

---

# Examination Panelist's Report

---

Paper III  
PBE Auditing and  
Information Systems

(December 2018 Session)

*(The main purpose of the following report is to summarise candidates' common weaknesses and make recommendations to help future candidates improve their performance in the examination.)*

### **General Comments**

The performance of many candidates was satisfactory. However, there are some candidates that still had not mastered the fundamental concepts of auditing, such as substantive procedures for addressing a particular assertion, understanding the inherent risks and control risk of material misstatement, understanding the relationship between information technology, and internal control of business operations.

Some candidates failed to apply their knowledge on auditing and information systems to real-life issues in order to demonstrate the expected level of analytical thinking on the application of case materials to theory.

### **Specific Comments**

#### **Section A – Compulsory Question**

##### **Question 1 – 40 marks**

This was a case involving a practical scenario. Candidates were asked to apply their knowledge to practical auditing issues. Candidates performed satisfactorily in this question. A few candidates were not able to connect their knowledge of auditing with the case details that required analytical thinking and application of case materials to theory.

For part (a), most candidates scored satisfactorily. For part (b), most candidates performed well. For part (c), some candidates scored satisfactorily, but some candidates were not able to identify relevant procedures. For part (d), some candidates scored satisfactorily, but some candidates were not able to identify relevant analytical procedures in this situation. For part (e), most candidates scored satisfactorily.

## **Section B – Optional Questions**

### **Question 2 – 20 marks**

This question examined candidates' knowledge of risk assessment, the substantive procedures of auditing investment properties and rental income.

For parts (a) and (b), most candidates scored satisfactorily. For part (c), some candidates scored satisfactorily but some candidates provided irrelevant answers of how to measure the fair value of the properties. For parts (d) and (e), some candidates scored satisfactorily, but many candidates were not able to identify the appropriate audit approach and were not able to provide some substantive procedures for auditing rental income.

### **Question 3 – 20 marks**

This question examined candidates' knowledge of the role of information system in business internal control and planning of the audit. Most candidates did not prepare well for this topic and performed poorly with the question.

### **Question 4 – 20 marks**

This question examined candidates' knowledge of analytical procedures for risk assessment at the planning stage, and application of code of ethics for professional accountants.

For part (a), most candidates scored satisfactorily. For parts (b), (c) and (d), most candidates performed well in these parts, but the performance of some candidates on part (d) was not satisfactory, as they were not able to apply the code of ethics in this situation.

### **Question 5 – 20 marks**

This question examined candidates' knowledge of internal control, control activities for addressing different assertions and test of control procedures.

For parts (a) and (b), most candidates scored satisfactorily. For part (c), many candidates did not have adequate understanding on control activities for addressing different assertions. For part (d), some candidates performed well, but the performance of most candidates on this question was not satisfactory, as they do not understand the purpose of test of control procedures and provided some substantive procedures instead.

\* \* \* END OF EXAMINATION PANELIST'S REPORT \* \* \*