

**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN**  
**Certified Finance and Accounting Professional Stage Examination**  
**Audit, Assurance and Related Services**

**Examiners' Comments**

**Winter 2025**

**PASSING %**

Question-wise						Overall
1	2	3	4	5	6	
53%	18%	8%	25%	37%	23%	24%

**GENERAL COMMENTS**

The overall result in this session remained largely consistent with the previous session, increasing marginally from 23% to 24%. The performance indicates that many of the weaknesses highlighted in earlier sessions continue to persist.

A recurring concern is examinees' inability to interpret requirements in their proper context. Many responses lacked focus on the specific question. It was also commonly observed that examinees tended to focus on only one aspect of a scenario rather than analysing the matter holistically. This resulted in incomplete evaluations, omission of significant risk areas, and failure to address all components of the requirement.

In scenario-based questions, examinees demonstrated limited analytical depth and professional judgement, with a tendency to provide generic responses instead of applying principles to the facts presented.

Greater emphasis is required on developing integrated analysis skills, applying standards to specific scenarios, and addressing all elements of a requirement in a structured and comprehensive manner.

**QUESTION-WISE COMMON MISTAKES OBSERVED**

**Question 1**

Although many examinees identified certain risks, they often failed to adequately explain the underlying reasons and their potential impact on the financial statements.

A significant number of examinees did not identify or properly discuss the following key audit risks:

- Customer advances and related revenue recognition implications.
- Amortisation of intangible assets, including timing and useful life considerations.
- Reliance on IT controls and the broader IT environment.
- Accounting treatment and compliance implications of the concessional green-transition loan.

## Question 2

Examinees failed to identify that a component includes an entity, business unit, function, or business activity whose financial information is incorporated into the group financial statements. As a result, the Bangladesh division and the global R&D collaboration system were incorrectly excluded from group audit scoping considerations.

In addition, examinees did not identify that applying a uniform materiality percentage across all components is inappropriate, as it disregards differences in size, complexity, and risk. Examinees did not realize that the group auditor is required to determine component performance materiality, taking into account aggregation risk and the specific risk profile of each component.

Consequently, many examinees did not adequately discuss the appropriate engagement partner response, including reassessing component significance, revising scoping decisions, and determining appropriate performance materiality for each component.

## Question 3

- Many examinees failed to recognize that the change in ownership required reassessment of the existing engagement. The offshore structure and undisclosed beneficial ownership raised integrity concerns; however, the implications of engagement acceptance were generally not addressed.
- Large foreign remittances to offshore jurisdictions without supporting documentation were also not adequately linked to potential foreign-exchange and anti-money-laundering breaches.
- Most examinees focused on only one aspect of the scenario and overlooked other risk areas. Even where related-party issues were identified, sufficient and appropriate audit procedures were often not provided.

Some of the audit procedures not mentioned by the examinees are as follows:

- Verify bank advice and remittance documentation to confirm the recipients and amounts.
- Use external price benchmarks for similar technical advisory services to evaluate plausibility.
- Review board minutes and the share purchase agreement to understand the purpose of the acquisition and identify any changes in control or management influence.
- Perform background checks on Helios and its beneficial owners, including searches in public and regulatory databases.
- Maintain confidentiality and avoid tipping off management while fulfilling statutory reporting obligations.

## Question 4

While many examinees identified the conflict of interest arising from the proposed engagement, most failed to identify and properly evaluate the threats associated with custody of client assets. The related safeguards to address these threats were also not adequately discussed.

**Question 5**

Most of the examinees did not address the following important matters:

- Identification of all areas that could result in misstatement of the financial statements.
- Evaluation of the implications relating to management's integrity in the given circumstances.
- The need to draw attention to the subsequent event through an Emphasis of Matter paragraph, as the disclosure was fundamental to users' understanding.
- The requirement to obtain new written representations from management.
- Where permitted by the applicable law or reporting framework, inclusion of an additional date in the auditor's report limiting subsequent-event procedures to the specific amendment.

**Question 6**

Most examinees approached this requirement from the perspective of an audit engagement rather than in the context of a financial due-diligence assignment. Consequently, responses often focused on audit procedures instead of evaluating the commercial and valuation implications.

Many examinees also failed to analyze and discuss the impact of the identified issues on BNL's valuation and future performance.

The following key matters were commonly not identified or adequately discussed:

- Revenue surge near year-end not reflective of underlying demand.
- Rapid growth not supported by operational evidence.
- Working capital trends suggesting aggressive reporting.
- Performance-linked rewards creating potential management bias.

**(THE END)**