UNIVERSITI POLY-TECH MALAYSIA
UPTM

FINAL EXAMINATION

BACHELOR OF ACCOUNTANCY (HONOURS)

COURSE	:	**AUDITING**
COURSE CODE	:	**AUD2124**
DURATION	:	**3 HOURS**

INSTRUCTIONS TO CANDIDATES:

1. This question paper consists of **FOUR (4)** questions.
2. Answer ALL questions in the Answer Booklet provided.
3. Please check to make sure that this examination pack consists of:
   i. The Question Paper
   ii. An Answer Booklet
4. Do not bring any material into the examination hall.
5. Please write your answer using permanent ink.

MYKAD/ PASSPORT NO. : ______________________

ID. NO. : ______________________

LECTURER : ______________________

SECTION : ______________________

DO NOT OPEN THIS QUESTION PAPER UNTIL YOU ARE TOLD TO DO SO

This question paper consists of 6 printed pages including the front page.

QUESTION 1

Auditors are responsible for providing reasonable assurance that the financial statements are free from material misstatement, whether due to fraud or error. However, audits are not guarantees, and some level of audit risk is always present.

Required:

a. Identify **THREE (3)** benefits of internal control to organization.

(3 marks)

b. Explain **THREE (3)** control procedures to test internal control.

(6 marks)

c. Discuss **FOUR (4)** roles of internal control in corporate governance.

(8 marks)

d. Describe **FOUR (4)** impacts of effective internal control in organization.

(8 marks)

(Total: 25 marks)

QUESTION 2

International Standard on Auditing (ISA) explains what constitutes audit evidence in an audit of financial statements, and deals with the auditor's responsibility to design and perform audit procedures to obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the auditor's opinion. While, audit documentation is the primary means by which auditors evidence their compliance with auditing standards. Therefore, effective documentation has a dual role in enhancing audit quality and reducing risk of non-compliance

Required:

a. Identify **THREE (3)** sources of audit evidence.

(3 marks)

b. Discuss **THREE (3)** characteristics of reliability of audit evidence.

(6 marks)

c. Describe the types of audit evidence and audit assertion for each of the following audit procedures:

i. Attend a physical inventory count at year-end to observe the procedures used and test count selected items.

ii. Reconcile the fixed asset register with the general ledger to ensure that all assets are recorded accurately and that depreciation is calculated correctly.

iii. Review the financial statements to ensure that all required disclosures related to accounting policies are clearly presented and comply with relevant standards.

iv. Compare duplicate sales invoices with journals for the customer's name and account.

(8 marks)

d. Explain **FOUR (4)** potential consequences of inadequate working paper.

(8 marks)

(Total: 25 marks)

QUESTION 3

EXO-I Bhd, a fast-expanding semiconductor producer, has its base in Bandar Baru Bangi. The company supplies Taiwanese computer manufacturers with memory chips, microcontrollers, and computer processors. The company's procurement department, led by David, was under pressure to keep up with the increasing demand for raw materials and components. To expedite the process, David sometimes gave verbal or email approvals for purchase orders, bypassing the formal documentation process.

Aisha, a senior procurement officer, faced challenges when tasked with selecting suppliers for new orders. She struggled to make informed decisions, relying on an outdated vendor master list not updated in over a year. Due to her demanding schedule, Aisha rarely had the opportunity to review supplier performance, resulting in the inclusion of vendors who consistently delivered late or substandard materials to the vendor master list.

Moreover, Mia, a junior procurement officer, relied heavily on manual data entry. She was responsible for inputting purchase order details, delivery receipts, and invoices. The repetitive nature of her task led management to place significant trust in Mia's work.

Mark, a senior officer working with Aisha, had a close friend who owned a small electronics component business. Without revealing this connection, Mark frequently encouraged Aisha to place orders with his friend's company, even though their prices were higher compared to other suppliers. At the same time, Mark approved high-value purchases without proper oversight. Similarly, David, the procurement director, authorized substantial purchases without consulting other directors.

When the orders arrived at EXO-I Bhd warehouse, the receiving staff meticulously compared the purchase orders to the delivery notes provided by the suppliers. After verification, the receiving team dispatched the products to the manufacturing site and provided goods receipt notes to the purchasing department, confirming the receipt of the materials and initiating the payment procedure.

Aisha, who was already burdened with selecting suppliers, was also responsible for processing payments once she received the goods receipt notes from the warehouse. She prepared payment vouchers based solely on the information provided in the goods receipt notes. To complete the payment process, Aisha then sought the signatures required for the payment voucher and the cheque from David. Occasionally, because of David's frequent travels outside the country and his hectic schedule, the cheque that Aisha produced would not have a signature for extended periods of time. This frequently led to payment delays, occasionally exceeding the supplier's payment terms.

Required:

a. Identify **FOUR (4)** functions of the purchase cycle.

(4 marks)

b. Explain **THREE (3)** potential misstatements in the above purchase cycle.

(6 marks)

c. Discuss **FIVE (5)** deficiencies in control procedures and their possible implications and recommend actions for each deficiency.

(15 marks)

(Total: 25 marks)

QUESTION 4

You are the external auditor assigned to audit the Property, Plant, and Equipment (PPE) of InnoManufacture Bhd., (InnoManufacture) a manufacturing company that produces specialized machinery for the automotive industry. The company has recently undertaken significant capital expenditure to upgrade its production facilities, including the purchase of high-value machinery and the renovation of its factory premises. InnoManufacture also disposed of several old machines during the year. Some assets are still under construction, and management uses a manual fixed asset register that is not always updated promptly. Additionally, the depreciation policy was recently revised, but documentation of the changes has not been properly approved or communicated. As part of your audit, you are required to verify the accuracy, existence, and valuation of PPE, and to evaluate the adequacy of internal controls over the recording and monitoring of PPE.

Required:

a. Identify **FIVE (5)** documents related to PPE cycle.

(5 marks)

b. Discuss **FOUR (4)** audit procedures for verifying the valuation of InnoManufacture's PPE.

(8 marks)

c. Describe **FOUR (4)** analytical procedures for verifying the accuracy of InnoManufacture unrecorded current liability.

(12 marks)

(Total: 25 marks)

(TOTAL: 100 MARKS)

END OF QUESTION PAPER