



UNIVERSITY COLLEGE TATI (UC TATI)

FINAL EXAMINATION QUESTION BOOKLET

COURSE CODE : DTG 3473

COURSE : AUDIT

SEMESTER/SESSION : 1 - 2024/2025

DURATION : 3 HOURS

Instructions:

1. This booklet contains 5 questions. Answer **ALL** questions.
2. All answers should be written in answer booklet.
3. Write legibly and draw sketches wherever required.
4. If in doubt, raise your hand and ask the invigilator.

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

THIS BOOKLET CONTAINS 5 PRINTED PAGES INCLUDING COVER PAGE

QUESTION 1

- a) Discuss the differences between the auditing profession and the accounting profession. (6 marks)
- b) Elaborate the different types of audit services available. (8 marks)
- c) Explain briefly why external financial statement audits are needed. (6 marks)

QUESTION 2

Rita, a senior auditor in-charge is called upon to audit a client, Metro Motors which manufactures and supplies automobiles parts all over the Malaysia. During the financial year 30 June 2024, the company had expanded its operations by opening new sites in a few strategic locations in different states. Mid-January 2024, the management appointed an experienced chartered certified accountant to set up an internal audit department. However, by April 2024, the company reported a negative cash flow for the year with sales going down in one of its sites due to the fierce competition in the automobile industry, and the slow economic development in the country. An extensive range of spare parts is held, for which perpetual inventory records are kept, but no continuous checking is conducted by the storekeeper. Meanwhile, car servicing and body repairs are carried out in the workshops by employed and sub-contracted service engineers where most jobs are started and finished in a day, but the invoices are not immediately prepared upon completion. In the last financial year end, the company had also faced a change in management with the resignation of the company's CEO, Mr. Kelvin.

- a) Explain why the auditor needs an understanding of the client's industry. (6 marks)
- b) Based on the information above, identify and explain the audit risks to be addressed when planning the final audit of Metro Motors for the year ended 30 June 2024. (8 marks)
- c) Explain the information that would be required to perform analytical procedures during the planning of the audit. (6 marks)

QUESTION 3

You are auditing the financial statements of Yummy Baker for the year ended 31 March 2024. Yummy Baker is a chain of bakeries operating in five locations. The company sell range of cakes, pastries, breads, sandwiches, and drinks which customers purchase in cash. Yummy Baker has had a 'challenging' year, according to its directors and its renegotiating its bank overdraft facility with its bank. The income statement for the year 31 March 2023 is shown below together with the draft statement of profit and loss for the year ended 31 March 2024.

YUMMY BAKER SDN. BHD.: Income Statements

	31 March 2024 RM'000	31 March 2023 RM'000
Revenue	4,205	3,764
Cost of sales	(1,376)	(1,555)
Gross Profit	2,829	2,209
 Operating Expenses		
Administration	(667)	(798)
Selling and distribution	(423)	(460)
Interest Payable	(50)	(49)
Profit/(Loss) before tax	1,689	902

- a) Perform analytical procedures on the draft income statement in order to identify possible risk areas requiring further audit work. (8 marks)
- b) ISA 300 Planning an Audit of Financial Statements highlights that auditors should plan the audit work, so that the audit will be performed in an efficient and effective manner. List and explain **THREE (3)** reasons for audit planning. (6 marks)
- c) From the information provided, assess the risks of material misstatement arising in the financial statements. Outline the potential materiality of the risks and discuss the factors in the likelihood of the risks arising. (6 marks)

QUESTION 4

Kicko Textile Bhd., a listed company, manufactures clothes and dyes these clothes and other textiles. You are carrying out the audit of the accounts of the company for the year ended 30th September 2023, which show a revenue of RM10m and a profit before tax of about RM800,000.

You are attending the final audit in December 2023, and commencing the audit of trade accounts receivables, which was shown in the draft accounts at RM2,060,000.

The interim audit (tests of control) was carried out in July 2023, and it showed that there was a good system of internal control in the sales system and no serious errors were found in the audit tests. The company's sales ledger is maintained on a computer, which produces at the end of the month:

- i) A list of transaction for the month
 - ii) An aged list of balances
 - iii) Open item statements which are sent to customers (open item statements show all items which outstanding on each account, irrespective of their age)
- a) List and briefly describe **FIVE (5)** audit tests you would carry out to verify trade accounts receivable at the year end. (10 marks)
- b) Describe the audit work you would carry out on the following replies to a receivables circularization:
- i. Balance agreed by customer
 - ii. Balance not agreed by customer
 - iii. Customer is unable to confirm the balance because of the form of records kept by the customer
 - iv. Customer does not reply to the confirmation letter (10 marks)

QUESTION 5

- a) You are part of the audit team auditing the financial statements of Sustain Sdn. Bhd. a small office supplies business for the year ended 31 Mac 2024. The company employed the following staff at the start of the financial year: 7 office and warehouse managers, 20 warehouse staff and 25 office staff.

The pay ranges for each category of staff is shown below:

Office and warehouse managers RM35k -RM50k per year

Warehouse and office staff RM18k – RM25k per year

You have been asked to audit the wages and salaries expenses for the year. All staff were given a 4% pay rise in the year, backdated to the start of the year. One of the office managers left the company halfway through the year. Two new members of warehouse staff and three new members of office staff joined halfway through the year.

The expense for the year is shown in the draft statement of profit or loss as RM1,249,450.

Using analytical procedures, perform a proof in total on the wages and salaries expense for the year. (8 marks)

- b) It is important for auditor to select representative sample, which is free from bias and characteristics typical of the population. The main methods of selecting samples are listed below as below. Describe each of the method.
- i) Random sampling (4 marks)
 - ii) Systematic sampling (4 marks)
 - iii) Block sampling (4 marks)

----- End of question -----

