

<b>INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN</b>	
<b>CERTIFIED FINANCE AND ACCOUNTING PROFESSIONAL EXAMINATIONS</b>	
<b>EXAMINERS' COMMENTS</b>	
<b>SUBJECT</b>	<b>SESSION</b>
Audit, Assurance and Related Services	Certified Finance and Accounting Professional (CFAP) Examination – Summer 2019

**Passing %**

Question-wise							Overall
1	2	3	4	5	6	7	
31%	48%	10%	18%	16%	2%	34%	15%

**General comments**

The overall performance in this attempt was below average as only 15% examinees were able to secure passing marks. It was observed that many examinees could not be able to apply the requisite knowledge of IFRSs to adequately account for associated audit matters. It was also observed that many examinees reproduced the entire paragraphs of the ISA(s) and the Code of Ethics, instead of tailoring their answers in line with the requirements of the question.

**Question-wise common mistakes observed**

**Question 1**

- Risks such as in-effective governance structure, misstatement in opening balances, restructuring provision, impairment of inventory and accrual of sales commission were not identified.
- Irrelevant risks (e.g. risk of going concern, etc.) were identified.
- Examinees who correctly identified the risks were not able to discuss and justify as to why there is a risk of material misstatement.

**Question 2(a)**

Good performance was observed in this part of the question.

**Question 2(b)**

- Some examinees incorrectly mentioned that auditor's inability to attend stock count and not performing any procedures on subsequent event is a scope limitation and therefore the review report should be qualified.
- Reporting implications were not mentioned.

### **Question 3**

- The answer to this question consisted of three main components which were client acceptance procedure, acceptability of financial reporting framework and appropriateness of audit evidence in electronic form. Most of the examinees answered one component only and ignored the other two components.
- Examinees did not mention that:
  - whether the local laws allow to audit off-shore entity.
  - whether the laws of BVI permit audit by an auditor registered outside BVI.
- Some examinees discussed whether the financial reporting framework would be acceptable but did not discuss how to assess its acceptability. Similarly, some examinees mentioned about considering the ethical requirements but did not discuss which ethical requirements to consider.

### **Question 4**

Instead of linking the requirements of Code of Corporate Governance (CCG) and Code of Ethics (CE) while arriving at the conclusion regarding the appointment, examinees arrived at two separate conclusion i.e. one under CCG and other under CE.

### **Question 5(a)**

Examinees discussed whether it was an adjusting event or non-adjusting event and how to amend the original financial statements. They did not discuss or had little discussion on the requirement of ISA 810.

### **Question 5(b)(i)**

Most of the examinees did not discuss the course of action if the integrity of the management was doubtful.

### **Question 5(b)(ii)**

- Examinees failed to comprehend the basic difference of adjusting and non-adjusting events.
- Examinees did not mention that if the business was no longer be a going concern, only then it might become an adjusting event and requiring the preparation of financial statements on other than going concern basis.
- Examinees also did not mention the procedures for assessing the recoverability of the insurance claim and how the company would secure the supply of raw material.

### **Question 6**

- Many examinees mentioned that not having a disaster recovery plan and business continuity plan would affect the going concern assumption. Consequently, examinees mentioned number of irrelevant procedures.
- Many examinees correctly mentioned about getting the program changes approved but did not provide any discussion on change process, the possible financial impact and the related audit procedures to obtain sufficient appropriate evidence on the affected account balance/transactions.

- Examinees mentioned verifying the payroll, HR files and other irrelevant procedures rather than mentioning that whether IDs of ex-employees had been used, how to ascertain the misuse and how to mitigate the resulting risk of material misstatement.

**Question 7**

Drafting of the reason for including the matter as key audit matter was poor. Many examinees mentioned that it was included as key audit matter because of the complexity but they did not mention why it was complex.

***(THE END)***