

INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN CERTIFICATE IN ACCOUNTING AND FINANCE (CAF) EXAMINATIONS EXAMINERS' COMMENTS	
SUBJECT Audit and Assurance	SESSION Spring 2020

Passing %

Question-wise										Overall
1	2	3	4	5	6	7	8	9	10	
27%	44%	10%	15%	70%	40%	71%	61%	37%	50%	41%

General comments

Better performance was observed in this session as 41% examinees were able to secure passing marks as compared to 25% in previous session. It was commonly observed that examinees performed well in the questions which involved rote learning whereas they struggled in the questions which required application of knowledge.

Question-wise common mistakes observed

Question 1(a)

- Examinees mentioned the risks related to financial statements line item rather than discussing the business risk.
- Business risk related to foreign currency and research project was not mentioned.

Question 1(b)

- Risk of impairment of property plant and equipment was not mentioned.
- Risk of incorrect translation of trade payables and calculation of exchange gains and losses were ignored.

Question 2

- Fraud risk factor was identified but it was not discussed appropriately.
- Fraud risk factors related to significant subjective judgment and management interest in maintaining the profitability of the company were not mentioned.

Question 3(a)

Examinees only mentioned the alternative benchmarks available for determining materiality and failed to discuss the selection and appropriateness of the benchmark used by the audit team and implication of setting a lower materiality level.

Question 3(b)

- Discussion with the management and those charged with governance regarding the conflicting views were not mentioned.
- Inquiring about revised marketing plans to assess that whether a market at such an increased price actually exists was not mentioned.
- Reviewing revised projections, feasibility and forecasts for using resources and generating future economic benefits, were also not mentioned.
- Examinees considered the additional Rs. 50 million required to be incurred on the project as materiality for determining that whether the audit report would be qualified.
- Examinees mentioned inconclusive statements that the qualified opinion would be expressed if misstatement is material and adverse opinion would be expressed if misstatement is material and pervasive.

Question 4

- Examinees were not able to identify the issues in the audit procedures performed for testing the understatement of trade payables and therefore, did not mention relevant suggestions.
- Examinees failed to comprehend that the audit report could also be issued before 20 December, therefore there was still a possibility that all of the other information may not be provided to the audit team before the issuance of the audit report. Consequently, the related course of action and the reporting implications were also missed out.
- Examinees did not mention the reporting implications if after the correction of the prior period error, the predecessor auditor is willing to issue a new report or is unwilling to reissue the auditor's report on the prior period financial statements.

Question 5

Examinees performed well in this question.

Question 6

- Some of the examinees failed to realize that confirmation from debtor A was not received directly, therefore it raises doubt for the reliability of the response. Consequently, the examinees mentioned that no further procedure is required.
- Some of the examinees did not comprehend that since the confirmation from debtor B did not come from originally intended confirming party, it carried risk of interception, alteration or fraud. Consequently, they also did not mention the related procedures.

Question 7

Examinees performed well in this question.

Question 8

- Examinees failed to realize that CFO's three year cooling off period had not lapsed and therefore Rao Arif & Company could not be appointed as the auditor of WBL.
- Examinees did not appreciate that it is the ordinary course of business for bank to grant loans to individuals therefore, mentioned incorrect answer.

Question 9(a)

Examinees did not mention whether all the relevant information is known and substantiated, to the extent it is practicable and the professional judgment required for determining the type of disclosure to be made.

Question 9(b)

- Examinees identified the threat but did not evaluate it.
- Examinees did not mention about structuring the audit manager's responsibilities to reduce any potential influence over the assurance engagement.

Question 10(a)

- Examinees did not mention about obtaining an understanding of the entity's related controls, relevant to such risks.
- Examinees did not mention about evaluating whether the selection and application of accounting policies by the entity, particularly those related to subjective measurements and complex transactions, may be indicative of fraudulent financial reporting.
- Reassess the risk of material misstatement and design and perform further audit procedures whose nature, timing and extent are responsive to the reassessed risk of material misstatements were also not mentioned by the examinees.

Question 10(b)

Logical access control was not properly defined. Some of the key characteristics such as authorization, accountability and audit trail were ignored.

Question 10(c)

Examinees did not mention the key characteristics of small sized organizations with respect to internal controls.

The End