

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN
EXAMINERS' COMMENTS

SUBJECT Audit, Assurance and Related Services	SESSION Certified Finance and Accounting Professional (CFAP) Examination Summer 2022
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Passing %

Question-wise						Overall
1	2	3	4	5	6	
49%	16%	37%	35%	6%	11%	21%

General comments

The overall result in this session has declined as compared to the previous session from 26% to 21%. It seemed that many examinees attempted the paper without proper preparation just to fulfil the requirement of appearing in minimum two papers. This was also evident from the fact that many examinees obtained less than 20 marks.

Examinees did not perform well in questions 2, 5, and 6. In question 5, which was related to Prospective Financial Information - ISAE 3400, performance was very disappointing, keeping in view that this topic has been examined many times in the past.

Question-wise common mistakes observed

Question 1(a)

- Examinees only identified the risk but did not discuss the reason behind it.
- Examinees mentioned general procedures instead of specific procedures for addressing the identified risk.

Question 1(b)

Examinees did not identify the following control weakness and the related suggestions:

- A separate function has not been created for managing and overseeing ICT security risks.
- Client has not classified their business functions, supporting processes and information assets in term of criticality.

Question 2(a)

- Examinees did not discuss that inclusion of the issue as a key audit matter may have adverse consequences on the entity's legal position.
- Examinees also failed to mention that if the auditor is not satisfied with the management's position and the entity is not inclined to fully disclose this information then the auditor may include the omitted information in the basis of opinion section of the audit report.

Question 2(b)

Examinees concluded that it was an adjusting event and produced an incorrect answer.

Question 2(c)

Examinees performed well in this part of the question.

Question 2(d)

Examinees performed well in this part of the question. However, some examinees did not mention the reason for treating the lease as a finance lease and for making the required adjustments.

Question 3

- Examinees did not discuss why there was a possibility of misstatement.
- Examinees also failed to mention the following audit procedures:
 - Undertaking a review of actual leaks in previous year and the penalty imposed to arrive at the required provision.
 - Inquiring about any incidents of leakages in the current year.
 - Verification of the lifetime, depreciation policy of the new filter.

Question 4

- Examinees performed well in part (ii) and (iii) of this question.
- The majority of examinees didn't discuss that the local laws have prescribed a shorter time period for the engagement partner and, therefore, the local laws will prevail.
- In part (i), examinees failed to discuss the restrictions which are placed by the code of ethics on provision of non-assurance services during the cooling-off period.
- In part (ii), examinees incorrectly concluded that since both the clients are different entities, there is no requirement for a cooling-off period.

Question 5

- Examinees only mentioned the general factors mentioned in ISAE 3400 – The examination of prospective financial information. They did not relate it to the given scenario and failed to evaluate some important issues such as:
 - Whether the proposed investment was a forecast or a projection. Similarly, examinees also did not realize that there were different risks for assumptions which were the best estimate and were hypothetical.
 - The engagement team may or may not have the required competencies and the resources to verify whether the assumptions are valid.

- The type of engagement requested by the client was an audit engagement. Examinees did not discuss that this type of assurance cannot be provided.
- Examinees mentioned examination procedures, whereas the requirement was to evaluate the matters to consider before accepting the engagement.

Question 6

Examinees did not realize why DL has recognized inventory at Rs. 30 million and payable at Rs. 15 million. Consequently, the examinees did not mention any audit procedure for this issue.

Examinees also did not mention the following audit procedures:

- Obtain additional information for GSM, such as a reporting pack or appropriately prepared management accounts.
- Analytically review the 3-month financial statements.
- Obtain and verify the details of all significant transactions that occurred during the 3-month period.
- Review of consolidation working papers.
- Review copy of terms between DL and GSM showing whether a profit margin is part of the sales price.

(THE END)