

INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

EXAMINERS' COMMENTS

SUBJECT	SESSION
Audit and Assurance	Certificate in Accounting and Finance (CAF) Autumn 2022

Passing %

Question-wise								
1	2	3	4	5	6	7	8	Overall
42%	32%	31%	29%	24%	43%	12%	74%	34%

General comments

The overall passing percentage in this session was slightly better than the previous session's passing percentage of 33%.

It was commonly observed that the examinees answered the questions without carefully reading the requirement of the question. For example, in questions no. 1 and 4, examinees did not answer according to the requirement of the questions. Further, in question 1, examinees mentioned those areas which were not relevant to the context of the question.

Question-wise common mistakes observed

Question 1(a)

Examinees generally did not mention the following:

- If the auditor is unable to communicate with the existing or predecessor accountant, the proposed accountant shall take other reasonable steps to obtain information about any possible threats.
- If the client fails or refuses to grant the outgoing auditor permission to discuss the client's affairs with our firm, consider such failure or refusal when determining whether to accept the appointment.

Question 1(b)

Examinees did not identify the principle of objectivity and also did not explain the identified threat.

Question 1(c)

- The examinees did not explain and evaluate the identified threats.
- Examinees mentioned safeguards that were not required.

Question 2(a)

Examinees generally did not mention the following:

- The reporting currency to be used, including any need for currency translation for the financial information audited.
- The expected use of audit evidence obtained in previous audits.
- The organization of meetings with management and those charged with governance to discuss the nature, timing and extent of the audit work.
- The discussion with management regarding the expected communication on the status of audit work throughout the engagement.

Question 2(b)

The examinees did not mention the following controls:

- The maximum amount held in petty cash should be restricted to approximately one month of petty cash spending.
- There should be occasional checks of petty cash by a senior person.

Question 2(c)

The examinees did not mention the following audit procedures:

- Obtain an aged listing of receivables ledger balances at the chosen date.
- If the list is prepared by the client, check the completeness and accuracy of the list of balances and the total of the balances in the list.

Question 3(a)

- In the evaluation, examinees did not discuss the necessity of the management representation regarding their responsibilities.
- Examinees did not realize that it was a scope limitation and therefore a disclaimer of opinion would be given. Contrary to this, examinees mentioned expressing an adverse opinion or a qualified opinion.
- Examinees did not mention that if a disclaimer of opinion is given then key audit matter is not made part of the audit report.

Question 3(b)

- The majority of the examinees mentioned that the upward valuation of inventory was correct and a clean audit opinion would be expressed.
- Examinees also mentioned including it as a key audit matter which was not correct.

Question 3(c)

- The examinees did not mention that an unmodified opinion would be expressed.
- Examinees mentioned including it as a key audit matter which was not correct.

Question 4(a)

Examinees did not identify the following audit risks:

- Since proper controls are not being followed at the two outlets, there is a risk that fines might be imposed by the government authority on inspection.
- The expired stock might be used which may cause illness to the consumer. Therefore, there is a risk that the provision might not be recorded for possible fines or litigation or disclosed as a contingency.
- NFL has obtained interest-based loans and consequently, there is a risk that NFL may be in breach of covenants.
- Due to the decrease in demand, there is a risk that property, plant and equipment may need to be considered for impairment.
- Since NFL imports ingredients, there is a risk that there might not be a proper recording of foreign exchange gain or loss.

Question 4(b)

Examinees did not assess the entity's ability to continue as a going concern in the light of the given scenario. Instead, they straight away mentioned the audit procedures. The following audit procedures were not mentioned by the examinees:

- Review the management plans including identification of substitutes in the local market, availability, impact on the future purchase price, consumption and change in recipe and customer behavior.
- Identify the quantum of those materials in the production cycle and related revenue.
- Read the terms of loan agreements and determine whether any of them have been breached.

Question 5

- Examinees did not mention taking the effect of any deductions made in the salary.
- Most of the examinees also did not mention discussing any significant differences/inconsistencies with the management.

Question 6

The examinees did not mention the following audit procedures:

- Consider involving an expert to verify the quantities within the container.
- Consider visiting to Malaysia for attending the stock count.
- Arrange another auditor to attend the physical count in Malaysia, if practicable.
- Check the batch/production records and verify the finished goods subsequently produced and reconcile them with raw materials issued.

Question 7

- For the audit client HL, the examinees did not mention any procedure to verify the quantity and value of the affected inventories.
- For the audit client OL, the examinees perceived it as an adjusting event and produced an irrelevant answer.

Question 8

Examinees performed well in this question

(THE END)