

SINGAPORE CA QUALIFICATION (FOUNDATION) EXAMINER'S REPORT

MODULE: Assurance (ASF)

EXAMINATION DATE: 4 December 2025

Section 1

General comments

The overall performance of this paper is not satisfactory.

Generally, the Candidates performed well in questions relating to audit procedures, auditor's report, and audit opinion, and quality management. Most did not perform well in relation to the risk of material misstatements and detection risk. Unlike the previous examination sessions, Candidates did not perform well in questions relating to ethical issues.

Section 2

Analysis of individual questions

Question 1

Overall, Question 1 was the worst-performing question of the entire paper.

Question 1(a)

This question part tested Candidates' knowledge on the risk of misstatements arising from the accounting system, specifically in relation to revenue recognition.

Generally, Candidates did well with the sale of the maintenance package and correctly identified that the invoice amounts should be recognised as deferred revenue (or contract liability) instead of revenue. Candidates did not perform well on the sales of products and installation revenue. Some misunderstood that the installation is provided by third-party partners and should not be included in revenue. Some wrongly concluded that the delivery of products and the installation of the products should have been two separate performance obligations and should not be recognised as revenue together.

Question 1(b)

The question requirement tested the completeness assertion relating to the disclosure note. Candidates performed poorly, and this could be due to a lack of knowledge of the revenue disclosure requirements in SFRS(I)-15. Some described how the revenue amount could be wrong instead of focusing on the completeness of disclosure.

Question 1(c)

This question required the Candidates to explain why the interest expense for the year and loan payable at year end were likely to be understated. This is generally performed well with Candidates able to explain the lack of accrual of interest expense and payable because the first repayment is scheduled to be after the year end.

Question 1(d)(i) to (iii)

This question required Candidates to describe the test of details to be performed on the new loan drawn down date, the interest and principal repayment terms and the loan payable at year-end. Generally, Candidates performed satisfactorily.

Question 1(e)

Candidates were required to state two pieces of information (in addition to the principal amount, the repayment terms, the interest charges, and the carrying amount) that are required for disclosure purposes.

Generally, Candidates were able to identify at least one of them. Some Candidates indicated the reason for obtaining a loan, even though it is not part of the question requirement.

Question 1(f)(i) and (ii)

Candidates were required to describe audit procedures to be performed to confirm new employees are not paid prior to the start date and to confirm a pay rise of 3% during the year.

Generally, Candidates did satisfactorily. Some Candidates could have misunderstood the requirement and indicated audit procedures on the new employees' payroll without focusing on the requirement, i.e., they are not paid before the start date.

Question 2

Question 2(a)

Candidates were required to explain how an auditor reads the accounting policies in the prior year's audited financial statements of a new audit client. Weaker Candidates did not understand the objective and lost marks by writing about the need to audit whether the accounting policies adopted in prior financial statements were appropriate for the prior year financial statements.

Question 2(b)

Candidates were required to describe one audit procedure to be performed on opening balances that is to agree the prior year's closing balances to the current year's opening balances. The performance of the Candidates was generally weak, with many candidates not scoring marks for this question part.

Question 2(c)

The question requirement is for Candidates to describe one specific risk of material misstatement and one detection risk in relation to the audit of revenue.

Candidates did not perform well. Some did not use the specific information in the case and gave general answer such as the complexity and judgmental nature of the revenue recognition. Some confused the concept of risk of material misstatement and detection risk. Some did not attempt this question at all.

Question 2(d)

Candidates were asked to describe factors that contribute to the decision to use a low materiality for this particular audit engagement. Those who did not perform well did not use the specific information from the case, instead provided general factors such as weak internal controls and a history of misstatements, which were not part of the case scenario.

Question 2(e)(i) to (iv)

Candidates were required to state the appropriate audit opinion given four different independent scenarios. Most candidates performed well on this question part.

Question 2(f)

Candidates were required to provide a draft of the Other Matter paragraph, which mentioned that the prior period financial statements were audited by another audit firm, and were required to identify three deficiencies. Most Candidates were able to identify at least two deficiencies. Several Candidates suggested that the name of predecessor audit firm be included in the Other Matter paragraph. Some Candidates suggested that an explanation for the change in auditors be included in this paragraph, such information was not required.

Question 3

Question 3(a)(i) to (iii)

Question 3(a) tested Candidates' knowledge on quality management in relation to an engagement to audit financial statements. Candidates are required to identify and explain quality management deficiencies in relation to (i) the assembly of the

audit engagement team, (ii) the assignment of tasks and (iii) the direction, supervision and review activities in the audit engagement.

Most candidates performed well for part (i) and (ii). However, some Candidates mixed up the answer and application between (i) and (ii).

For part (iii), some Candidates explained the meanings and importance of direction, supervision, and review rather than discussing the specific deficiencies observed from the case.

Question 3(b)

The question required the Candidates to identify and explain the ethical issues in relation to the discount given because of the fees earned from other engagements such as tax and advisory work for the audit client.

Candidates' performance on this question was generally poor. Most were able to identify that offering a discount may give rise to a self-interest threat, which earned them one mark. However, they were unable to explain or further elaborate on the issue and its implications in line with the suggested solution.

Question 3(c)(i) and (ii)

This question required the Candidates to differentiate between an audit of financial statements and a review of financial statements, particularly in terms of assurance level and nature of procedures performed.

Most Candidates were able to identify and explain the differences in assurance level between audit and review of financial statements. However, some Candidates were not familiar with the procedures to be performed in a review of financial statements.

Question 3(d)

Candidates were required to describe the assurance conclusion from a review of financial statements. Candidates' performance on this question was generally poor, with most Candidates scoring zero marks. Many Candidates repeated the assurance conclusion applicable to an audit of financial statements when an assurance conclusion for a review of financial statements was required.

Question 4

Overall, Question 4 was the best-performing question.

Question 4(a)

This question required Candidates to provide two reasons why an auditor will be less willing to rely on management's valuation of the properties. Two marks are available for each explanation. Most Candidates were able to identify two relevant

reasons. However, the inadequate details in the explanation resulted in them not scoring the full marks.

Question 4(b)

This question required Candidates to provide three examples of the competence, capability and independence required of the valuation specialist. For each example, Candidates are required to explain how it contributes to the reliability of the valuation.

Candidates were generally better in providing relevant examples but did not clearly explain how these contribute to more reliable valuation.

Question 4(c)(i) to (iii)

Candidates were required to provide examples in relation to (i) facts, (ii) valuation approaches and (iii) assumptions considered by a property valuer in valuing a property.

Most Candidates provided relevant examples in relation to the fact about the property but performed poorly when providing examples in relation to valuation approaches and assumptions.

Question 4(d)

Candidates were required to explain why profit is likely to be overstated when the audit client switches from the cost of model in measuring owner-occupied properties to the revaluation model, as management intends to recognise the revaluation gain in the statement of profit or loss. Some Candidates stated that profit is likely to be overstated because the valuation gain is recognised in profit without explaining why it should not be recognised in profit.

Question 4(e)(i) to (iii)

Given that management refused to allow a valuation expert to value the properties, Candidates were required to (i) explain whether the issue is a limitation on the scope of audit or a misstatement, (ii) the implications on audit opinion if the effect is material but pervasive and (iii) if the effect is material and pervasive. Candidates generally did well. Some stated an adverse opinion is required when the effect is material and pervasive, even the issue is a limitation that warrants a disclaimer of opinion.