

INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN	
EXAMINERS' COMMENTS	
SUBJECT Audit and Assurance	SESSION Certificate in Accounting and Finance (CAF) Spring 2022

Passing %

Question-wise									
1	2	3	4	5	6	7	8	9	Overall
59%	49%	81%	14%	23%	16%	11%	67%	28%	33%

General comments

The overall passing percentage in this session was slightly lower than the previous session passing percentage of 35%. The main reason of this decline was the selective study which was quite evident from the poor performance in the areas related to quality control and client and engagement acceptance. Further, it was also observed that many examinees did not perform well in a particular question but many other examinees performed very well in the same question.

Question-wise common mistakes observed

Question 1(a)

Following controls were generally not mentioned:

- All changes to the existing program should be formally approved by the system user.
- There should be full documentation of program changes.

Question 1(b)

Following controls were generally not mentioned:

- There should be formal authorization of new employees and their salaries.
- There should be payroll reconciliation from last month to ensure that there are not any unusual movements.

Question 2(a)

Examinees did not identify the following matters:

- Inquiries specific to laws and regulations applicable on tourism industry.
- Understanding the entity's operations, range of services offered and its dynamics.
- Ownership structure, management structure and types of current and planned investments.

Question 2(b)

- Examinees were not able to differentiate between an audit risk and business risk and used both terms interchangeably.
- Examinees did not identify:
 - the business risk related to lower prices offered by competitors which may affect the audit client's revenue and consequently its equipment may require an impairment review.
 - the requirement of frequent upgradation and its related audit risk.
 - that the audit client will have to manage its working capital and its debts load, for which it may overstate its revenue.

Question 3

Examinees performed well in this question.

Question 4

- Examinees did not evaluate the threat related to client acceptance.
- While evaluating the threat related to engagement acceptance, examinees did not discuss the following factors:
 - Understanding of the nature of the client's business.
 - Complexity of the client's operations.
 - Knowledge of relevant industry and subject matter.
 - Existence of quality control policies and procedures.

Question 5

Following procedures were not generally mentioned:

- Obtain and verify the interest working prepared by the management.
- Check that it has subsequently been adjusted by the bank.
- Check from bank statement that excess charges have been reversed.
- Ask the client to record cash receipt in cash book and adjust the receivable balance.

Question 6

Instead of critically analyzing the representations related to fraud and related party, examinees discussed that the auditor cannot rely on management representation and should perform audit procedures. Therefore, they did not identify the errors in the given representation and mentioned audit procedures which were not required.

Furthermore, instead of analyzing the given extract of the representation letter, examinees discussed about those matters which were not part of the extract. For example, including the date, year-end, client name etc.

Question 7(a)

- Examinees mentioned about expressing qualified or adverse opinion, which was not correct.
- Examinees who mentioned about disclaiming the audit opinion did not mention the changes to be made to the audit report when a disclaimer of opinion is given.

Question 7(b)

- Examinees did not discuss that why the matter was needed to be included as a key audit matter.
- Examinees did not know that other matter paragraph was also to be included in the audit report as the previous year's financial statements were audited by another firm.

Question 8(a)

Examinees performed well in this question.

Question 8(b)

Examinees performed well in this question.

Question 8(c)

The following matters were not generally mentioned:

- Review of the significant matters and the proposed audit report.
- Evaluation of the conclusions reached in formulating the auditor's report.
- Whether appropriate consultation has taken place on matters involving differences of opinion or other difficult or contentious matters.

Question 9(a)

- Some of the examinees ignored the going concern issue and mentioned the audit procedures for verification of interest expense and the loan amount.
- Examinees did not mention the following audit procedures:
 - Reviewing the correspondence with the bank.
 - Reviewing the minutes of the board of directors' meetings to assess the stage and likely outcome of negotiation with the bank.
 - Reviewing the disclosures made by the management.

Question 9(b)

- Examinees who identified it as a going concern issue, mentioned irrelevant audit procedures.
- Examinees only mentioned audit procedures which are required for a normal intangible asset. They could not comprehend that launch of the product by the competitor was an impairment condition and the procedures related to impairment were required.

(THE END)