

**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN**

**Certificate in Accounting and Finance Stage Examination**

**Audit and Assurance Essentials**

**Examiners' Comments**

**Spring 2026**

**PASSING %**

Question-wise									Overall
1	2	3	4	5	6	7	8	9	
79%	49%	51%	50%	20%	9%	45%	48%	37%	37%

**GENERAL COMMENTS**

The overall performance of examinees in this session was satisfactory, showing improvement over the previous attempt, with the pass percentage increasing from 34% to 37%. However, the examinees' responses indicated that both technical understanding and application to scenario-specific facts remained below the expected standard.

A common weakness was the tendency to provide generic or memorized responses, particularly in questions requiring fraud risk identification, ethical evaluation, targeted audit procedures, and going concern analysis. In several cases, examinees identified broad issues but did not explain the reasons for, or implications of, the facts given.

Examinees are strongly encouraged to read the requirements carefully and develop the ability to apply technical knowledge to the specific circumstances of each question.

**QUESTION-WISE COMMON MISTAKES OBSERVED**

**Question 1**

MCQs at serial (i) and (vii) presented particular challenges on this exam, as they were the least well-answered questions.

**Question 2**

Examinees often concluded that the matters indicated a risk of fraudulent financial reporting, without explaining why the circumstances created such risk, for example, how exclusive access to ERP adjustments could allow fictitious entries, or how the CFO's comments on unadjusted misstatements reflected rationalization and disregard for accurate reporting.

**Question 3**

- Examinees generally identified the relevant fundamental principles and ethical threats. However, the discussion was often generic and not sufficiently linked to the specific facts of the scenario.
- Many examinees used one common explanation for multiple principles and threats, without bringing out the distinct effect on each principle or the specific reason for each threat.
- Some examinees discussed safeguards, which were not required by the question.

**Question 4(a)**

Many examinees confused the requirement and described the engagement letter itself, instead of explaining its relevance in managing the expectation gap.

**Question 4(b)**

Examinees performed well in this part of the question.

**Question 5(a)(i)**

- Examinees generally identified the weaknesses in the inventory count procedures but did not adequately explain their impact on the reliability of the count, such as how immediate system updates could weaken the audit trail and conceal recurring discrepancies.
- Some examinees misunderstood the scenario and discussed the requirements related to staff competence, counting responsibilities, or regional warehouse issues instead of discussing the weaknesses of the inventory count procedures.

**Question 5(a)(ii)**

Examinees confused documentary evidence with audit procedures. The following relevant documents were generally not mentioned:

- Inventory count instructions issued to regional sites.
- Final count summaries submitted through the online portal.
- Reconciliations between physical count results and system records.

**Question 5 (b)(i)**

Examinees listed general inventory procedures, instead of procedures to investigate the specific shortage and excess. The following were generally not mentioned:

- Trace differences to dispatch, receiving, or production records to identify timing or recording errors.
- Investigate shortages for theft, recording errors, or cut-off issues.

- Investigate excess quantities for duplicate recording, wrong units, or unrecorded receipts.

### Question 5 (b)(ii)

While many examinees identified the need to project the pricing error, most did not discuss the need to corroborate management's explanation through additional testing or explain how it would be determined whether the error was truly anomalous.

### Question 6

- Examinees generally failed to evaluate the issue related to abnormal costs being incorrectly included in product cost.
- Examinees mostly mentioned routine or irrelevant inventory procedures and did not address procedures for evaluating production inefficiencies, such as:
  - reviewing production cost details
  - identifying idle capacity
  - rework and excess wastage
  - comparing production levels with normal capacity
  - recalculating overhead absorption rates

### Question 7

- Most examinees did not recognize that the transfer of an ongoing R&D project was an unusual transaction outside the normal course of business.
- Some examinees treated the matter as unidentified or undisclosed related parties and mentioned related procedures, although the relationship was already disclosed, and the requirement was to perform substantive procedures on the related party transaction.
- Examinees generally did not mention the following audit procedures:
  - assess transfer of control and derecognition of the R&D project
  - verify the carrying amount before transfer
  - confirm the consideration receivable with OTL
  - obtain the independent valuation report

### Question 8(a)

Examinees performed well in this part of the question.

### Question 8(b)

Some examinees incorrectly concluded that the matter was pervasive and suggested an adverse opinion or disclaimer, without considering that the inability to obtain evidence was restricted to a specific class of intangible assets.

**Question 9(a)**

- Examinees mostly made simple comparisons of current year and prior year balances, without analyzing the profitability, liquidity, and gearing indicators relevant to going concern.
- Examinees generally did not draw an overall conclusion on whether the identified conditions cast significant doubt on the entity's ability to continue as a going concern.

**Question 9(b)**

The following relevant procedures were generally not mentioned:

- Inspect post-year-end payments to suppliers to assess whether extended credit terms are continuing.
- Analyze trends in receivables and inventory turnover to assess the realizability of current assets.
- Assess compliance with borrowing terms and consider the risk of covenant breaches arising from declining profitability.
- Review board minutes for discussions relating to liquidity, financing, or going concern.

**(THE END)**