



**FACULTY OF BUSINESS**

**FINAL EXAMINATION**

Student ID (in Figures) : 

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Student ID (in Words) : \_\_\_\_\_  
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Course Code & Name : **ACC3413 AUDITING**  
Semester & Year : SEPTEMBER – DECEMBER 2023  
Lecturer/Examiner : JAMES LIOW  
Duration : 3 Hours

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**INSTRUCTIONS TO CANDIDATES**

1. This question paper consists of:  
**PART A (100 marks) : Answer FOUR (4) compulsory questions. Answers are to be written in the Answer Booklet provided.**
2. Candidates are not allowed to bring any unauthorized 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 QUESTIONS (100 MARKS)**

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

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**QUESTION 1**

- a) List any **EIGHT (8)** basic elements of an unmodified auditor's report of a Malaysia listed company. (8 marks)
- b) Discuss **THREE (3)** other types of audit report besides the unqualified audit report. (6 marks)
- c) Indicate the type of audit report you would issue and the reason for each of the following independent situations:
- (i) The auditors were unable to obtain sufficient appropriate audit evidence pertaining to the accuracy of trade receivables balances amounting to RM789,550; other receivables amounting to RM420,967; as well as the lack of confirmation on the company's bank balances. It was also not possible for the auditors to perform alternative procedures.
  - (ii) During the audit, the team discovers that one of the five development projects, valued at RM980,000 and included as intangible assets, does not meet the criteria for capitalisation. The finance director does not intend to change the accounting treatment adopted as she considers this an immaterial amount. The auditors believe that the audit evidence obtained is sufficient and appropriate.
  - (iii) MSMA Sdn Bhd has been audited by the same firm for the last six years. For the past three years, their financial condition has been declining steadily. In the current year, for the first time, the current ratio is below 2:1, which is the minimum requirement specified in MSMA's major loan agreement. The auditors now have doubt about the ability of MSMA to continue in operation for the next year. (6 marks)
- d) Identify the type of audit procedure for each of the following scenarios:
- (i) At the financial year end, the auditors are invited to attend the physical counting of the inventory.
  - (ii) The auditors send a letter to the client's accounts payable in order to determine the actual amount owing.
  - (iii) The auditors calculate the depreciation charges on the property, plant and equipment register.
  - (iv) The auditors calculate the current year's financial ratios and compare with the previous year's ratios.
  - (v) The auditors perform the bank reconciliation and compare the balance to the client's records. (5 marks)

**[Total 25 marks]**

## QUESTION 2

Audit working paper is a record gathered by the auditor to document all audit work details in the audit process, time taken, name of the auditor who carried out work, findings, and conclusion on test result by the auditor.

### **Required**

- a) Explain **THREE (3)** purposes of audit documentation. (9 marks)
- b) Explain the **TWO (2)** types of audit working papers and provide **TWO (2)** types of information or documents usually included in the two files. (12 marks)
- c) List **THREE (3)** reasons why it is important to establish policies and procedures for the audit working papers prepared by the auditors in accordance with the MIA By-Laws on Professional Ethics, Conduct and Practice. (3 marks)
- d) In accordance with the ISQC 1, state how long the duration of the audit working papers to be retained by the auditors. (1 mark)

**[Total 25 marks]**

## QUESTION 3

You are the audit manager in Nasir & Associates and nearly completing the audit of Xanada Bhd. The team leader has produced the extracts from the draft audit report for Xanada Bhd as shown below:

### **Auditor's responsibility**

- 1) Our responsibility is to express an opinion on all pages of the financial statements based on our audit. We conducted our audit in accordance with some of the International Standards on Auditing.
- 2) Those standards required that we comply with ethical requirements and plan; and perform the audit to obtain maximum assurance as to whether the financial statements are free from all material misstatements whether caused by fraud or error.
- 3) We have a responsibility to prevent and detect fraud and error, and to prepare the financial statements in accordance with the Malaysian Financial Reporting Standards.
- 4) An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the availability and experience of audit team members. We considered internal controls relevant to the entity; and express an opinion on the effectiveness of these internal controls.
- 5) We did not evaluate the overall presentation of the financial statements, as this is the management's responsibilities. We considered the reasonableness of any accounting estimates

made by management. We did not review the appropriateness of accounting policies as these are the same as last year.

**Required**

For the above audit report extracts, identify and explain **TEN (10)** elements of this report which require amendment.

**[Total 25 marks]**

**QUESTION 4**

You are one of the audit team members who are assigned to audit the financial statements of Selera Corporation Bhd (SCB), a prominent company in the Malaysian food industry. You were asked by your team leader to audit the property, plant and equipment (PPE) portfolio.

SCB maintained a PPE register to record the transactions of all the acquisition of PPE. The register contained information such as category of PPE, cost price, depreciation charges and up to date accumulated depreciation.

**Required**

- a) Discuss **THREE (3)** factors that should be considered in assessing the inherent risk for the PPE portfolio in SCB. (6 marks)
- b) Describe **THREE (3)** analytical procedures that are commonly used in auditing PPE portfolio. (6 marks)
- c) Describe **ONE (1)** substantive audit procedure that should be performed to verify each of the assertion in terms of (1) existence, (2) completeness, (3) ownership and (4) valuation of PPE in SCB. (8 marks)
- d) List **FIVE (5)** disclosure requirements for the PPE in the financial statements. (5 marks)

**[25 marks]**

**END OF QUESTION PAPER**