a list of automatic payments. The finance director reviews the total list of bank transfers and compares this to the total amount to be paid per the payroll records; if any issues arise then the automatic bank transfer can be manually changed by the finance director.

Required:

Based on the case study above, discuss **FIVE (5)** weaknesses and **FIVE (5)** controls to address the weaknesses and **FIVE (5)** substantive tests for each control.

[TOTAL: 25 MARKS]

QUESTION 4

- a. Explain the definition and purpose of cut off bank statement. (5 marks)
- b. Discuss **FOUR (4)** types of cash accounts. (8 marks)

Ahmad was the controller of Lama Manufacturing Sdn. Bhd, from 2010-2019, he paid himself an extra RM 2 million in bonuses. He was writing the cheques to himself, destroying the cheques when received from the bank and making entries directly into the company's computer files. He is taking advantage on the weaknesses of the company's internal control. The auditor did no tests of controls and substantive tests of transactions. The jury found against the auditors that they need to pay RM 3 million in damages.

- c. Based on the above case, the auditor must extend the procedures in the audit year end cash to determine the possibility of a material fraud when there are inadequate internal controls.

Required:

Discuss **THREE (3)** procedures for uncovering fraud that is related to year end cash balances.

(12 marks)

(TOTAL: 25 MARKS)

END OF QUESTION PAPER