

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN
CERTIFIED FINANCE AND ACCOUNTING PROFESSIONAL (CFAP) EXAMINATION
EXAMINERS' COMMENTS

SUBJECT Audit, Assurance and Related Services	SESSION Winter 2019
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Passing %

Question-wise								Overall
1	2	3	4	5	6	7	8	
4%	16%	61%	48%	24%	38%	28%	42%	25%

General Comments

Better performance was observed in this session as compared to previous session. However, the result was still not up to the mark. Main reasons for below average performance seemed to be inability of examinees to answer the less frequently examined areas of the syllabus. It can also be substantiated from the fact that performance of the examinees in Q.1 and Q.2 was poor as these syllabus areas were not frequently examined.

Question-wise common mistakes observed

Question 1(a)

- Examinees failed to realize that the materiality of the component was greater than the materiality of the group and consequently they did not provide any discussion from this aspect.
- Examinees also did not discuss that even if Fair Cosmetic Limited was audited by the Lahore office, the group auditor still needs to plan procedures for obtaining the understanding of the component auditor.
- Many examinees failed to identify Services Private Limited as an in-significant component and consequently failed to mention that only analytical procedures were required to corroborate conclusions that there are no significant risks. Furthermore, understanding of component auditor was also not required if analytical procedures are to be used, was not mentioned.

Question 1(b)

- Obtaining the financial position of the subsidiary to confirm value of assets and liabilities, which had been derecognized from the group, was not mentioned by the examinees.
- Examinees failed to mention that audit procedures for obtaining assurance that the amount of profit consolidated from the beginning of the year to the date of disposal appears reasonable.
- Ensuring whether all legal compliance have been made for the disposal was also ignored by the examinees.

Question 2

Instead of discussing the key controls for valuation of the share options, majority of the examinees mentioned either controls for share-based payment or substantive procedures for share based payments.

Question 3

Good performance was observed in this question. However, some of the examinees failed to identify the risks related to inventories in transit and their related audit procedures.

Question 4

Good performance was observed in this question. However, some of the examinees did not mention that other matter paragraph should be included in the audit report to refer the fact that another set of financial statements has been prepared by the same entity in accordance with general purpose framework and that the auditor has issued a report on those financial statements.

Question 5

- Examinees did not mention about including the omitted disclosures in the audit report, provided it is not prohibited by law, it is practicable to do so and sufficient appropriate audit evidence has been obtained about the omitted information.
- Many 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 also 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 6

- Examinees did not mention about discussing with those charged with governance that why the interest cannot reasonably be terminated by the effective date of the acquisition.
- Engaging another firm to evaluate the results of non-assurance service was also omitted by many examinees.
- Examinees did not comprehend about engaging another firm to re-perform the non-assurance service to the extent necessary to enable it to take the responsibility.

Question 7

Majority of the examinees failed to identify the scenario as a possibility of money laundering and consequently produced general audit procedures for verification of the unexplained receipt.

Question 8

- Many examinees produced verification procedures which were related to an audit engagement instead of directing towards the cash flow forecast.
- Despite of mentioning in the requirement of the question that examination procedures were required related to specific three information, examinees mentioned many general procedures which were not required.
- Examination procedures related to bonus payments to distributors and the translation of foreign currency receipts were not mentioned by many examinees.
- Some of the examinees did not mention any examination procedure for setting up the new manufacturing facility.

(THE END)