
Examination Panelist's Report

Paper III
PBE Auditing and
Information Systems

(December 2019 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 candidates was varied. Some candidates performed well but the performance of some candidates was not satisfactory. Some candidates failed to apply their knowledge to real-life issues in order to demonstrate the expected level of analytical thinking on application of case materials to theory.

Some candidates did not prepare well for the examination. They had not mastered the fundamental concepts of auditing, such as the purpose of audit planning, usage of the audit software, application of audit sampling, understanding the inherent risk and control risk of material misstatement and application of substantive procedures for different classes of transactions.

Specific Comments

Section A – Compulsory Question

Question 1 – 40 marks

This question required candidates to apply their knowledge to a practical scenario and auditing issues. Some candidates performed satisfactorily in this question. Other candidates were not able to link their knowledge of auditing with the case details, which required analytical thinking and application of case materials to theory.

Part (a); most candidates that attempted this question scored satisfactorily. Part (b); most candidates who attempted this part scored satisfactorily, but a few candidates did not read the requirements carefully; they copied the every details of the SFN's operation from the case instead of highlighting the specific business matters of SFN's operation for the understanding of the business. Part (c); most candidates who attempted this part scored satisfactorily, but a number of candidates did not know the purpose of audit planning or were not able to express their understanding in good English. Part (d); most candidates who attempted this question scored satisfactorily. Part (e); some candidates who attempted this part scored satisfactorily but some candidates were not able to identify relevant matters to consider in the planning stage and provided some audit procedures to be performed on inventory count day. Part (f); some candidates who attempted this part scored satisfactorily, however, some candidates who did not have a good understanding of inherent risk and control risk provided irrelevant answers.

Section B – Optional Questions

Question 2 – 20 marks

This question required candidates to demonstrate knowledge of internal control and the application of test of control procedures. Part (a); most candidates who attempted this part scored satisfactorily, but some candidates were not able to state the five components of internal control. Part (b) and (c); most candidates performed well in these parts. Part (d); most candidates performed satisfactorily in this part, but some candidates do not know the meaning of test of controls and provided irrelevant answers.

Question 3 – 20 marks

This question required candidates to demonstrate knowledge of audit approach and substantive procedures for rental income and gain or loss on disposal of investment properties. Part (a); most candidates performed satisfactory in this part, but some candidates do not know the meaning of audit approach and provided relevant answers. Many candidates do not know that it is more efficient to perform the audit by substantive approach when there is small number of transactions. Parts (b) and (c); many candidates performed well in these parts, but some candidates did not study well and therefore not able to provide relevant substantive procedures. Part (d); many candidates did not performed satisfactorily in this part, they provided some procedures of determining the fair value of the property.

Question 4 – 20 marks

This question required candidates to demonstrate understanding of the concept and theory of audit sampling, in particular the factors for determining the sample size. Only a few candidates answered this question. Part (a); candidates did not performed satisfactorily in this part, they did not know the meaning of sampling risk or were not able to express their understanding in good English. Parts (b) and (c); candidates performed satisfactorily in these parts.

Question 5 – 20 marks

This question required candidates to demonstrate knowledge of assertions of sales revenue and the practical usage of audit software.

Part (a); most candidates who attempted this part scored satisfactorily. Part (b); some candidates who attempted this part scored satisfactorily, but some candidates were not able to distinguish the difference between completeness assertion and occurrence assertion and therefore provided wrong answers. Part (c); most candidates did not perform well for this part since they do not know the practical usage of audit software and therefore provided irrelevant answers.

Conclusion and Recommendation

Candidates have to spend more time preparing for the exam and read the questions carefully before answering them.

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