**ST. JOSEPH’S COLLEGE (AUTONOMOUS), BENGALURU -27**

Registration Number:

Date & Session

**B.Com IFA–6th SEMESTER**

**SEMESTER EXAMINATION: APRIL 2024**

**(Examination conducted in May /June 2024)**

**BCIFADEB 6423: ADVANCED AUDIT AND ASSURANCE II**

**(For current batch students only)**

**Time: 2 Hours Max Marks: 60**

**This paper contains two printed pages and four parts**

**Section A**

**I.** Answer ***any five*** of the following (**3 x 5 = 15 marks)**

1. Give the meaning of money laundering? State any two examples.
2. Who are group and component auditors?
3. State any three principles of review engagement.
4. What confines non-audit engagement?
5. Mention the purpose of due diligence.
6. Expand ISRE and ISAE

**Section B**

**II.** Answer ***any two*** of the following (**5 x 2 = 10 marks)**

1. Differentiate between audit and audit related services.
2. Brief out the reporting procedures to MLRO.
3. Highlight the factors determining transnational audit in detail.

**Section C**

**III.** Answer ***any two*** of the following (**10 x 2 = 20 marks)**

1. Discuss the benefits of engaging an advisor for due diligence in detail.
2. Explain the importance of significant and non-significant components.
3. Describe the need for social and environmental reporting in detail.

**Section D**

**IV. Answer the following (15marks)**

13. A)You are a manager in Shan & Co, a firm of chartered certified accountants which provides a range of services including forensic investigations. The directors of a local property management company, Andy Co, have contacted the forensic investigation department of your firm regarding a series of unusual transactions which have recently been discovered in the company, and you have been asked to look into thematter further. You have held a preliminary discussion with George, the chair of the audit committee at Andy Co. The notes of this conversation are shown below.

**Notes of discussion with George:**

The internal audit department at Andy Co recently completed a review of the controls over sales revenue. During the review, the internal auditors identified unusually high rental charges on specific invoices to a particular local authority. There were also a series of credit notes for the same local authority detailing discounts on rental income which appear to bring the charges down to the normal commercial rates. These discounts were refunded to the local authority each month rather than netted off the value of the monthly rental charge. The number of properties leased to this authority has increased significantly in the last six months. Initial investigations performed last week by George revealed that the local authority had no knowledge of the discounts, believing that they were already paying the commercial rates, and has confirmed that the bank account into which the discounts were being repaid is not its own.

The local authority has confirmed that the bank account belongs to an employee who works in the procurement department. As soon as fraud was suspected, George stopped any further payments in respect of the discounts. George says that the sales director, has been absent from work since the initial investigation was conducted last week. George believes that the sales director may have been involved with the suspected fraud. George has asked whether your department would be able to provide a forensic investigation, but is unsure what this would involve. Andy Co is not an audit client of your firm.

**Question: Recommend the procedures that should be used in the forensic investigation to quantify the amount of the fraud. (8 marks)**

B) You have been asked by the management of The Marvel Manufacturing Company to carry out a forensic audit into a suspected expenses fraud within the marketing department. During a routine annual spend review, management noticed that the expenses budget of $400,000 had been exceeded by nearly $40,000 with no known increase in activity.

**Question: Set out the matters you would consider when planning the forensic audit.**

**(7 marks)**

**\*\*\*\*\*\*\*\*End of the paper\*\*\*\*\*\*\***