

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN
EXAMINERS' COMMENTS

SUBJECT	SESSION
Audit, Assurance and Related Services	Certified Finance and Accounting Professional (CFAP) Examination Summer 2023

Passing %

Question-wise						Overall
1	2	3	4	5	6	Overall
14%	38%	61%	6%	50%	16%	28%

General comments

Better performance was observed in this session compared to the previous session. However, below-average performance was observed in Q.4 and Q.6 which pertained to the Code of Ethics and Cash Flow Forecast respectively. Examinees tended to reproduce provisions from the standards in these questions without relating them to the given scenario and considering their relevance. Further, apart from technical mistakes, it was commonly noted that examinees commenced responding to a question without properly reading its requirements, as observed in Q.1 and Q.3. This resulted in a loss of time that could have been better utilized for answering other questions.

Question-wise common mistakes observed

Question 1

- Examinee identified the risk but omitted the discussion of the underlying reasons.
- Examinees wasted their time by mentioning audit procedures that were not required.
- Most of the examinees did not identify and discuss the following audit risks:
 - Segment reporting
 - Separate performance obligation
 - Litigation due to data breaches

Question 2(a)

- A significant portion of the examinees did not comprehend that it may not be possible to count the inventory held at facilities located throughout the country, resulting in their omission of alternate procedures for verifying the inventory.

- Regarding the matter concerning reward points, examinees did not mention the following audit procedures:
 - Evaluate the likelihood of customers redeeming their points based on historical redemption patterns and market conditions.
 - Obtain management budgets and relate the expected point redemption with them.
 - Review redemptions made subsequent to year-end to assess the reasonableness of the provision.

Question 2(b)

Most of the examinees only mentioned about using firewalls, antivirus software, and strong passwords. Other important controls such as removal of unwanted hardware, encryption of network traffic, avoiding compromised websites, etc. were generally not mentioned by the students.

Question 3(a)

- Examinees did not mention about the inclusion of an emphasis of matter paragraph and giving reasons for the restatement of figures, in case management agrees to retrospective adjustment.
- Examinees also did not mention that in the basis for qualified opinion, the auditor shall refer to both the current period's figures and the corresponding figures while describing the matter that give rise to the modification.
- Examinees mentioned audit procedures, despite the explicit instruction that such audit procedures were not required.

Question 3(b)

- Examinees did not evaluate the fact in the context that management has not made any assessment of the going concern issue. Consequently, they also overlooked the associated reporting implications.
- Examinees again mentioned audit procedures, despite the instruction that such audit procedures were not required.

Question 3(c)

Examinees performed well in this part of the question.

Question 4

- Examinees only identified the threat but did not evaluate the significance of the threat and the fundamental principles affected by it.
- Most of the examinees did not identify that a breach of ICAP's Code of Ethics has occurred and consequently neglected to outline an appropriate course of action.
- Examinees also did not identify intimidation threat from the given scenario.
- It was also observed that examinees simply copied provisions from ICAP's Code of Ethics without relating it to the given scenario.

Question 5

Most of the examinees failed to realize that the land lease is set to expire in 2030, leaving a mere seven years remaining. Meanwhile, the newly installed wind turbines on that land are being depreciated over a twenty-year period. Consequently, these examinees did not mention the audit procedures to address this issue.

Question 6

- Examinees mentioned general procedures which were not relevant to the given scenario.
- Some examinees mentioned procedures to assess whether the cheese business should be started or not, which was completely irrelevant. It was a question related to cash flow projections and not on due diligence.
- Examinees also mentioned procedures for verification of depreciation and provisions which are not relevant to cash flow.
- Further, examinees omitted to mention the following:
 - Since the loan was expected to continue until Jun 2027, it is important to enquire the management that the period covered by the cash flow forecast should extend till 2027.
 - Inquire about the discrepancy in the cash flow, where the full-year sale of cheese has been considered for 2023, despite the facility only being operational from July 2023.
 - Discuss with management the negligible decline in corporate brand sales considering that the milk sold to corporate brands would be reduced due to use in producing cheese.
 - Validate the 8% purchase discount through historical payments.
 - For a sample of animal feed, review supporting documents such as invoices.
 - Inquire as to why the cash flow does not include any capital expenditure aside from the new setup.

(THE END)