BERJAYA UNIVERSITY COLLEGE

BERJAYA BUSINESS SCHOOL

FINAL EXAMINATION

Student ID (in Figures) :

Student ID (in Words) :

Course Code & Name	: **ACC3423 ADVANCED AUDIT AND ASSURANCE**
Trimester & Year	: May-August 2019
Lecturer/Examiner	: Nur Afiqah
Duration	: 3 Hours

INSTRUCTIONS TO CANDIDATES

1. **This question paper consists of:**
   PART A (100 marks) : FOUR (4) compulsory essay 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 QUESTION (100 MARKS)

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

QUESTION 1

Geetha & Co, CA firm, is the external audit provider for the Group, a manufacturer tablets. The Group obtained a stock exchange listing in August 2017. The audit of the consolidated financial statements for the year ended 2018 is near the corner.

You are the manager in the audit section of Geetha & Co, in charge for conducting engagement quality control reviews on listed audit clients. You have discussed the Group audit with some of the junior staff of the audit team, one of whom made the following comments about how it was planned and carried out: 'The audit has been quite time-pressured.

The audit manager told the juniors not to perform some of the planned audit procedures on items such as directors' emoluments and share capital as they are considered to be low risk. He also instructed not to use the firm's statistical sampling methods in selecting trade receivables balances for testing, as it would be quicker to pick the sample based on the judgment. Some of the juniors were given the tasks of auditing trade payables and reviewing the going concern and subsequent events. The audit manager asked to review each other's work as it would be good experience, and he didn't have time to review everything. 'I was discussing the Group's tax position with the financial controller, when she said that she was struggling to calculate the deferred tax asset that should be recognised.

The deferred tax asset has arisen because several of the Group's subsidiaries have been loss making this year, creating unutilised tax losses. As I had just studied deferred tax at college I did the calculation of the Group's deferred tax position for her. The audit manager said this saved time as we now would not have to audit the deferred tax figure. 'The financial controller also asked for my advice as to how the tax losses could be utilised by the Group in the future. "I provided her with some tax planning recommendations, for which she was very grateful".

Required:

a. Define the following terms

    i. Component auditor

[2 marks]

    ii. Component management

[2 marks]

    iii. Component materiality   [1 mark]

b. In relation to the audit of the Group, evaluate the quality control, ethical and other professional matters arising in respect of the planning and performance of the Group audit.

[20 marks]

[TOTAL: 25 MARKS]

QUESTION 2

The objectives of an external audit of a computerised accounting system are no different from a manual based system. Computer audit is sometimes known as EDP (electronic data processing).

Required:

a. Discuss the application controls that should exist in the EDP based accounting system.

[10 marks]

CAATs are methods of using a computer as an audit tool to assist the auditor in the performance of a computer audit. The common audit procedures that can be performed with CAATs include substantive tests of transactions and balances.

Required:

b. Explain the concepts of the following software:

    i. generalised audit software

[5 marks]

    ii. Custom audit software.

[5 marks]

    iii. Test of data

[5 marks]

[TOTAL: 25 MARKS]

QUESTION 3

In 1924, Dr Calvin took control of McKesson-Robbins and embarked on massive fraud to inflate its share prices. Dr. Calvin duped the auditors, the shareholders into believing that the company had huge drug inventory amounting multimillions of dollars that did not exist. In addition, he created a phony orders, and false documentations. The fraud succeeded.

Required:

a.   Discuss accounting fraud.

[3 marks]

b.   Based on the above case, explain **FOUR (4)** ways to prevent fraudulent financial statement.

[12 marks]

c.   Explain briefly the concept of independence in appearance and independence in mind.

[4 Marks]

d.   Discuss **THREE (3)** techniques to protect the threats to independence.   [6 marks]

[TOTAL: 25 MARKS]

QUESTION 4

Internal auditors are employed by companies to do both financial and operating auditing. Their role in auditing has increased dramatically in the past two decades.

Required:

a.   Discuss the differences between operational and financial audit.

[6 marks]

b.   Define internal auditing.

[3 marks]

c.   Discuss the relationship between internal auditor and external auditor.

[6 marks]

All companies incorporated under the Companies Act 2016 require a statutory audit. However a partnership or sole proprietors may have their financial statements reviewed or compiled by an auditor instead of having them audited.

d.   Explain the review services.

[4 Marks]

e.   Discuss three forms of compilation reports that an auditor can provide to clients.

[6 marks]

[TOTAL: 25 MARKS]

END OF QUESTION PAPER