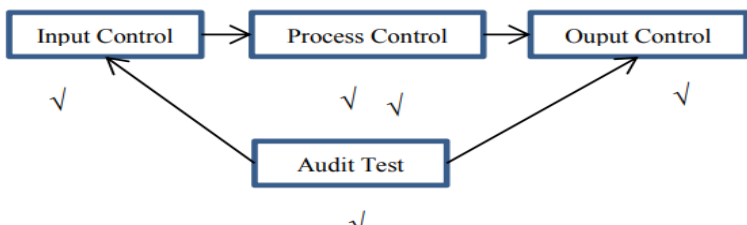
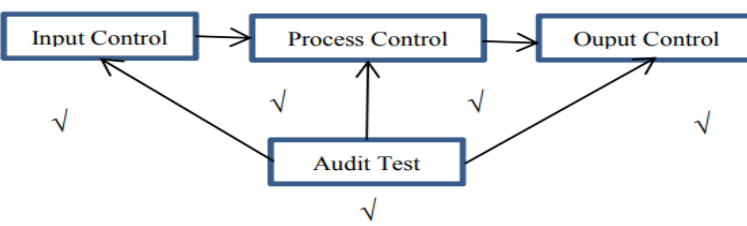


<b>QUESTION 1 (a)</b>	<u>MARK/NOTES</u>
<p>List any <b>FIVE (5)</b> of the elements of quality control system.</p> <p><b><u>Answer</u></b></p> <ol style="list-style-type: none"> <li>1. Leadership responsibilities for quality /</li> <li>2. Ethical requirement /</li> <li>3. Acceptance and continuance of clients and engagements /</li> <li>4. Human resources /</li> <li>5. Engagement performance /</li> <li>6. Monitoring /</li> </ol>	<p>Any 5 / / = 1 mark each <b>Total = 5 marks</b></p>
<p><b>QUESTION 1 (b)</b></p> <p>ISA 570 requires the auditor to assess the risk of going-concern problems at the planning stage and again during the final review. Discuss the auditor's responsibility by focusing on audit procedures and steps to be taken by auditors when the auditor is aware of going concern issue</p> <p><b><u>Answer</u></b></p> <p><b>Auditor's responsibility regarding Client's Going Concern (4 marks)</b></p> <ul style="list-style-type: none"> <li>• Consider the appropriateness of the management's use of the going concern assumption in the preparation of financial statements //</li> <li>• Be alert whether there are any material uncertainties about the entity's ability to continue as a going concern that should be disclosed in the financial statement. //</li> </ul>	<p>Any 15 / / = 1 mark each <b>Total = 15 marks</b></p>
<p><b>Auditor Procedures re Going Concern (5 marks)</b></p> <ol style="list-style-type: none"> <li>1. Analyse and discuss cash flow, profit forecast with management;/</li> <li>2. Review events after the period end for item affecting the entity's ability to continue as a going concern, for example the company have increase share capital of the company;/</li> <li>3. Review the terms of the debentures and loan agreement whether they have been breached;/</li> <li>4. Review minutes that relates to financial difficulties and any action discussed to overcome the financial problem;/</li> <li>5. Inquire of the entity's lawyer regarding litigation and claims;/</li> <li>6. Obtain Letter for financial support./</li> <li>7. Seek written representations from management regarding plans, forecasts and/or action to be taken by management that would help improve the situation./</li> </ol>	

<b>Steps to be Taken by Auditors</b>	<u>MARK/NOTES</u>									
<p>When the auditor is aware of a going concern issue: (6 marks)</p> <ol style="list-style-type: none"> <li>1. Evaluate whether the results of audit procedures performed during the course of the audit provide any indication of events or conditions which may cause substantial doubt due to going concern //</li> <li>2. If there is substantial doubt, the auditor should obtain information about the management's plan to mitigate the going-concern problem //</li> <li>3. If the auditor concludes after evaluating management's plans that there is substantial doubt about the ability of the entity to continue as a going concern, the auditor consider the adequacy of the disclosures with respect to such uncertainty and include an explanatory paragraph in the audit report (emphasis of matter) //</li> </ol> <p><i>* Other relevant / appropriate answers are acceptable</i></p>										
<p><b>QUESTION 1 (c)</b></p> <p>Construct <b>TWO (2)</b> auditing procedures on cash and bank balances</p>										
<p><u>Answer</u></p>										
<table border="1"> <thead> <tr> <th data-bbox="288 1064 491 1276"><b>Audit objectives</b></th> <th data-bbox="491 1064 655 1276"><b>Evidence</b></th> <th data-bbox="655 1064 1166 1276"><b>Procedures</b> (any 2 suitable procedures and relate with the objectives and evidence) ////</th> </tr> </thead> <tbody> <tr> <td data-bbox="288 1276 491 1377">Assertion <i>Existence/</i></td> <td data-bbox="491 1276 655 1377">Relevant evidence //</td> <td data-bbox="655 1276 1166 1377"> <ul style="list-style-type: none"> <li>• Inspection/ Physical examination</li> <li>• Observation</li> </ul> </td> </tr> <tr> <td data-bbox="288 1377 491 1926">Assertion <i>Completeness/</i></td> <td data-bbox="491 1377 655 1926">Relevant evidence //</td> <td data-bbox="655 1377 1166 1926"> <ul style="list-style-type: none"> <li>• Inquiry/ interview</li> <li>• Confirmation – 3rd parties</li> <li>• Computation/ Recalculate</li> <li>• Analytical Procedures – Comparison Analysis, Trend Analysis</li> <li>• Test of control –               <ol style="list-style-type: none"> <li>i) Observation,</li> <li>ii) inquiry,</li> <li>iii) Walk through Test,</li> <li>iv) Depth Test</li> <li>v) Weaknesses Test</li> </ol> </li> </ul> </td> </tr> </tbody> </table>	<b>Audit objectives</b>	<b>Evidence</b>	<b>Procedures</b> (any 2 suitable procedures and relate with the objectives and evidence) ////	Assertion <i>Existence/</i>	Relevant evidence //	<ul style="list-style-type: none"> <li>• Inspection/ Physical examination</li> <li>• Observation</li> </ul>	Assertion <i>Completeness/</i>	Relevant evidence //	<ul style="list-style-type: none"> <li>• Inquiry/ interview</li> <li>• Confirmation – 3rd parties</li> <li>• Computation/ Recalculate</li> <li>• Analytical Procedures – Comparison Analysis, Trend Analysis</li> <li>• Test of control –               <ol style="list-style-type: none"> <li>i) Observation,</li> <li>ii) inquiry,</li> <li>iii) Walk through Test,</li> <li>iv) Depth Test</li> <li>v) Weaknesses Test</li> </ol> </li> </ul>	<p>/ = 1 mark each</p> <p><b>Total = 10 marks</b></p>
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QUESTION 2 (a)	MARK/NOTES
<p>Discuss <b>FOUR (4)</b> internal control components affected by computer information system (CIS).</p> <p><u>Answer</u></p> <ol style="list-style-type: none"> <li>1. Information Processing – Authorisation of transactions and the keeping of adequate documents and records. (1 mark + 1.5 discussion)</li> <li>2. Segregation of duties (1 mark + 1.5 discussion)</li> <li>3. Physical control over assets and records (1 mark + 1.5 discussion)</li> <li>4. Assignment of authority and responsibility (1 mark + 1.5 discussion)</li> <li>5. Human resource policies and practices (1 mark + 1.5 discussion)</li> </ol>	<p>Any 4 points <b>Total = 10 marks</b></p>
<p><b>QUESTION 2 (b)</b></p> <p>Draw <b>TWO (2)</b> simple diagrams to demonstrate how auditing around the computer and auditing through the computer are performed by auditor.</p> <p><u>Answer</u></p> <p>i. Auditing around the computer</p>  <pre> graph LR     IC[Input Control] --&gt; PC[Process Control]     PC --&gt; OC[Output Control]     AT[Audit Test] --&gt; IC     AT --&gt; PC     AT --&gt; OC     </pre> <p>ii. Auditing through the computer</p>  <pre> graph LR     IC[Input Control] --&gt; PC[Process Control]     PC --&gt; OC[Output Control]     AT[Audit Test] --&gt; IC     AT --&gt; PC     AT --&gt; OC     </pre>	<p>/ = 1 mark each <b>Total = 10 marks</b></p>

<b>QUESTION 2 (c)</b>	<u>MARK/NOTES</u>
<p>Covid-19 has severely disrupted most professions across the globe with accounting and auditing being no exception. Many audit functions modified their plans from a traditional basis to more reliance of information technology by performs remote audit. Analyze the risk in auditing that arise in this situation.</p> <p><b><u>Answer</u></b></p> <ul style="list-style-type: none"> <li>• Auditor may need to apply specialized CAATs in execution of audit test for remote audit./</li> <li>• Inability to detect the errors may be greater in remote audit./</li> <li>• Inability to detect errors due to unfamiliar audit./</li> <li>• Auditor not able to review appropriate control measure to prevent unauthorised access and alteration of the data./</li> <li>• Potential of fraud due to pandemic./</li> </ul> <p><i>* Other relevant / appropriate answers are acceptable</i></p>	<p>/ = 1 mark each <b>Total = 5 marks</b></p>
<p><b>QUESTION 3 (a)</b></p> <p>List <b>FIVE (5)</b> basic elements of Auditor's Report.</p> <p><b><u>Answer</u></b></p> <ol style="list-style-type: none"> <li>1. Title /</li> <li>2. Addressee /</li> <li>3. Auditor's opinion /</li> <li>4. Basis for opinion /</li> <li>5. Key audit matters (KAM) /</li> <li>6. Management's responsibility for the financial statements /</li> <li>7. Auditor's responsibility for the audit of the financial statements /</li> <li>8. Other Reporting Responsibilities /</li> <li>9. Name of the engagement partner /</li> <li>10. Signature of the Auditor /</li> <li>11. Auditor's Address /</li> <li>12. Date of the auditor's report /</li> </ol>	<p>Any 5 / / = 1 mark each <b>Total = 5 marks</b></p>

<b>QUESTION 3 (b)</b>	<u>MARK/NOTES</u>
<p>Discuss Modified Unqualified Audit Report.</p> <p><b><u>Answer</u></b></p> <p>Emphasis of Matter/Other Matter Paragraph. /</p> <p>Matters that do not affect auditor's opinion and financial statements show true and fair view but it is important to provide additional information. //</p> <p>Auditor issued modified unqualified report due to:</p> <ul style="list-style-type: none"> <li>• Lack of consistent application of approved accounting standards /</li> <li>• Substantial doubt about going concern/</li> <li>• Auditor agrees with departure from promulgated accounting principles/</li> <li>• Emphasis of any matter/</li> <li>• Reports involving others auditor/</li> </ul> <p>Auditor adds a paragraph to highlight a material matter regarding a going concern problem. //</p> <p>If there is a significant uncertainty (other than a going concern problem), the resolution of which is dependent upon future events and which may affect the financial statements. //</p> <p>An uncertainty is a matter whose outcome depends on future actions or events not under the direct control of the entity but that may affect the financial statements. //</p>	<p>Any 10 /</p> <p>/ = 1 mark each</p> <p><b>Total = 10 marks</b></p>
<p><b>QUESTION 3 (c)</b></p> <p>You are the lead of Group engagement partner (GEP) which is responsible for the direction, supervision and performance of the group audit engagement. In performing audit work, you will use the work of component auditor who, at the request of the group engagement team, performs work on financial information related to a component for the group audit. Ascertain the reporting consideration when the component auditor issued qualified report on the component.</p> <p><b><u>Answer</u></b></p> <p>The GEP should consider the significance / towards the whole group:-</p> <ul style="list-style-type: none"> <li>• If immaterial effect/ to the group, principal auditor may express unqualified opinion/</li> </ul>	<p>/ = 1 mark each</p> <p><b>Total = 10 marks</b></p>



<p><b>Liability to third party (Ara &amp; Co and Chili Sdn Bhd) /</b></p> <p>Ara &amp; Co has no privity of contract/ with Chili Sdn Bhd as, Ara &amp; Co may not be able to foresee that Chili Sdn Bhd will use the audited financial statement and it's auditor report to make an economic decision/. As such, Chili Sdn Bhd may only be able to sue Ara &amp; Co on the ground of negligence but not for breach of contract.//</p> <p><b>QUESTION 4 (c)</b></p> <p>The Malaysian Code on Corporate Governance (MCCG) introduced in 2000 has been a significant tool for corporate governance reform and has influenced corporate governance practices of companies positively. The MCCG was reviewed and updated in 2007, 2012, 2017 and 2021. Determine the effect towards the auditing if the MCCG were not reviewed and updated?</p> <p><b><u>Answer</u></b></p> <p>Board policies and processes including those related to director selection, nomination and appointment will not be improved./</p> <p>Board oversight and the integration of sustainability considerations in the strategy and operations of companies will not be strengthen.//</p> <p>Discourage the adoption of the best practices, particularly those found to have relatively lower levels of adoption, as highlighted in the SC's Corporate Governance Monitor report.//</p> <p><i>* Other relevant / appropriate answers are acceptable</i></p> <p><b>If the working given is different from the solution given, make an appropriate adjustment to the marking scheme with approval from the Program Leader.</b></p>	<p><b><u>MARK/NOTES</u></b></p> <p>/ = 1 mark each</p> <p><b>Total = 5 marks</b></p>
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