PENINSULA COLLEGE GEORGETOWN

FINAL SEMESTER EXAMINATION

Programme	:	**DIPLOMA OF ACCOUNTANCY**
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*)

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For examiner's use only

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

Answer **ALL FOUR (4)** questions on the separate sheet provided. **[100 marks]**

1. a) Identify **SIX (6)** stakeholders and explain why audit is important to them.

(12 marks)

b) Briefly describe a review engagement.

(3 marks)

c) Discuss the **FIVE (5)** ACCA's fundamental principles of professional ethics.

(10 marks)

Total: [25 marks]

2. a) Explain **FIVE (5)** reasons why audit documentation is important.

(10 marks)

b) List **TEN (10)** examples of documents that should be in the current audit file.

(5 marks)

b) Describe any **FIVE (5)** audit procedures that are carried out during interim audit.

(10 marks)

Total: [25 marks]

3. As an audit senior, you are currently reviewing the internal control procedures at Obiwan Sdn Bhd. Obiwan is a supplier of paper products. Jessy Koh is the sales manager and Mary Lim is the accountant. Both of them are responsible for the implementation of the control activities in the sales and accounting system.

   Obiwan has installed an enterprise resource planning system where both the general ledger system and the sales system are integrated. Jessy Koh, Mary Lim, and five sales clerks have full access to the sales ledger and master files.

   All orders received are through Whatsapp where all sales clerks have access to the Whatsapp number. For new customers, Jessy Koh will carry out full credit checks before deciding whether to grant a credit facility. If the credit facility is approved, anyone of the sales clerks will update the sales ledger master file with the new customer details.

   All customers are not imposed any limit to their credit facility because Jessy Koh wishes to attract more customers. Jessy Koh herself will chase after any slow or late paying customers.

   After the order is received and credit facility is approved, any one of the sales clerks will generate a sales invoice and it will be sent immediately to the customers. The performance of the sales clerks is based on the number of invoices generated and therefore, the sales invoice number keyed in is based on the respective employee ID of the sales clerk and the date and time the sales invoice is generated.

   The sales invoice will also extract the price from the authorised price lists stored in the standing data file. Only Jessy Koh and the sales clerks have access to the authorised price lists. The last update made to the authorised price list was five years ago.

   The sales invoice generated is also sent to the sales clerk for posting to the sales ledger and accounts receivable ledger.

   The sales invoice generated will also be forwarded to the store department to prompt them to check the stock for the goods to be sent to customers. If the stock is not available, the store officer will inform the customers that they have to wait for the stock to arrive. If the stock is available, the store officer will immediately despatch the goods together with the despatch note.

   Required:

   a) Briefly defined control risk.

   (1 mark)

   b) Identify and explain **SIX (6)** internal control deficiencies and its implications from the case above in Obiwan Sdn Bhd.

   (12 marks)

   c) Discuss **SIX (6)** recommendations to address each of the deficiencies identified in (b).

   (12 marks)

   Total: [25 marks]

4 You are currently the audit senior with the task of mentoring a few audit juniors. One of your audit juniors have asked you for further explanation on a few sampling methods. Another audit junior has asked you about the audit procedures for directors' emoluments.

Required:

a) Describe in detail with an example on how the following sampling is carried out:
   i) Systematic sampling (5 marks)
   ii) Monetary unit sampling (5 marks)
   iii) Block selection (3 marks)

b) Discuss **SIX (6)** audit procedures for auditing directors' emoluments. (12 marks)

Total: [25 marks]

- END OF QUESTIONS -