



**UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL**

**FINAL EXAMINATION
OCTOBER 2024 SEMESTER**

COURSE CODE : EAB41403
COURSE NAME : INTEGRATED CASE STUDY
PROGRAMME NAME : BACHELOR IN ACCOUNTING (HONS)
DATE : 8 FEBRUARY 2025
TIME : 9.00 AM – 12.00 PM
DURATION : 3 HOURS

INSTRUCTIONS TO CANDIDATES

1. Please **CAREFULLY** read the instructions given in the question paper.
2. This question paper has information printed on both sides of the paper.
3. This question paper consists of **THREE (3) Case Studies**.
4. Answer **ALL** Case Studies.
5. Please write your answers on the answer booklet provided.
6. All questions must be answered in **English** (any other language is not allowed).
7. This question paper must not be removed from the examination hall.

THERE ARE SIX (6) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

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(Total: 100 marks)

INSTRUCTION: Answer ALL questions.

CASE STUDY 1

Smart Childcare Centre (SCC) is a private business which provides services for childcare and preschool education. The centre was set up and registered 10 years ago and owned by two partners, Azizah and Khadijah. The operation of SCC is located on an acre of land which is less than a kilometre from the main part of Bukit Raja, a developing area where many residential areas, government offices and higher institutions are situated. In line with the authority regulation requirement, SCC ensures that the operation building for the children is not shared with the preschool education. The childcare and preschool education services are registered with the Department of Social Welfare and Ministry of Education respectively. Separate rules and regulations need to be adhered to as these services are registered with different authorities.

There are still 40% excess of the area currently which can be developed in the future to expand the business operation. Based on their present premise capacity, the centre can accommodate maximum of 10 infants (below one-year-old), 20 children (aged above one to four years old) and 80 students under preschool education. The monthly fee charged by SCC management is higher as compared to other competitors with the assumption that their rate is consistent with their quality of services.

Since 2021, enrolment at SCC had declined and the facility was not fully utilized, thus the amount of yearly profit had decreased. Even though there is a rapid development in Bukit Raja in recent years that should have good impact on their business, however this situation has also attracted many businesses in same model including illegal operators. Another factor which also affects current business performance is due to many unpleasant news published on the media with regards to child deaths or abuses at childcare centre.

SCC management currently only installed four units of surveillance cameras at their centre. Despite several comments received from Department of Social Welfare to upgrade their security level and also some parents' remarks regarding the same matter, SCC management did not make any effort to resolve them. SCC management provides a flexible payment procedure for the parent where their children or parent themselves can hand over the cash payment for fees to the respective staff in charge at the childcare or preschool class. Masitah, the financial clerk who is responsible to receive cash and prepare the official

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receipt after the staff in charge forwarded the cash to her. Collection of fees, preparation of official receipt, depositing the cash into the bank account, accounting recording and preparation of financial statement is solely handled by Masitah, who has no accounting background. Furthermore, no computerised accounting system is in place.

Khadijah is a sleeping partner while Azizah acts as the principle and also teaches one subject per day at SCC. Due to her busy schedule, she only randomly checks on the amount of fees received in the accounting record with the student monthly attendance record once every two months. All the monitoring task at SCC is solely handled by Azizah alone despite her tight schedule in managing SCC.

With reference to the abovementioned case, some of the questions required critical-thinking answers:

- a) Explain **FOUR (4)** issues that may lead to potential financial problems for SCC in the future.

(10 marks)

- b) Discuss any **FOUR (4)** strategies SCC should adopt in their business to avoid issues identified in (a) above.

(10 marks)

- c) Elaborate **THREE (3)** actions to be considered by SCC to sustain in this industry with unpleasant news being published on the media regarding child abuse at the childcare center.

(10 marks)

- d) Propose **FOUR (4)** ideas to SCC on how to utilize the 40% excess of area. The proposals should include explanation to solve issues of declining enrolment and decreasing profit.

(10 marks)

[40 marks]

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CASE STUDY 2

Infineon Sdn Bhd is a semiconductor company located in Bukit Jelutong, Shah Alam, Selangor. This company is part of the information and communication technology (ICT) industry and employs 150 staff with diverse backgrounds. The company is facing tough times due to a downturn in the industry and also the fierce competition in the market.

Shahmi has been a qualified accountant in Infineon for quite some time now and he has played a significant role in 'healing' and 'fixing' the company. Infineon's top management had appointed auditors from Marvels Public Accounting Firm. Apparently, Shahmi had worked for Marvels for five years before he joined Infineon. The top management of Infineon only happened to find out about this after the appointment of Marvels as the company's auditor. However, it had been eight years since Shahmi left Marvels and most of the colleagues he had known in Marvels had already left Marvels too. After much debate with Mr. Amran, Infineon's CEO, the top management concluded that there were no independence issues that arose from the appointment.

Both Shahmi and Mr. Amran are aware of the collectability of a material receivable (amounting to 1.2 million) from Syarikat Jade which is one of Infineon's major customers. The receivable amount was established from a few huge transactions and the amount had been in the books for about three months. Jade has a big factory at Bandar Baru Bangi, Selangor, and it had been in business with Infineon for the past three years. During those three years, Jade's business was doing great and the collection of debt had been timely.

Just before the year-end, Shahmi was driving to work when he heard the terrible news through the radio. He barged into Mr. Amran's office frantically and said, "Big news! Big news! Jade has some real issues as it is having some cash flow problems and it had already announced that it will dismiss 20% of its employees. The word on the street is that it will not be able to last the year and may close the factory at Bandar Baru Bangi. We need to make adjustments for the provision of doubtful debt for Jade's receivables without any delay. We need to increase the percentage just in case something big occurs".

Mr. Amran sighed and replied, "I heard about the news as well and it has been giving me headache. If we adjust the provision, our financial statements are not going to look good, and the auditors may have to mention our shaky financial position. If we don't get an unqualified opinion, the bank loan that we are applying for may not be approved, and we might be out of business too by this time next year. This loan is really important to us and we

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need it to improve our cash flows. If we can just weather this downturn, I know business will pick up and the economy will slowly improve to where it was. Maybe even better!”.

After further discussions, Mr. Amran insisted on not adjusting the provision and he even reminded Shahmi that his appraisal had yet to be confirmed. It would depend on his performance on the provision that they had just discussed.

Back in his office, Shahmi pondered what he should do: follow his own instincts or Mr. Amran’s opinion? If he followed Mr. Amran’s instruction, his appraisal would not be affected, thus he may be promoted next year and his bonus would also be higher. Shahmi also remembered the past years working at Marvels and was certain the auditors would check thoroughly on the low provision for a risky debt along with Jade’s difficulties. He wanted to help Mr. Amran and the company but he was torn between the company’s financial position and his career development. Shahmi’s parents were both retired and living with him while his twin sons would be starting school next year. The bonus could really help him ease his burden, especially on the expenses for materials to prepare his children for school.

Suffi is a senior auditor at Marvels, and he was assigned to lead the audit of Infineon together with another four junior auditors. During the audit, in addition to the collectability of a major receivables issue, Suffi also found a material cut-off error in sales, thus causing Infineon’s income to be significantly misstated as a greater figure compared to the actual figure. The titles of a great amount of goods were not passed to its customers as of year-end although the dates on the invoices were before year-end. Suffi was aware that Marvels’ policy clearly stated that the senior auditor must document any potential material adjustments in the working papers. The partner in-charge of the audit would then make the final decision on materiality. Suffi also knew that Infineon did not want to make the year-end adjustments when he had discussed the issue with Shahmi. Although the materiality had yet to be decided by the partner, Suffi had made sure that the audit manager, Gery, was made aware of the cut-off issue and suggested to Gery to post the adjustment in the working paper because the amount of misstatement was considered high enough from his experience throughout his audit career.

Before wrapping up the field work, Gery told Suffi, “Let’s not mention this adjustment in the working papers. Since Infineon is not a public listed company, this material adjustment has no tax implications, and Infineon doesn’t want to make the adjustment as well. Plus, the partner has decided not to force an adjustment. Infineon is one of our largest clients, so we

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cannot afford to offend them. We need to get Infineon's working file up to the partner as soon as possible and set a signing date soon".

Suffi was concerned and upset after the conversation with Gery because the failure to document such a material amount just did not seem right and he thought that the amount should be adjusted in the financial statement to provide a clear and unbiased view to the stakeholders.

Required:

- a) The policy of Marvels clearly stated that any potential material adjustment must be documented in the audit working paper. Discuss **FIVE (5)** points on why audit adjustments is important in a financial statement?
(15 marks)
- b) What is the relationship between materiality and audit adjustments?
(5 marks)
- c) Discuss why Gery is so concerned about Infineon's response to the acceptance of the proposed audit adjustments?
(5 marks)
- d) What do you think are the effects to a company if the auditor found out that the company did not make the necessary audit adjustments? Explain **FIVE (5)** possible effects.
(15 marks)
[40 marks]

CASE STUDY 3

CoffeeToffee sells specialty coffee, both as whole-bean and ground coffee, to individual consumers and independent cafes. Currently, sales are conducted online through a basic website. Customers need to provide minimal information when placing an order, including their name, address, contact, and payment details. The CEO of CoffeeToffee has asked for your advice: *"One of our employees suggested that we should leverage social media more effectively. He also mentioned that utilizing big data and data analytics could enhance our*

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marketing efforts and help us better manage inventory and pricing strategies. However, I am not familiar with the concept of big data or how we can use it to gain a competitive edge.”

CoffeeToffee's business is experiencing rapid growth, and the increasing demands on its systems have led to challenges. Recently, the company's server crashed twice, resulting in costly downtime and the need for expensive emergency support. It appears that one of these incidents was due to a targeted attack by a hacker using malicious software to disrupt the systems. As a result, CoffeeToffee is increasingly concerned about cybersecurity and has requested your advice on managing the cybersecurity aspects of its systems.

Required:

- a) Suggest **FOUR (4)** ways on how the use of technology could help CoffeeToffee to improve its marketing, inventory management, pricing strategies and customer service.
(8 marks)
 - b) Explain **THREE (3)** risk of cyber-attacks that organization such as CoffeeToffee face.
(6 marks)
 - c) Recommend **THREE (3)** procedures that CoffeeToffee should have in place to reduce the risk of cyber-attack.
(6 marks)
- [20 marks]**

END OF EXAMINATION PAPER

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