

**INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN**

**EXAMINERS' COMMENTS**

<b>SUBJECT</b>	<b>SESSION</b>
Audit and Assurance	Certificate in Accounting and Finance (CAF) Autumn 2023

**Passing %**

Question-wise								
1	2	3	4	5	6	7	8	Overall
24%	28%	59%	40%	20%	57%	30%	25%	37%

**General comments**

Overall, the performance of the examinees in this paper was satisfactory, with slight improvements compared to the previous session.

It was commonly observed that the examinees answered the questions without carefully reading the requirements of the question. For example, in questions no. 1 and 5, examinees mentioned irrelevant information. Furthermore, previous examiner comments have highlighted the issue that examinees mention all sorts of opinions in a question related to reporting implications even when there is sufficient information available in a question to determine materiality and arrive at the correct opinion. This mistake was also commonly observed in this exam session.

**Question-wise common mistakes observed**

**Question 1(a)**

- Examinees did not identify and explain the fundamental principles and threats related to professional behavior, familiarity, and intimidation.
- Majority of the examinees only identified the threats and the fundamental principles but did not explain them in the context of the given scenario.
- Examinees mentioned safeguards that were not required.

**Question 1(b)**

- Some examinees mentioned audit procedures instead of procedures related to engagement quality control review.
- Some of the procedures which most of the examinees failed to mention are:
  - Considering whether appropriate consultation has taken place on matters involving differences of opinion or other difficult or contentious matters, and the conclusions arising from those consultations.
  - Evaluation of the conclusions reached in formulating the auditor's report and consideration of whether the proposed auditor's report is appropriate.

## **Question 2**

- Examinees failed to discuss who are the users of the financial statements and also did not discuss the volatility/stability of the benchmark.
- Examinees did not discuss how to calculate the performance materiality.

## **Question 3(a)**

- For AAB, examinees did not mention whether the misstatement is indicative of fraud or deficiency in internal control. The examinees also did not mention that the auditor would ask the management to rectify it.
- In the case of CCD, some of the examinees mentioned that since the balance had been confirmed, nothing needed to be done, which was not correct.

## **Question 3(b)**

- Examinees only identified the deficiencies in the work but did not analyze the work prepared by the audit junior.
- For the substantive procedures related to rent expense, the majority of the examinees only mentioned inspecting the rent agreements.

## **Question 4**

- Majority of the examinees only discussed segregation of duties. Examinees mentioned the segregation of duties even where it was not relevant.
- Examinees were not able to identify the following control weaknesses:
  - Not using an integrated accounting system.
  - Accuracy and completeness of data entry.
  - Information processed may be inaccurate or posted to the wrong account heads.

## **Question 5(a)**

- Examinees wasted their time in evaluating the scenario and mentioning audit procedures that were not required. The only requirement of the question was to discuss the reporting implications.
- Examinees did not realize that the audit report needs to be reissued and therefore an emphasis of matter paragraph needs to be included in the audit report.
- Examinees also did not mention that the emphasis of matter paragraph should convey that the auditor's procedures on subsequent events are restricted solely to the amendment of the financial statements.

## **Question 5(b)**

- Examinees mentioned general procedures for hiring an expert and some audit procedures related to fixed assets. However, the requirement of the question was to mention the audit procedures to address the difference in the fair values.
- Some of the audit procedures which examinees did not mention are as follows:
  - Review the management's work for arriving at the fair value of the specialized asset.

- Compare the source data and assumptions used by the auditor expert and the management to assess the value of the assets.
- Assess the relevance and reasonableness of those assumptions and methods in the circumstances.
- Examinees mentioned both opinions i.e., expressing a qualified opinion or an adverse opinion, which was not correct.

### **Question 6**

- Examinees were not able to differentiate between audit risk and business risk and used both terms interchangeably.
- Examinees failed to identify:
  - the business risk associated with the acquisition of Xcelerate, resulting in a failure to identify the related audit risk.
  - the business risk related to major revenue being derived from export and the related audit risk.

### **Question 7**

- Majority of examinees failed to identify the irrelevant procedures related to the assertion of rights and obligations, existence, and presentation and disclosure.
- Examinees were unable to link additional procedures with relevant assertions. Additional procedures were general in nature rather than relevant and specific procedures addressing the specified assertion.

### **Question 8(a)**

Examinees performed well in this part of the question.

### **Question 8(b)**

Examinees did not discuss about withdrawing from the engagement and reporting the circumstances to those charged with governance, owners, or regulators.

### **Question 8(c)**

Examinees did not discuss that key audit matters should not imply that the financial statements as a whole are more credible in relation to those matters when an adverse opinion is expressed.

***(THE END)***