



## 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 2021  
Lecturer/Examiner : NUR AFIQAH/JAMES LIOW  
Duration : 3 Hours

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### INSTRUCTIONS TO CANDIDATES

1. This question paper consists of 1 part:  
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 = 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.

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**QUESTION 1**

- a) Auditors are frequently required to provide non assurance services for client. Discuss **THREE (3)** non assurances services provided by the auditor. (4 marks)
- b) Lai & Co are the auditors of XYZ Bhd. XYZ have approached to Public Bank to extend the overdraft limit in the order to finance the upcoming project that they intend to undertake. The bank has asked for the cash flow projections to be provided for the project and that assurance be provided over the projections by Lai& Co.

***Required***

Explain the type of assurance engagement that will be undertaken by Lai & Co, the form of assurance and justify why this type of assurance is suitable for the cash flow predictions. (6 marks)

- c) ZW is the world's largest arms and weapons exporter. It serves over 20 nations, fulfilling defense system contracts worth billions of dollars which need approval from home government for security purposes.

The company is currently serving the needs of a particular regime whose human rights record and hostile posturing may lead to such a ban on trade. The company has already sold several products to this one country and the payment yet to be received.

ZW's audit committee, internal auditor and external auditor have a difficulty in performing their responsibilities due to a high-risk industry with an exclusive nature of the company which involving high levels of security and confidentiality.

The committee and the external auditors work closely together, indeed one former audit partner now sits on the audit committee and is pleased that the firm has decided to retain his old company's services for the 15th year in succession. The committee are contented to accept the audit firm's recommendation on the accounting treatment of all contracts due to their complexity and need for "hidden costs" to be removed. These include large payments to provide hospitality to prospect clients.

There is also a high degree of informality between external auditors and internal auditors due to the complexity of large non-audit contracts served by the audit firm. These are so large that the external auditor appears to discount its audit costs as a way of ensuring these services are retained. National

security is always an issue and audits are time pressured due to limited staff resource allocation, so the external audit firm is guided by internal auditors in terms of its proposed risk assessment and work plan. This seems appropriate since many ex-audit firm staff now work for the company and so understand audit issues from both viewpoints.

The audit committee will make no recommendations for change this year, especially since the internal audit manager assured them there were no real problems during their annual hourly meeting.

***Required***

Based on the case above, elaborate **FIVE (5)** roles of corporate governance.

(15 marks)

**[TOTAL 25 marks]**

**QUESTION 2**

- a) Associate Professor Carl is carrying out a series of lectures on corporate social responsibility. He is currently appearing at the Sustainable Water Forum in Kuala Lumpur. This international convention draws together government officials, scientists, corporate bodies, engineers and interested campaign groups to discuss global warming and water supply, particularly national and local initiatives to manage water supply in areas where drought and shortages are common.

One such initiative is in Batu 9 Cameron Highlands, Pahang. It involves building a colossal dam at one end of the valley and then diverting the river's waters so that they flood the valley and create a reservoir. These waters will then be used to create electricity and provide much needed water supply to over 3,000 people in the surrounding area.

The costs of the project will be large and work will be carried out through a private public partnership of corporations and local government. The companies involved have carried out a full financial appraisal of the project and say that the investment required will partly be recovered through charges for utility services to major international organisations throughout the area who receive water and electricity from the dam.

In order to build the dam, the local population living in the valley will need to be relocated. These people are an ancient tribe that has lived on the land for at least 5 generations. Their homes, farmland and holy places are all within the valley and now they are refusing to leave. The local government has offered them money and housing in a variety of inner-city housing developments across the country. These offers have been rejected with many villagers saying they will stay in their homes, even if the waters come.

Following presentation, he is approached backstage by a young accounting practitioner who says that far from benefiting the local population the dam is being built solely to provide local industry with power. He also states that the number of people living in the valley has been purposefully understated

and that the real figure is likely to be far more than the local government will be able to re-house or compensate.

**Required**

b) Based on the case above, discuss **FIVE (5)** importance of sustainability reporting. (15 marks)

c) Discuss **FIVE (5)** contents of the Whistle Blowing Act 2010. (10 marks)

**[TOTAL 25 marks]**

**QUESTION 3**

a) Define internal auditing. (4 marks)

b) Jofi sells electronic devices in Johor and Negeri Sembilan which consists of 10 branches. Each branch has up to 10 employees which six of them are full time. The company has provided the accounting system. All accounting systems, apart from petty cash, are computerised, with the internal audit department frequently advising and implementing controls within those systems.

The company has an internal audit department of ten staff, all of whom have been employed and experience for more than six years. Previously, the chief internal auditor appoints staff within the internal audit department, while the chief executive officer (CEO) is responsible for appointing the chief internal auditor. The chief internal auditor reports directly to the finance director. The finance director also assists the chief internal auditor in deciding on the scope of work of the internal audit department.

The external auditors concerned about the amount of non-audit activities work performed by the internal department and the recent years the work performed increased by 20%. Below are the activities:

- The bank statement of the corporation is reconciled each month by one of the internal auditors.
- The internal auditors are asked to review the budget for approval. In addition, the internal auditor needs to check the variances with justification.
- The internal auditor assists the complex transactions before the transactions are recorded.

The new director, Noah recommends to outsource the internal audit to reduce the impairment of the independence.

**Required**

(i) Explain **FOUR (4)** issues limit the independence of the internal audit department in Jofi and recommend a way of overcoming each issue. (16 marks)

- (ii) Discuss **TWO (2)** drawbacks if the company plans to outsource the internal audit. (5 marks)

**[TOTAL 25 marks]**

#### **QUESTION 4**

- a) Discuss the **FOUR (4)** types of CAAT. (10 marks)
- b) Fadex Bhd has just appointed your firm, Lim & Co. You as a manager of the firm is in charge of planning the audit work accordingly. Fadex Bhd's financial year ended on 30 November 2020 which the date of completion is expected to be on 31 January 2021.

Fadex Bhd provides wiring, dyno tuning and engine modification for motor vehicle which involving several inventories such as wires, electronic control unit and performance parts. Fadex has 10 branches in Selangor and Negeri Sembilan.

All inventory, services and purchasing systems are computerised, with each location maintaining its own computer system without the control from the head quarter. The software in each location is the same because the programs were written specifically for Fadex by a reputable supplier. Data from each location will be accumulated on a monthly basis at Fadex's head office to for the financial statement purposes.

You are currently planning your audit approach for Fadex which the alternative is to rewrite the client's software to interrogate the computerise inventory systems in each branch for the inventory testing.

However, you have also been informed that any computer testing will have to be on a live basis and you notice that January is a holiday period for your audit firm.

#### ***Required***

- (i) Explain **TWO (2)** benefits of using audit software in the audit of Fadex Bhd. (5 marks)
- (ii) Explain **FOUR (4)** problems that may be encountered in the audit firm and for each problem, suggest your recommendations to encounter the problems. (10 marks)

**[TOTAL 25 marks]**

**END OF QUESTION PAPER**