

QUESTION 1 (a)

Auditing can be conducted for different purposes. List FIVE (5) types of audit.

Answer

Types of audit

- Financial Statements audit /
- Operational audit/Performance audit/
- Compliance audit/
- Shariah Audit/
- Tax Audit/

/ = 1mark
total 5marks

QUESTION 1 (b)

Discuss the disqualification of an Auditor as stated in section 264(1)(c)

Answer

Disqualification of Auditors – Section 264(1)(c)

- He is not an approved auditor /
- He is indebted to the company or to the corporation in an amount exceeding RM25 000. /
- He is or his spouse is: an officer of the company, a partner or employee of an officer of the company, a shareholder of the corporation whose employee is an officer of the company /
- He is responsible in keeping the register of members or the register of debenture holders of the company. /

/ = 2 ½ marks
total 10 marks

*Each point with simple elaboration

QUESTION 1 (c)

Write the process of termination of an auditor

Answer

- The termination or removal of an auditor requires the company to send a copy of the special notice/ it received of the ordinary resolution to remove an auditor to the auditor concerned and to Companies Commission of Malaysia (CCM) as requires under Section 277 (2). /
- The concerned auditor may within 7 days of receipt of the special notice / make representations in writing to the company/ and request a copy of the representations to be sent to every member of the company to whom notice of the meeting was sent prior to the meeting /. A copy of auditor's written representation must be forwarded to Bursa Malaysia at the same time./
- The auditor may require that the representations be read out at the meeting unless the CCM orders otherwise. /
- The company must notify CCM in writing using Form 11 of the removal of an auditor from office. / CCM will appoint an auditor for the company if the company fails to appoint one to fill the vacancy/. The auditor appointed to fill the vacancy will hold office until the conclusion of the next general meeting./

/ =1 mark
total 10 marks

QUESTION 2 (a)

The primary objective of an auditing is to form an independent opinion on the financial statements whether the financial statements show a true and fair view, and have been properly prepared in accordance with accounting standards. State **FIVE (5)** ways of proving the true and fairness of the financial statement.

<p><u>Answer</u> Presentation and Disclosure Assertion</p> <ol style="list-style-type: none"> 1. Accuracy:/ All information disclosed is in the correct amounts, and which reflect their proper values./ 2. Completeness: / All transactions that should be disclosed have been disclosed. / 3. Occurrence: / Disclosed transactions have indeed occurred / 4. Right and obligations: /Disclosed rights and obligations actually relate to the reporting entity / 5. Understand ability: / Information included in the financial statements has been appropriately presented and is clearly understandable / 	<p>/ = 1 mark Total 10 marks</p>
<p>QUESTION 3 (a) Categorize the types of audit file and express TWO (2) purpose for each file</p> <p><u>Answer</u></p> <ol style="list-style-type: none"> 1. Permanent audit file* <ul style="list-style-type: none"> - To record item applicable over a period of many year / - To provide a summary of policies and the organization of the entity/ 2. Current audit file* <ul style="list-style-type: none"> - To keep records and information for the current audit only / - To support the conclusion reached/ 	<p>*= ½ marks / = 1 mark Total 5 marks</p>
<p>QUESTION 3 (b) Construct the weaknesses in internal control that might be happen in an organization</p> <p><u>Answer</u></p> <p>Judgement* – The effectiveness of control will be limited by decisions made with human judgment under pressures to conduct business based on the information at hand //</p> <p>Breakdown* – Even well designed internal control can break down. Employees sometimes misunderstand instructions or simply make mistakes. Error may also result from new technology and the complexity of computerized information system //</p> <p>Management override* – High level personnel may be able to override prescribed policies and procedures for personal gain or advantage. This should not be confused with management intervention, which represents management actions to depart from prescribed policies and procedures for legitimate purposes //</p> <p>Collusion* – Control system can be circumvented by employee collusion. Individual acting collectively can alter financial data or other management information in a manner that cannot be identified by control system //</p>	<p>* = ½ mark / = 1 mark Total 10 marks</p>

QUESTION 3 (c)

Control activities are policies and procedures that help to ensure that necessary actions are taken to address risks to the achievement of the entity objectives. Illustrate the following control activities:

Answer

- i. adequate separation of duties

Adequate segregation of duties that reduce opportunity to allow any person to be in the position to both perpetrate and conceal error or irregularities in the norm of his duties /

- ii. Proper authorization of transactions and activities

There must be clear policies for the purpose of controlling transaction and activities to helps ensure that all company activities adhere to established guide lines unless responsible managers authorize another course of action. /

- iii. Adequate documents and records

provide evidence that financial statements are accurate. Controls designed to ensure adequate recordkeeping include the creation of invoices and other documents that are easy to use and sufficiently informative; the use of prenumbered, consecutive documents; and the timely preparation of documents. /

- iv. Physical control over assets and records

To helps protect the company's assets with taking all the available steps or precautions to protect assets and records from possible loss or damage./

QUESTION 4 (a)

Express the meaning of audit evidence and determine THREE (3) purpose of having audit evidence

Answer

Audit evidence

all information used by an auditor in arriving the conclusions on which the auditor's opinion is based /. Audit evidence includes both information contained in the accounting records underlying the financial statement and other information/

The purpose of having audit evidence

- ISA 500 defines the audit evidence is all information used by an auditor in arriving the conclusions on which the auditor's opinion is based./
- Audit evidence includes both information contained in the accounting records underlying the financial statement and other information /
- Other information consists of information obtained from other source such as previous audits, or firm's quality control procedures for example minutes of meeting and control manual /
- Accounting records are records of initial accounting entries and supporting records such as cheques, invoices, contracts and record of electronic fund transfer/

QUESTION 4 (b)

Explain FOUR (4) factors to be consider when planning the audit

Answer

- a) Staffing requirement and use of expert *

/ = 2.5 marks
Total 10 marks

/ = 1 marks
Max 5 marks

