

**FINAL EXAMINATION****BACHELOR OF ACCOUNTANCY (HONOURS)**

COURSE	:	AUDIT AND ASSURANCE SERVICES
COURSE CODE	:	AUD3073
DURATION	:	3 HOURS

INSTRUCTIONS TO CANDIDATES:

1. This question paper consists of **FIVE (5)** 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. : _____

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SECTION : _____

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

QUESTION 1

The following are additional information on two material events has just been presented to the auditor.

- i. In January 2026, the government cancelled a major infrastructure project representing 45% of the group's 2025 revenue. As a result, the company breached loan covenants in February 2026. Lenders agreed in March 2026 to renegotiate financing, subject to strict conditions. The financial year end of the company is 31 December 2025 while the date of financial statements authorised for issue is 25 March 2026.
- ii. Before year-end, management internally discussed closing several loss-making divisions but had not approved or communicated any formal plan. On 10 January 2026, the board approved a detailed restructuring plan and publicly announced it, creating a constructive obligation of RM18 million.

Required:

- a. Analyze each of the events listed above, analyze whether the financial statement require amendments.
(8 marks)
- b. Examine **TWO (2)** audit procedures that the auditors would use for each of the event listed above.
(8 marks)
- c. Discuss **TWO (2)** objectives of final analytical review.
(4 marks)

(Total: 20 marks)

QUESTION 2

Zallorax Berhad sells products through its website using multiple online payment gateways. A recent system outage caused some orders to be unrecorded, and there is no automated reconciliation between the e-commerce platform and the accounting system.

Management is concerned that sales revenue may be understated or misclassified, and some customer payments may not have been properly accounted for. Internal staff have been manually tracking orders, but human error is possible.

The lack of proper IT controls in e-commerce systems exposes the company to revenue recognition errors, incomplete financial records, and potential regulatory issues, requiring auditors to review interfaces, reconciliations, and transaction integrity.

Required:

- a. Explain **TWO (2)** key functions of e-commerce to an organization such as Zallorax Berhad.
(4 marks)
- b. Discuss **TWO (2)** impacts of e-commerce business to auditor's work.
(4 marks)
- c. Evaluate **THREE (3)** challenges in obtaining sufficient and reliable audit evidence in an e-commerce environment, along with **THREE (3)** ways auditor competence and professional judgement help address each challenge.
(12 marks)

(Total: 20 marks)

QUESTION 3

Zefik Healthcare Berhad operates a chain of private medical centres and is subject to strict regulatory and compliance requirements. Recent internal reviews revealed weaknesses in compliance monitoring, data security controls, and segregation of duties. In response, the audit committee has requested the internal audit department to strengthen its assurance role and to assess the effectiveness of the organization's governance and risk management practices.

Internal auditors are responsible for evaluating compliance with healthcare regulations, reviewing internal policies, and assessing the effectiveness of risk management processes. They also provide consulting services by advising management on control improvements and system enhancements. To remain effective, internal auditors must adhere to professional standards, maintain independence, and ensure confidentiality of sensitive information.

However, the internal audit environment is complicated by issues such as limited access to information, reliance on manual records, and potential threats to auditor independence due to close involvement in advisory roles. These issues increase the risk of impaired objectivity and reduce the overall effectiveness of internal audit services.

Required:

- a. Discuss **THREE (3)** roles of internal auditors in supporting corporate governance in Zefik Healthcare Berhad.
(6 marks)
- b. Analyse **THREE (3)** relevant issues in the internal audit environment highlighted in the above scenario.
(6 marks)
- c. Evaluate **FOUR (4)** measures that the audit committee can take to enhance the effectiveness and independence of the internal audit function.
(8 marks)

(Total: 20 marks)

QUESTION 4

Rosa Berhad operates in the construction and infrastructure sector and undertakes long-term projects for both public and private clients. In recent years, the company has faced tighter profit margins due to increased material costs, labour shortages, and project delays. Despite these challenges, the company continues to announce stable financial results and emphasizes its ability to meet market expectations.

The finance department plays a central role in estimating project completion percentages and preparing accounting adjustments at month-end. Senior management is closely involved in reviewing draft financial statements, particularly revenue figures and project costs. Documentation supporting certain accounting estimates is minimal, and reviews of significant journal entries are largely procedural. In practice, a small group of senior finance personnel handles the preparation, approval, and posting of key adjustments.

Internal audit activities are limited and mainly focus on compliance checks rather than detailed reviews of financial reporting processes. Employees are aware of an ethics policy, but reporting channels for concerns are informal and rarely used. Over time, these practices have created an environment where aggressive accounting judgments may go unchallenged, increasing exposure to fraudulent financial reporting.

Required:

- a. Analyse **TWO (2)** conditions that may contribute to perpetration of fraud. (4 marks)
- b. Discuss **TWO (2)** impacts of fraudulent financial reporting to the organization. (4 marks)
- c. Analyse **THREE (3)** internal control deficiencies related to financial reporting situation along with **THREE (3)** recommendations to reduce the risk of fraudulent financial reporting in Rosa Berhad. (12 marks)

(Total: 20 marks)

QUESTION 5

Lilium Berhad (Lilium) is a medium-sized manufacturing company planning to expand its operations internationally. To support this expansion, the company engages Wangsa & Co. to provide non-assurance services in addition to the statutory audit.

Wangsa & Co. performs a compilation engagement, assisting management in compiling Lilium's financial information into financial statements based on records and explanations provided by management, without providing any assurance. The firm also provides accounting services, including maintaining accounting records and preparing financial schedules to support financial reporting.

In addition, Wangsa & Co. provides corporate secretarial services to Lilium. While no opinion is expressed, these services help improve financial reporting processes and support Lilium's compliance and expansion plans.

Required:

- a. Explain **THREE (3)** benefits of compilation services to the organization. (6 marks)
- b. Examine **THREE (3)** procedures involved in a compilation engagement. (6 marks)
- c. Evaluate **FOUR (4)** functions of company secretary in Lilium. (8 marks)

(Total: 20 marks)

(TOTAL: 100 MARKS)

END OF QUESTION PAPER