



FACULTY OF BUSINESS

FINAL EXAMINATION

Student ID (in Figures) :

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Student ID (in Words) : _____

Course Code & Name : **ACC3423 ADVANCED AUDIT AND ASSURANCE**
Semester & Year : MAY-AUGUST 2020
Lecturer/Examiner : Nur Afiqah
Duration : 3 Hours

INSTRUCTIONS TO CANDIDATES

1. This question paper consists of:
PART A (100 marks) : FOUR (4) compulsory structure 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

Light Co (Light) has been operating for 10 years providing finance consultation and recently listed as public listed company. According to the corporate governance regulations, the company should maintain an audit department hence the company decided to create one small internal audit department. After one year, the management feel that the internal audit department plays a vital role to the organization and decided to increase the size of the department.

However one of the directors, Zack suggests outsourcing the whole internal audit to their external auditors, Chong & Co. Light is required to comply with corporate governance principles in order to maintain its listed status; hence the finance director has undertaken a review of whether or not the company complies.

Nabeel is the chairman of Light, until last year he was the chief executive. He is unsure if the company needs more non-executive directors as there are currently two non-executive directors out of the seven board members. He is considering appointing one of best friend, who is a retired chief executive of a manufacturing company, as a non-executive director.

The finance director, Kam, decides on the amount of remuneration each director is paid. Currently all remuneration is in the form of an annual bonus based on profits. Kam is considering setting up an audit committee but has not undertaken this task yet as she is very busy.

A new sales director was appointed nine months ago. He has yet to undertake his board training as this is normally provided by the chief executive and this role is currently vacant. There are many shareholders and therefore the directors believe that it is impractical and too costly to hold an annual general meeting of shareholders. Instead, the board has suggested sending out the financial statements and any voting resolutions by electronic form; shareholders can then vote on the resolutions via email.

Required:

- a. Distinguish the internal audit and external audit. (5 marks)
- b. Explain **THREE (3)** benefits and **TWO (2)** difficulties for Light of outsourcing the internal audit department. (10 marks)

- c. Identify **FIVE (5)** corporate governance deficiencies; and provide suggestion to address each deficiency. (10 marks)

[TOTAL: 25 MARKS]

QUESTION 2

You are an audit manager in Fai & Co, a CPA with a job scope of handling audit quality. The firm just accepted the appointment from Platinum a provider of security services, in September 2019. You have just visited the audit team at Platinum's headquarter. The audit team is comprised of an accountant in charge (AIC), an audit senior and two trainees.

According to the Platinum's draft accounts for the year financial year end show revenue of RM 6 million (2018 – RM4 million) and total assets of RM 2 million (2018 – RM 1.25 million). During your visit, a review of the audit working papers revealed the following:

- a. On the audit planning checklist, the audit senior has crossed through the analytical procedures section and written 'not applicable – new client'. The audit planning checklist has not been signed off as having been reviewed.
- b. The AIC last visited Platinum's office when the final audit commenced two weeks ago on 1 October. The senior has since completed the audit of tangible non-current assets (including property and service equipment) which amount to RM0.3 million as at 30 June 2019(2018 – RM0.3 million). The AIC spends most of his time working from Fai's office and is currently allocated to three other assignments as well as Platinum's audit.
- c. At 30 September 2019, the trade receivables amounted to RM1.1 million (2018 – RM 0.5 million). One of the trainees has just finished sending out first requests for direct confirmation of customers' balances as at the balance sheet date.
- d. The other trainee has been assigned to the audit of the consumable supplies that comprise inventory amounting to RM44,000 (2018 – RM 25,000). The trainee has carried out tests of controls over the perpetual inventory records and confirmed the 'roll-back' of a sample of current quantities to book quantities as at the year end.

Required:

- a. Identify and comment on the implications of these findings for Platinum's quality control policies and procedures. (15 marks)
- b. Discuss the framework of audit quality. (10 marks)

[TOTAL: 25 MARKS]

QUESTION 3

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).

- a. Explain the relationship between general control and application control. (5 marks)

CAATs are methods of using a computer as an audit tool to assist the auditor in the performance of a computer audit.

- b. Discuss **FIVE (5)** CAAT specific procedures that can be perform by the auditors. (5 marks)
- c. Explain **FIVE (5)** advantages and **FIVE (5)** disadvantages of using CAAT. (10 marks)
- d. Discuss the function of integrated test facility. (5 marks)

[TOTAL: 25 MARKS]

QUESTION 4

In Malaysia, many regional and local certified public accountant firms provide a variety of assurance services to both audit and non-audit clients. The larger public accounting firms may provide consulting services, but they are not allowed to provide such services for their publicly traded audit clients.

Explain the following assurance related services performed by accounting firms and provide one example for each assurance:

- i. Special purpose audit
- ii. Assurance level for related services
- iii. Due diligence review
- iv. Forensic audit
- v. Review engagement

[TOTAL: 25 MARKS]

END OF QUESTION PAPER