



**FINAL EXAMINATION**

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| <b>COURSE</b>      | <b>: PRINCIPLES OF AUDITING</b> |
| <b>COURSE CODE</b> | <b>: PAT3013</b>                |
| <b>DURATION</b>    | <b>: 3 HOURS</b>                |

**INSTRUCTIONS TO CANDIDATES:**

1. This question paper consists of **FIVE (5)** questions.
2. Answer ALL questions in the Answer Booklet provided.
3. Please check to make sure that this examination pack consists of:
  - i) the Question Paper
  - ii) an Answer Booklet
4. Do not bring any material into the examination hall unless permission is given by the invigilator.
5. Please write your answer using a ball-point pen.

MYKAD NO. : \_\_\_\_\_

ID. NO : \_\_\_\_\_

LECTURER : \_\_\_\_\_

SECTION : \_\_\_\_\_

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**DO NOT OPEN THIS QUESTION PAPER UNTIL YOU ARE TOLD TO DO SO**

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*The question paper consists of 3 printed pages*

MAR18/B/PAT3013

## Short Answer

## 1. (20 points)

- a.
  - i. Define materiality concept. (3 points)
  - ii. Define audit risk. (2 points)
- b. Explain the following factors that affect materiality:
  - i. Quantitative factor (2 points)
  - ii. Qualitative factor (4 points)
- c. Explain **TWO (2)** factors that affect the following audit risks:
  - i. Planned Detection Risk (5 points)
  - iii. Control Risk (4 points)

## 2. (20 points)

- a.
  - i. Define audit evidence. (2 points)
  - ii. List **THREE (3)** examples of audit evidence. (3 points)
- b. Discuss **THREE (3)** following sources of audit evidence:
  - i. Auditor's originated (3 points)
  - ii. Third party (3 points)
- c. Explain the following types of audit evidence:
  - i. Confirmation. (3 points)
  - ii. Documentation. (3 points)
  - iii. Physical examination. (3 points)

- a.
  - i. Define analytical procedures.(2 points)
  - ii. State **THREE (3)** advantages of analytical procedures.(3 points)
- b. Explain **THREE (3)** objectives of audit planning.(6 points)
- c. Explain the following step in audit planning:
  - i. Accept client and perform initial audit planning. (3 points)
  - ii. Understand the client's business and industry. (3 points)
  - iii. Assess client's business risk. (3 points)

4. (20 points)

- a.
  - i. Define internal control system. (2 points)
  - ii. List **THREE (3)** components of internal control system. (3 points)
- b. Explain **THREE (3)** responsibilities of managers in establishing internal control. (6 points)
- c. Briefly explain **THREE (3)** objectives of designing an effective internal control system. (9 points)

5. (20 points)

- a.
  - i. Define qualified audit report. (2 points)
  - ii. List **THREE (3)** condition in issuing qualified audit opinion. (3 points)
- b. Briefly explain the following contents of audit report:
  - i. Introductory paragraph (3 points)
  - ii. Scope paragraph (3 points)
  - iii. Opinion paragraph (3 points)
- c. Explain the following issues in audit engagement in order to form an audit opinion:
  - i. Disagreement (2 points)
  - ii. Scope limitation (2 points)
  - iii. Environment phenomena (2 points)