THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

Certified Finance and Accounting Professional Stage Examination

Audit, Assurance and Data

Examiners' Comments **Autumn 2026**

PASSING %

Question-wise						Overall
1	**2**	**3**	**4**	**5**	**6**	
5%	17%	60%	24%	33%	9%	15%

GENERAL COMMENTS

The overall result for this session declined significantly compared with the previous session. This was mainly attributable to very weak performance in Questions 1 and 6 and below-average performance in Questions 2 and 4. Many of the weaknesses identified in earlier sessions also persisted.

A recurring concern remains the inability to interpret and respond to the specific requirements of the question. As in the previous session, examinees were not adequately prepared for questions integrating IFRSs with auditing and assurance concepts. Examinees also made limited use of the spreadsheet data provided in Question 3, which contained a significant portion of the risks to be identified.

Poor time management and selective preparation were also evident. A considerable number of examinees either did not attempt Question 4, which related to the assurance engagement on pro forma financial information under ISAE 3420, or provided a very brief response. In addition, several examinees discussed audit procedures or reporting implications where these had been specifically excluded from the requirement, resulting in a loss of valuable time without earning any marks.

QUESTION-WISE COMMON MISTAKES OBSERVED

Question 1

- Examinees generally listed threats such as self-interest, intimidation and familiarity without explaining how each arose from the given circumstances or evaluating its significance.

- Many examinees treated the unpaid amount of Rs. 0.6 million as an overdue-fee self-interest threat for the firm, without recognizing that the amount was owed to the existing auditor. Its relevance was to the assessment of management's integrity and the client-acceptance

decision, and some examinees incorrectly concluded that the firm should not accept the appointment until the amount was settled.

- Examinees did not recognize that the existing purchase of software and maintenance services from NPL pre-dated its acquisition by HEL and, being in the ordinary course of business and on arm's length terms, would not ordinarily create a threat.

- The following matters were generally not evaluated or mentioned by the examinees:

  - Whether the 50% discount was a genuine, broad-based customer loyalty offer or an inducement targeted at the firm to influence its acceptance decision.

  - Identification of the firm as a 'preferred client' in NPL's website and presentations amounts to an endorsement in an audit client's promotional material, which may mislead the public; the firm should withhold its permission in writing.

  - Confirming the reason for the change in auditor directly with HEL's audit committee, and reviewing the tax engagement letter and related correspondence to determine whether the fee dispute is genuine.

  - Assessing the firm's experience of group audits and the technology sector against HEL's expanded operations, and strengthening the engagement team or declining the appointment where gaps exist.

Question 2

- Most examinees focused on general audit procedures for loans, such as obtaining bank confirmations and inspecting the facility letter, without evaluating the implications of the revision in the loan facility.

- Apart from the above, the following audit procedures were generally not mentioned:

  - Obtain management's assessment of whether the revised terms constitute a substantial modification and, where none has been performed, request one and evaluate it.

  - Recalculate interest at 15% with effect from 1 April 2026 and the late-payment penalty at 2% of overdue instalments, and agree to bank statements.

  - Review cash-flow forecasts to assess whether the increased interest cost and the resumption of principal repayments from December 2027 have been reflected.

  - Obtain written representation that all terms and conditions of the rescheduling have been disclosed to the auditor.

Question 3

- Many examinees identified the audit risks but did not adequately explain the underlying reasons or their impact on the financial statements.

- The majority of examinees identified risks only from the narrative information and did not make use of the spreadsheet data provided in Appendix 1. Consequently, the following audit risks were generally not identified:
    - Discounts of approximately 10% to 12% granted at certain campuses, exceeding the approved rate of 8%.
    - Low fee collection rates at certain campuses in certain terms, indicating risk to the recoverability of receivables and understatement of the expected credit loss allowance.
    - Campuses where students admitted on grounds of financial need were below the regulatory requirement of 5%, giving rise to possible penalties and related disclosure.
    - An unusual increase in merit scholarships at certain campuses in Term 3, together with the risk of misclassification between need-based and merit scholarship students.
- In addition, the following risks were not adequately discussed:
    - Amortization of the curriculum license commencing before the license was available for use.
    - Initial recognition of the interest-free advances from directors at fair value, and the possibility that the difference represents a contribution from shareholders.

Question 4

- Examinees generally approached the requirement as an audit of financial statements, rather than evaluating the pro forma adjustments against the ISAE 3420 criteria of being directly attributable to the acquisition, factually supportable and consistent with the entity's accounting policies.
- The following matters were generally not identified or adequately discussed:
    - The expected additional sales of Rs. 620 million and savings of Rs. 410 million depend on future demand and management actions and should therefore be excluded.
    - Inclusion of the contingent consideration at its fair value of Rs. 600 million, with a resulting increase in goodwill to Rs. 3,750 million.
    - Quantification of the corrected pro forma revenue and cost of sales.
- In part (b), the following procedures were generally not mentioned:
    - Assess whether the applicable criteria are suitable.
    - Agree BRD's figures to its audited financial statements and review the related auditor's report; and for PRL's unaudited figures for January to June 2026, reconcile them to the general ledger and test the source data and cut-off.

- Evaluate the competence, capabilities and objectivity of the independent valuer, and the methodology and assumptions used to measure the contingent consideration.

- Assess whether the explanatory notes adequately disclose the sources of information, their audited or unaudited status, and the illustrative nature of the pro forma financial information.

Question 5

- Many examinees carried forward the component auditor's disclaimer of opinion to the group auditor's report, and some concluded that a disclaimer or an adverse opinion should be expressed on the consolidated financial statements. Examinees did not appreciate that materiality and pervasiveness are to be assessed independently by reference to the consolidated financial statements.

- Some examinees proposed writing off the entire carrying amount of Rs. 260 million, or treated the total balance of Rs. 805 million as misstated, instead of the write-down of Rs. 180 million to the recoverable amount.

- In respect of the revised tariff mechanism, some examinees treated it as an adjusting event, while others recommended an Other Matter paragraph instead of an Emphasis of Matter paragraph.

- Some examinees also discussed audit procedures despite these being specifically excluded from the requirement.

Question 6(a)

- While many examinees identified that a revaluation surplus was relevant, most did not split the fair value increase correctly.

- The majority of examinees failed to distinguish between the market condition and the non-market service condition. Consequently, many accepted management's reversal of the expense.

Question 6(b)

- Examinees did not appreciate that membership of the approved panel does not by itself establish relevant experience, and that the board's approval of the appointment does not establish objectivity.

- Although the non-inspection of the Hyderabad property and the reliance on information supplied by GSL were often identified, the following were generally not discussed:

    - The 31 December 2025 valuation was prepared retrospectively in July 2026 using evidence for the June 2026 valuation, and determines the entire amount to be recognized in other comprehensive income.

- The scope limitations were agreed between the valuer and the finance director, who has a personal relationship with the valuer's senior partner.

- The need to engage an auditor's expert to evaluate the methods and assumptions used.

Question 6(c)

- A considerable number of examinees concluded that an adverse opinion should be expressed, without appreciating that the misstatements were confined to specific items and were not pervasive.

- Examinees generally did not mention that the Basis for Qualified Opinion section should describe and quantify both misstatements. Some examinees incorrectly suggested an Emphasis of Matter paragraph or withdrawal from the engagement.

(THE END)