THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

Certificate in Accounting and Finance Stage Examination

Audit and Assurance Essentials

Examiners' Comments **Autumn 2026**

PASSING %

Question-wise									Overall
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	
89%	66%	25%	19%	75%	4%	42%	16%	22%	**36%**

GENERAL COMMENTS

The overall performance of examinees in this session was slightly below compared to the previous session. It is commonly observed that examinees ignored the requirements of the question by discussing matters that were specifically excluded, as in Questions 5 and 8(a), and in reporting questions mentioned more than one possible opinion despite sufficient information being available to reach a definite conclusion.

Examinees are advised to read the requirements carefully and tailor their answers to the facts of the scenario.

QUESTION-WISE COMMON MISTAKES OBSERVED

Question 1

Examinees performed well in this question. However, in part (vii), many examinees selected an Emphasis of Matter paragraph instead of a separate section on Material Uncertainty Related to Going Concern.

Question 2

- Many examinees failed to distinguish between business risks and risks of material misstatement, often incorrectly identifying financial statement misstatements as business risks.

- Examinees did not identify that part of the Rs. 180 million rebate relates to inventory unsold at year-end, and that crediting the entire amount to cost of

sales may overstate inventory and understate cost of sales. They also failed to assess whether EL was entitled to the full rebate under the agreed supplier terms.

- The risk of borrowings being incorrectly classified as non-current on breach of the bank covenant, and of inadequate going concern disclosure, was generally not discussed.

- Many examinees treated the rebate receivable as a trade receivable and discussed the allowance for doubtful debts, or discussed risks not supported by the scenario, such as impairment of property, plant and equipment.

Question 3

- Examinees identified the threats to confidentiality and professional competence and due care, but did not explain them in the context of the scenario.

- Many examinees incorrectly identified a self-review threat because Salman was reviewing the audit team's work, and linked the self-interest threat to a financial benefit rather than to the use of a platform whose suitability had not been assessed.

- The threats to objectivity and integrity were generally not adequately explained, even where the relevant principles were identified.

- Examinees stated that the threats were significant without giving reasons, and mentioned safeguards that were not required.

- Some examinees considered only the possibility of future leakage of confidential information, without recognizing that uploading the information itself constituted unauthorized disclosure.

Question 4

- In part (a), examinees listed the steps for determining materiality or the commonly used benchmarks with percentages, instead of explaining the factors that influence the choice of benchmark, such as the primary users, the stability of the benchmark, and the financing structure of the entity.

- In part (b), examinees defined a true and fair view as "free from errors", without referring to fair presentation in all material respects in accordance with the applicable financial reporting framework. Reasons were mostly limited to sampling and reasonable assurance; the use of estimates and judgments and the concept of materiality were not discussed.

Question 5

Examinees performed well in this question. However, many examinees quantified the misstatement as Rs. 90 million or Rs. 99 million instead of Rs. 81 million after amortisation. Some examinees also discussed audit procedures, which were not required.

Question 6

- Examinees did not question the use of a marketing promotional report, which was not prepared for billing or financial reporting purposes, as the source of the expectation.

- Many examinees simply revised the expectation to 11 months for the free trial, without recognising that the year-end subscriber count cannot be applied to the whole year when subscribers increased gradually. Examinees also did not realise that recorded revenue being close to an overstated expectation indicates possible overstatement of revenue.

- The need to set the acceptable difference before performing the procedure, and the prepaid nature of the service requiring deferred revenue, were generally not discussed.

- In part (b), examinees listed generic procedures such as confirmations from subscribers and written representations. They did not mention obtaining monthly paying-subscriber data from the billing system, testing its completeness and accuracy, developing a month-by-month expectation and recalculating deferred revenue at year-end.

Question 7

- Many examinees classified the rejection of the claim as a non-adjusting event, or treated the fire as the subsequent event, without recognising that the rejection provides evidence of a condition (the expired certificate) that existed at the reporting date.

- Examinees mentioned procedures on the inventory write-off, even though the question stated it had been appropriately written off, and discussed going concern, which was not relevant.

- In part (b), some examinees accepted management's argument and concluded on an unmodified opinion, while others mentioned both qualified and adverse opinions or made their conclusion dependent on the outcome of the legal proceedings.

Question 8

- In part (a), many examinees discussed the implications for the auditor's report, which were specifically excluded. Examinees did not explain that confidentiality is not a valid reason for withholding the information, as the

whistleblower's identity can be protected while the substance of the allegations is shared with the auditor.

- In part (b), examinees described the auditor's general responsibilities relating to fraud instead of the responses required. Responses relating to the procurement area, such as assigning experienced staff, incorporating unpredictability, testing journal entries and considering management override, were generally not mentioned.

Question 9

- For AA Builders, examinees only suggested resending the confirmation and did not recognise that, being also a supplier, there may be a set-off arrangement requiring investigation.

- For Star Steel Distributors, many examinees treated the difference as a timing difference, instead of recognising that revenue and receivables were overstated by Rs. 10 million and inventory was understated.

- For Mega Contractors, examinees failed to adequately assess whether control of the goods had transferred by year-end, often assuming that receipt of the goods was sufficient for revenue recognition.

- For Malik & Co., some examinees ignored the exception due to its small amount, without considering that it may indicate a fictitious sale or a wider control weakness.

- Many examinees mentioned general procedures such as cut-off testing without relating them to the specific exception, and did not recommend three distinct and relevant procedures for each customer.

(THE END)