



FINAL SEMESTER EXAMINATION

Student NRIC : _____
Student ID : _____

Programme	:	DIPLoma OF ACCOUNTANCY (MQA/FA10069)
Intake	:	SEPTEMBER 2020 (YEAR 2 SEMESTER 1)
Course	:	AUDITING
Course Code	:	DBAD4013
Duration	:	3 hours

INSTRUCTIONS TO CANDIDATES:

1. Please read the instructions given in the question paper **CAREFULLY**.
2. This question paper consists of **FOUR (4)** questions
3. Answer **ALL** questions in the question paper.
4. Answers to the questions are to be written into the examination booklet.
5. Electronic dictionaries, lecture notes, files or any unauthorised materials except writing equipment are strictly prohibited.

This question paper must be submitted along with all used and/or unused rough papers and/ or graph papers (if any). Candidates are **NOT ALLOWED** to take any examination paper(s) used or unused out of the examination hall.

WARNING:

The Examination Board of Peninsula College Georgetown regards cheating as a very serious offence and will not hesitate to mete out the appropriate punitive actions according to the severity of the offence committed, and in the accordance with the clauses stipulated in the Students' Handbook, up to and including expulsion from Peninsula College Georgetown.

(This booklet contains 4 printed pages including this page)

DO NOT OPEN THIS BOOKLET UNTIL YOU ARE ALLOWED TO DO SO

For examiner's use only

QUESTION NO.	MARKS
1	/ 25
2	/ 25
3	/ 25
4	/ 25
Total	/ 100

Answer **ALL** questions on the separate sheet provided.

[100 marks]

1. a) Explain **SIX (6)** limitations of an audit.
(12 marks)

- b) Explain **FIVE (5)** benefits of audit planning.
(10 marks)

- c) List **THREE (3)** examples when it necessitates a revision of the audit engagement letter.
(3 marks)
Total: [25 marks]

2. a) Discuss any **FOUR (4)** sampling selection methods.
(8 marks)

- b) One of the ways of recording the accounting and internal control system is by using narrative notes. Briefly explain what is narrative notes.
(2 marks)

- c) Explain **THREE (3)** advantages of using narrative notes.
(6 marks)

- d) Explain **THREE (3)** disadvantages of using narrative notes.
(6 marks)

- e) Discuss the responsibilities of client and auditor with regards to client's compliance with laws and regulations.
(3 marks)
Total: [25 marks]

3. Ravinathan and his family have just established Sedap Banana Leaf Sdn Bhd in a local neighbourhood. This is the first year of the restaurant's operation and the family have hired your audit firm as the auditor. You are the audit senior and you are now currently reviewing the internal control procedures in the restaurant for the year ending 31 October 2021.

Ravinathan has hired several staff as the chefs and waiters. Every time the employees started work for the day, all they need to do is write down their name and the time in the log book which is kept at the cashier counter. When they leave the restaurant, they have to write down their name and time again in the same log book.

Shanmugam, a close friend of Ravinathan, has been hired as the restaurant supervisor from the first day the restaurant was first established. Ravinathan entrusted Shanmugam and he is therefore given the responsibility to collect all cash receipts from the cash register in the restaurant. Shanmugam is also given the responsibility to write down all cash receipts in the cashbook and to deposit all receipts into the bank once every few days. Shanmugam is also responsible for withdrawing cash from the bank.

Shanmugam calculates the weekly wages and prepares the weekly wage report based on the attendance and hours recorded in the log book. The weekly wage report is only checked by Ravinathan occasionally.

The wages of all employees are paid by cash inserted into an envelope by Shanmugam at every 28th of the month. If an employee is not on duty on 28th of the month, the envelope will be kept in the drawer in the office next to the kitchen.

Ravinathan is the one who brings the food and beverages stock to the restaurant every morning. However, on certain days when Ravinathan is busy, the responsibility is given to Ishaan, the chef, to buy the necessary stock as he sees fit from the regular supplier authorised by Ravinathan. Ishaan will submit the invoices received to Ravinathan after each purchase.

Required:

- a) Identify and explain **FIVE (5)** internal control deficiencies from the case above in Sedap Banana Leaf Sdn Bhd. (10 marks)
- b) Discuss **FIVE (5)** recommendations to address each of the deficiencies identified in (a). (10 marks)
- Note: You may prepare your answers for (a) and (b) in a tabular format.*
- c) Discuss **TWO (2)** general issues on the problem of controls with regards to small companies. (5 marks)

Total: [25 marks]

4. You are currently the audit senior at WJL audit firm. Texnet Online Sdn Bhd, an online retailer, is one of your audit clients.

Texnet Online Sdn Bhd sells men and women apparels, electronic products, and kitchen appliances, which are all imported from China. It has a huge warehouse in Batu Kawan where it is keeping all these stocks. There are several stocks which have been lying in the warehouse for the past seven years.

Texnet Online Sdn Bhd uses perpetual inventory system and stocks are counted regularly.

The office equipment includes several computers, laptops, printers, and servers. All of them are depreciated over a period of five years.

Required:

- a) List down **THREE (3)** possible causes of costs being written down to net realisable value. (3 marks)
- b) Discuss **FIVE (5)** substantive audit procedures to identify whether inventory should be written down to net realisable value at Texnet Online Sdn Bhd. (10 marks)
- c) Discuss the substantive procedures on the following assertions for the audit of office equipment including its depreciation at Texnet Online Sdn Bhd.
- i) **THREE (3)** substantive procedures for valuation (6 marks)
 - ii) **ONE (1)** substantive procedure for existence (2 marks)
 - iii) **TWO (2)** substantive procedures for completeness (4 marks)

Total: [25 marks]

- END OF QUESTIONS -