

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

Passing %

Question-wise									Overall
1	2	3	4	5	6	7	8	9	
28%	6%	52%	23%	42%	49%	18%	23%	79%	27%

General comments

The overall passing percentage in this attempt was 27% as compared to 41% in the previous attempt. It was commonly observed that the examinees did not carefully read the requirement of the question and therefore missed out key aspects of the answer. For example, in question 1, very few examinees discussed the reason of reporting implications and in question 8, examinees did not discuss the significance of the threat. Further, majority of the examinees performed well in straight forward memory based questions but performed poorly in scenario based questions which required application of knowledge.

Question-wise common mistakes observed

Question 1(a)

- Assessing the reliability of the inventory records, if the inventory count was to be carried out at a later date, was not discussed.
- No audit procedure was mentioned if it was impracticable to conduct an inventory count at a later date.
- Reviewing the minutes of meeting in respect of litigation was not mentioned.

Question 1(b)

- Reporting implications were not discussed.
- Many examinees confined their answer to the 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.
- For the legal actions against the audit client related to infringement of patent rights, examinees did not discuss about inclusion of an emphasis of matter paragraph.

Question 2(a)

- The audit procedures mentioned by the examinees were not related to the inconsistency identified.
- Examinees were able to mention one or two audit procedures to address each issue.

Question 2(b)

- Examinees failed to mention about obtaining sufficient evidence that whether the misstatement or deviation also affected the entire population. Consequently, the related steps to be performed were also not mentioned.
- Examinees did not mention that payable to FBR and receivable from employees was understated at year-end. Consequently, the related steps to be performed were also not mentioned.
- Examinees also failed to mention that error identified may be an indication of similar errors in the accounting software and the related steps to be performed.

Question 3

- Examinees failed to evaluate the fact that there was the possibility that the transaction may not be made in the ordinary course of business.
- Examinees did not mention about inquiring the management in respect of reasons for disposal of freehold land.

Question 4

- Examinees failed to comprehend that it was a non-adjusting event as the bankruptcy of the debtor occurred after the year-end and there was no condition existed before the year-end.
- In the case of NRV issue, examinees failed to mention some of the important audit procedures such as 1) Review prices at which goods have been sold after the reporting period, for evidence that NRV is higher than cost; 2) Review and test the procedures in place for comparing NRV with cost for each item of inventory; and 3) Review inventory records and order books to identify slow-moving items and compare their expected NRV with cost.

Question 5

Examinees did not mention that provision of doubtful debt is an area of accounting and auditing for which an auditor is expected to have expertise.

Question 6(a)

Examinees failed to mention that general IT controls provide a reasonable level of assurance that the overall objectives of internal controls are achieved, whereas the purpose of application controls is to establish specific control procedures over a particular application to provide reasonable assurance that all transactions are authorized and are processed completely, accurately on a timely basis.

Question 6(b)

Examinees suggested general IT controls in place of application controls and vice versa.

Question 7

- While discussing the procedures, many examinees wrote the procedures by considering the situation where fraud was identified or suspected, rather than the required procedures which needed to be performed at the planning phase.
- Majority of the examinees did not discuss professional skepticism at all and why management override of control as in-significant.

Question 8

- Examinees did not discuss the significance of the threat.
- In the case of threat related to aggressive attitude of the CFO, examinees were only able to mention one safeguard i.e. discussing with those charged with governance the attitude of CFO towards the audit team.
- Regarding the fact that one of the previous audit team members has recently joined HL as Manager Finance, examinees perceived as Manager Finance joined the audit team and consequently produced irrelevant answer.

Question 9(a)

Examinees performed well in this question.

Question 9(b)

Some of the examinees mentioned the requirement of statutory audit rather than mentioning the requirements of cost audit.

Question 9(c)

Examinees performed well in this question.

(THE END)