

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

Certificate in Accounting and Finance Stage Examination

Audit and Assurance

Examiners' Comments

Autumn 2025

PASSING %

Question-wise								Overall
1	2	3	4	5	6	7	8	
43%	60%	27%	17%	28%	30%	41%	56%	34%

GENERAL COMMENTS

The overall performance of examinees in this session showed a decline compared to the previous attempt, with the pass rate falling from 38% to 34%. One of the most common issues observed across multiple questions was the tendency to provide generic, textbook-style answers rather than responses tailored to the specific risks, controls, or reporting implications presented in the question. This was particularly evident in questions requiring the audit procedures, analytical procedure considerations, reporting implications, and ethics-based evaluations.

Another key weakness was the lack of attention to the complete requirement of the question. Candidates frequently attempted only part of the question, ignored requirements, or made incorrect assumptions even where sufficient information had been provided to reach a definite conclusion.

Examinees are strongly advised to read the requirements carefully, plan their answers, and avoid reproducing irrelevant memorized content in scenario-based questions.

QUESTION-WISE COMMON MISTAKES OBSERVED

Question 1

- Examinees did not identify the individual components of audit risk.
- Examinees failed to explain which specific areas of the financial statements would be affected by the identified risks.
- The risk arising from exchange rate fluctuations on payables was generally overlooked.

Question 2

- Examinees merely stated whether a written representation should or should not be obtained, without explaining the reasoning behind their answer.
- Examinees did not discuss that inventory valuation involves estimation and judgment, for which a written representation could be appropriate.

Question 3

- Examinees were unable to identify and discuss the factors related to the reliability of data and the level of disaggregation when using analytical procedures as substantive procedures.
- Examinees listed generic payroll audit procedures rather than addressing the specific risks present in the scenario. The following relevant procedures were generally not mentioned:
 - Perform employee existence testing by verifying a sample of payroll entries against personnel records, attendance logs, and bank account details.
 - Reconcile overtime hours with production schedules, machine usage logs, and supervisor approvals to confirm legitimacy.
 - Obtain and check the cost center mapping of expenses to verify the correct cost allocation.

Question 4

- Examinees listed general factors for designing the external confirmation process, instead of relating their answer to the case facts. The following key points were commonly missed:
 - Confirmations prepared using translated figures rather than original currency balances may cause confusion.
 - There was a risk of misstated balances due to unreconciled agent statements.
- Most examinees considered only one condition (i.e., a large number of small balances) for using negative confirmations, instead of recognizing that all conditions must be met.
- Examinees did not mention the following audit procedures:
 - Check subsequent collections from the customer to validate the accuracy of the balance.
 - Obtain and verify the management working of the net realizable value of the associated stock.

Question 5(a)

- Examinees incorrectly classified the entry of test data into the live environment as an application control. Similarly, the monthly update of the ERP user list was also wrongly identified as an application control.
- Instead of explaining why the control was weak, examinees often repeated details from the question without analysis.

Question 5(b)

- Answers were mostly focused on either the warehouse destruction or the damaged inventory, instead of addressing both matters together.
- Examinees stated that an impairment loss on the building should be recorded, ignoring the fact that the fire occurred after the reporting period and therefore represents a non-adjusting event.

Question 6

- Examinees did not identify that the proposed fee arrangement was a contingent fee, and therefore failed to evaluate the ethical implications properly.
- Most answers did not mention the potential pressure on the auditor to accept unfavorable fee terms to retain the client.
- Examinees unnecessarily mentioned safeguards that were not required.

Question 7

- Examinees did not realize that the legal case was fundamental to users' understanding of the financial statements due to the high level of public attention and operational disruption caused by the branch closure. The need for an Emphasis of Matter paragraph was not discussed.
- For the matter related to capitalization of decoration expenses, examinees mentioned both opinions, i.e., expressing a qualified opinion or an adverse opinion, which was not correct.

Question 8(a)

Examinees simply defined audit strategy and audit plan separately, without identifying the key differentiating factors between them.

Question 8(b)

Examinees concluded that the auditor should disclaim an opinion or withdraw from the engagement, without recognizing that management's acknowledgement of responsibility for internal control is a precondition for accepting the audit. Without such acknowledgement, the engagement cannot be accepted in the first place.

Question 8(c)

Examinees listed financial indicators instead of operational events or conditions that may indicate going concern issues.

Question 8(d)

Examinees did not mention that the descriptions of 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)