

SULIT



BAHAGIAN PEPERIKSAAN DAN PENILAIAN
JABATAN PENDIDIKAN POLITEKNIK
KEMENTERIAN PENDIDIKAN TINGGI

JABATAN PERDAGANGAN

PEPERIKSAAN AKHIR

SESI JUN 2017

APA9014 : AUDIT AND ASSURANCE

TARIKH : 30 OKTOBER 2017

MASA : 8.30 PAGI – 11.45 PAGI (3 JAM 15 MINIT)

Kertas ini mengandungi **SEPULUH (10)** halaman bercetak.
Soalan Esei (5 Soalan)

Dokumen sokongan yang disertakan : Tiada

JANGAN BUKA KERTAS SOALAN INI SEHINGGA DIARAHKAN

(CLO yang tertera hanya sebagai rujukan)

SULIT

SECTION: 100 MARKS**INSTRUCTION:**

ALL FIVE questions are compulsory and **MUST** be attempted.

QUESTION 1

You are an audit senior of Zaki & Co and have been allocated to the audit of Syarikat Losravella Berhad (Losravella), a listed company which has been an audit client for eight years and specialises in manufacturing plus size clothes.

Farah was the audit engagement partner for Losravella and as she had completed seven years as the audit engagement partner, she has recently been rotated off the audit engagement. The current audit partner, Shuhada, has suggested that in order to maintain a close relationship with Losravella, Farah should undertake the role of independent review partner this year. In addition Losravella has requested that Farah assist them by attending their audit committee meetings, as a non-executive director has recently left the company.

Losravella has also asked Shuhada and the other partners at Zaki & Co to help them in recruiting a new non-executive director.

The total fees received by Zaki & Co for last year equated to 16% of the firm's total fee income. The current year's audit fee has not yet been confirmed, but along with taxation and other possible non-audit fees the total income from Losravella this year could be greater than last year. Last year's audit fee was being paid monthly by Losravella but no payments have been made for the last three months.

The audit manager who audits Losravella's financial statements has just announced that he is leaving Zaki & Co to join Losravella as the financial controller.

Required:

Using the information above:

CLO3
C2

- a) i. Identify and explain **FIVE (5)** ethical threats which may affect the independence of Zaki & Co's audit of Syarikat Losravella Berhad (Losravella); and [10 marks]
- ii. For each threat explain how it might be reduced to an acceptable level. [5 marks]

CLO3
C2

- b) i. Identify and explain **THREE (3)** financial statement assertions relevant to classes of transactions and events for the year under audit; and [6 marks]
- ii. For each identified assertion, describe a substantive procedure relevant to the audit of REVENUE. [9 marks]

[30 marks]

QUESTION 2

CLO1
C2

- a) Compliance with the fundamental principles in MIA's *Code of Ethics and Conduct* can be threatened in a number of ways.

Required:

List **FIVE (5)** ethical threats to Objectivity and for EACH threat identify **ONE (1)** example of a circumstance that may create the threat.

[5 marks]

CLO1
C2

- b) In accordance with ISA 570 *Going Concern*, explain the responsibilities of auditors and management regarding Going Concern.

[5 marks]

[10 mark]

QUESTION 3

CLO1
C2

- a) Define the term 'audit risk' and list **THREE (3)** elements of risk that contribute to total audit risk?

[5 marks]

- b) Syarikat Tayaria Berhad is a company selling tyres and other auto parts procured from various suppliers. As part of the audit work, you have to conduct the inventory count for Syarikat Tayaria Berhad. On the day of the inventory count, you attended the stores of Syarikat Tayaria Berhad. You observed the following activities:

1. Prenumbered count sheets were being issued to client's staff carrying out the count. The count sheets showed the inventory ledger balances for checking against physical inventory.
2. All count staff were drawn from the inventory warehouse and were counting in teams of two.
3. Three counting teams were allocated to each area of the stores to count, although the teams were allowed to decide which pair of staff counted which inventory within each area. Staff were warned that they had to remember which inventory had been counted.
4. Information were recorded on the count sheets in pencil so amendments could be made easily as required.
5. Any inventory not located on the pre-numbered inventory sheets was recorded on separate inventory sheets – which were numbered by staff as they were used.
6. At the end of the count, all count sheets were collected and the numeric sequence of the sheets checked, the sheets were not signed.

CLO1
C3**You are required to:**

- i) Explain **THREE (3)** audit procedures that an auditor will normally perform prior to attending the client's premises on the day of the inventory count. [3 marks]
- ii) List **FOUR (4)** deficiencies in the control system for counting inventory at the stores of Syarikat Tayaria Berhad. For each deficiencies, discuss why it is a deficiency and recommend a control to address each of these deficiencies. [12 marks]
- [20 marks]

QUESTION 4

Bella Design Berhad (Bella) manufactures custom made furniture and its year end is 30 April. The company purchases its raw materials from a wide range of suppliers. Below is a description of Bella's purchasing system.

When production supervisors require raw materials, they complete a requisition form and this is submitted to the purchase ordering department. Requisition forms do not require authorisation and no reference is made to the current inventory levels of the materials being requested. Staff in the purchase ordering department use the requisitions to raise sequentially numbered purchase orders based on the approved suppliers list, which was last updated 24 months ago. The purchasing director authorises the orders prior to these being sent to the suppliers.

When the goods are received, the warehouse department verifies the quantity to the suppliers despatch note and checks that the quality of the goods received are satisfactory. They complete a sequentially numbered goods received note (GRN) and send a copy of the GRN to the finance department.

Purchase invoices are sent directly to the purchase ledger clerk, who stores them in a manual file until the end of each week. He then inputs them into the purchase ledger using batch controls and gives each invoice a unique number based on the supplier code. The invoices are reviewed and authorised for payment by the finance director, but the actual payment is only made 60 days after the invoice is input into the system.

Required:

In respect of the purchasing system of Bella Design Berhad:

CLO2
C3

- a) Identify and explain **FIVE (5)** deficiencies; and [10 marks]
 - b) Recommend a control to address each of these deficiencies. [10 marks]
- [20 marks]**

QUESTION 5

Pareeda Berhad (Pareeda) manufactures and distributes fashion clothing to retail stores. Its year end was 31 March 2015. You are the audit manager and the year-end audit is due to commence shortly. The following three matters have been brought to your attention.

Supplier statement reconciliations

Pareeda receives monthly statements from its main suppliers and although these have been retained, none have been reconciled to the payables ledger as at 31 March 2015. The engagement partner has asked the audit senior to recommend the procedures to be performed on supplier statements.

Bank reconciliation

During last year's audit of Pareeda's bank and cash, significant cut off errors were discovered with a number of post year-end cheques being processed prior to the year end to reduce payables. The finance director has assured the audit engagement partner that this error has not occurred again this year and that the bank reconciliation has been carefully prepared. The audit engagement partner has asked that the bank reconciliation is comprehensively audited.

Receivables

Pareeda's receivables ledger has increased considerably during the year, and the year-end balance is RM 2.3 million compared to RM 1.4 million last year. The finance director of Pareeda has requested that a receivables circularisation is not carried out as a number of their

customers complained last year about the inconvenience involved in responding. The engagement partner has agreed to this request, and tasked you with identifying alternative procedures to confirm the existence and valuation of receivables.

Required:

CLO2
C2

Describe substantive procedures you would perform to obtain sufficient and appropriate audit evidence in relation to the three matters:

- a) Supplier statement reconciliations: **THREE(3)** substantive procedures [6 marks]
- b) Bank reconciliation: **THREE (3)** substantive procedures [6 marks]
- c) Receivables: **FOUR (4)** substantive procedures [8 marks]

[20 marks]

-END OF QUESTIONS-