



Singapore CA Qualification (Foundation) Examination

4 December 2025

Assurance

INSTRUCTIONS TO CANDIDATES

1. The time allowed for this examination paper is **3 hours 15 minutes**.
2. This examination paper has **FOUR (4)** questions and comprises **TWENTY-ONE (21)** pages (including this instruction sheet, and Appendix A). Each question may have **MULTIPLE** parts and **ALL** questions are examinable.
3. This is a restricted open-book examination. You are allowed to have only the following materials with you at your exam location:
 - One A4-sized double-sided cheat sheet
 - One A4-sized double-sided blank scratch paper
4. During the examination, you are allowed to use your laptop and any calculators that comply with the ISCA's regulations. Please note that watches, mobile phones, tablets, and all other electronic devices **MUST NOT** be used during the examination and **MUST NOT** be within reach or sight or hearing from where you are seated to write the exam.
5. During the examination, videos of you and your computer screen will be recorded for the purpose of ensuring examination integrity and you have consented to these recordings.
6. This examination paper and all video recordings of this exam are the property of the Accounting and Corporate Regulatory Authority.

MODULE-SPECIFIC INSTRUCTIONS:

7. Assume that all dollar amounts are in Singapore dollar (S\$) unless otherwise stated.
8. Unless specified otherwise, assume that all the reporting entities in all the questions adopt, for all the relevant years, the Singapore Financial Reporting Standards (International) (SFRS(I)) that were issued by the Accounting Standards Council, the Singapore Standards on Auditing (SSA) and the Code of Professional Conduct and Ethics issued by the Institute of Singapore Chartered Accountants (ISCA) as at the date of this examination.

IMPORTANT NOTICE:

If you are not feeling well, please do not press “Start Assessment”. If you have started and leave during the exam, you would be deemed to have attempted the paper.

****VERY IMPORTANT NOTICE****

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1. Your question paper is attached under the "**Resource**" tab found at the bottom right of **EACH** question.

Other important information:

2. You will **only be allowed** to access the Excel function from your computer.
3. You are **NOT ALLOWED** to access any websites or reference materials (except for your A4 sized double sided cheat sheet) during the exam.
4. You are **NOT ALLOWED** to print the question paper.
5. **Please take note that your screen will be monitored throughout the examination. If you are found to have accessed unauthorised materials or websites, or if you cheat or attempt to cheat, you will be liable to severe disciplinary action.**

Should you encounter any issues during the exam, please call the following number:

+65 6028 9811

6. **You do not need to fill in an answer to this instruction question.**

Question 1 – (a) to (f)

You are an audit senior assigned to audit the financial statements of Big Fan Pte Ltd (Big Fan). The financial year ends on 31 March 2026.

Big Fan sells large, industrial fans for industrial use such as in factories, shipyards and energy plants. The **permanent audit files**, updated in prior year's audit, contain the following extracts about Big Fan's revenue:

“Big Fan imports the industrial fans from suppliers in China and sells to corporate customers in Singapore. Installation of these fans is complex and requires skilled labour. Depending on the configuration of the fans, installation can take one to two weeks to complete. Big Fan does not provide installation services; Big Fan's customers engage Big Fan's business partner to provide installation and maintenance service.”

The following draft figures are provided by Big Fan for audit planning purposes. The figures in the income statement are made up of actual figures (from 1 April 2025 to 30 November 2025) and projected figures (from 1 December 2025 to 31 March 2026).

	FY 2026 - Projected ('000)*	FY 2025 – Actual ('000)
Revenue	\$200,000	\$140,000
Cost of goods sold	\$75,000	\$70,000
Payroll expense	\$3,800	\$2,700
Interest expense	\$0	\$0
Loan payable at year end	\$10,000	\$0

*The figures in the income statement are made up of actual figures (from 1 April 2025 to 30 November 2025) and projected figures (from 1 December 2025 to 31 March 2026).

The following commentary is provided by the accountant of Big Fan:

- From 1 April 2025, Big Fan started providing installation and maintenance services to its customers. The installation charge and the annual prepaid maintenance are included in the same sales invoice for the sale of the product. The billing for installation charges and maintenance fees contributed to approximately \$50m of the revenue for the year. The accounting policies have been updated to reflect the sale of products and the installation service as one performance obligation and the maintenance service as another performance obligation. The accountant does not foresee any additional disclosure is required in the financial statements in relation to the change in sources of revenue.
- There is no change in the accounting system. Sales invoices are generated together with the delivery notes. Sales invoices are posted to the general ledger as revenue. There is only one revenue account in the general ledger.
- The increase in payroll expenses is mainly due to an average pay increase of 3% from 1 April 2025 and new hires for technicians to provide installation and maintenance services.
- A loan of \$10m was taken up on 1 July 2025 with Integrity Bank. The interest rate is 5% per annum. The interest is payable annually in arrears. The first interest payment is due on 30 June 2026. The principal will mature on 30 June 2028.

**e-Exam
Question
Number**

Question 1 required:

The audit engagement partner has preliminarily assessed the identification of the two performance obligations as appropriate.

2

(a) Explain why the recorded revenue is likely to be overstated.

Your answer should include:

- Two factors that could contribute to the overstatement of revenue. (4 marks)
- One assertion that is affected by the overstatement of revenue. (1 mark)

(5 marks)

3

(b) Explain why the revenue disclosure in the note to the financial statements is likely to be incomplete in relation to the performance obligations.

(5 marks)

4

(c) Explain why the interest expense in the income statement and the loan payable in the statement of financial position are likely to be understated. [Quantification of the misstatements is not required.]

(4 marks)

5

(d) For each of the following items, state **ONE** test of details to be performed:

- (i)** The loan drawdown date was 1 July 2025.
- (ii)** The interest rate and interest payment dates and principal repayment date.
- (iii)** The loan payable amount outstanding on 31 March 2026.

(3 marks)

**e-Exam
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6

Question 1 cont.

- (e) In addition to the principal amount, the repayment terms, the interest charges and the carrying amount, identify **TWO** further pieces of information that you would require about the loan for disclosure purposes.

(4 marks)

7

- (f) For each of the following procedure, describe **ONE** audit procedure to be performed:

- (i) New employees are paid from the date of commencement and not earlier.
- (ii) Existing employees received a pay increase of about 3% from 1 April 2025.

(4 marks)

(Total: 25 marks)

Question 2 – (a) to (f)

CCL Pte Ltd (CCL) is a construction firm specialising in 'Remove and Replace' (R&R), which is the process of dismantling existing structures or components and installing new ones in their place. You are the audit manager responsible for the audit of CCL's financial statements for the year ending 31 January 2026.

CCL is a new client of your firm. The predecessor auditor issued a qualified opinion on the financial statements for the year ended 31 January 2025. The audit report was issued on 28 February 2025. The reason for the qualified opinion was the inability to obtain sufficient appropriate evidence on the stage of completion of the R&R projects.

At the planning stage, you have obtained the following information from discussion with CCL management and a review of the predecessor auditor's working papers:

- CCL's construction in progress per month averages ten projects.
- CCL uses a standard billing schedule for all its contracts with customers:
 - 10% upon signing of agreement,
 - 50% upon delivery of all materials required for the R&R projects,
 - 40% upon acceptance and handover to customers.
- All contracts with customers are fixed fee.
- The R&R projects take between 6 months to 12 months to complete.
- CCL's accounting policy uses actual-cost-date as a percentage of total estimated cost for completion (cost-to-cost) method to determine the stage of completion of R&R projects.
- CCL has an existing loan payable which is due for repayment in three years. The loan has a covenant of minimum revenue and a minimum operating profit which CCL must meet at every financial year end. If the covenant is breached, the lender has a right to demand immediate repayment of the full amount outstanding. CCL's forecast revenue and operating profit for the year may or may not comply with the covenants.

**e-Exam
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Question 2 required:

SSA 510 *Initial Audit Engagements – Opening Balances* requires an auditor to review the predecessor auditor’s working papers. For an audit engagement, particularly for a new audit client, an auditor typically reads the accounting policies stated in the audited prior financial statements.

8

(a) Explain why an auditor reads the accounting policies stated in the audited prior financial statements. Two reasons are required.
(4 marks)

9

(b) In addition to reviewing the accounting policies and reviewing the predecessor’s audit work papers, describe an audit procedure to be performed on opening balances.

Your answer should include:

- The procedure to be performed (1 mark); and
- The objective of the procedure (1 mark)

(2 marks)

SSA 200 deals with the overall objectives of the auditor in conducting an audit of the financial statements, including the objective of obtaining sufficient appropriate audit evidence to reduce audit risk to an acceptably low level.

SSA 315 (Revised 2021) *Identifying and Assessing the Risks of Material Misstatement* requires an auditor to identify and assess the risks of material misstatement, whether due to fraud or error.

**e-Exam
Question
Number**

Question 2 cont.

10

- (c) Using the information above, describe **ONE** specific risk of material misstatement and **ONE** detection risk in relation to the audit of REVENUE.

Your answer should include a factor contributing to the risk of material misstatement and a factor contributing to the detection risk.

- One mark for identifying a relevant factor.
- Two marks explaining how the factor contributes to risk of material misstatement or detection risk.

(6 marks)

SSA 320 Materiality in Planning and Performing an Audit Conforming Amendments to Other SSAs requires an auditor to determine materiality for the financial statements as a whole, i.e. materiality level.

Your firm's audit methodology requires the materiality level for the audit of a construction firm such as CCL to be within the range of 1% to 2% of revenue. You have determined that materiality should be set at the low end of range, i.e. 1% of revenue.

11

- (d) Describe **THREE** matters that support the use of the lower end of the materiality range.

(6 marks)

Question 2 cont.

(e) State an appropriate audit opinion for each of the following scenarios. (The scenarios should be considered in isolation, i.e. independent of each other). You are **NOT** required to provide justification for the audit opinion.

(i) If the auditor is unable to obtain sufficient appropriate audit evidence regarding the opening balances which are material and pervasive.

(1 mark)

(ii) If the auditor concludes that the opening balances contain a misstatement that materially but not pervasively affects the current period's financial statements, and the effect of the misstatement is not appropriately accounted for or not adequately presented or disclosed.

(1 mark)

(iii) If the auditor concludes that the current period's accounting policies are not consistently applied in relation to opening balances in accordance with the applicable financial reporting framework. The effects are considered material and pervasive.

(1 mark)

(iv) If the auditor concludes the opening balances contain immaterial misstatements.

(1 mark)

**e-Exam
Question
Number**

Question 2 cont.

If the prior period financial statements of the prior period were audited by a predecessor auditor, in addition to expressing an opinion on the current period's financial statements, the auditor shall state so in an Other Matter paragraph in the auditor's report.

13

(f) Identify and explain **THREE** deficiencies in the following Other Matter paragraph.

(3 marks)

Other Matter

The financial statements for the year ended 31 January 2025 were audited by another audit firm.

(Total: 25 marks)

Question 3 – (a) to (d)

You are an audit manager in DEKP, an international audit firm, performing cold review on completed audit engagements as part of the firm's quality management system. You are reviewing the following documentation in relation to the audit of SMD, an overseas client audited by a network firm of DEKP.

Table 1

Engagement team member	Hours Planned	Actual Hours	Remark
Audit engagement partner (AEP)	20	8	Only the following working papers were signed off: impairment of PPE, expected credit loss assessment of receivables and provision for obsolete inventory.
Audit manager	40	0	On emergency sick leave
Audit senior	80	40	Acted as engagement manager Audited petty cash and cash at bank
Audit assistant A (AAA)	100	180	Audited PPE, including impairment and other balance sheet items
Audit assistant B (AAB)	100	150	Audited all income statement items

Both audit assistants are fresh graduates, and this is their first audit engagement. The audit senior is new to the firm, having joined the firm from DEKP's audit client as an accountant for three years. The AEP was the only one in the team with relevant experience in auditing the client industry.

The review of the audit working papers showed none of the audit team members signed off on the audit strategy and the audit planning memorandum (APM). Your discussion with the audit team members revealed the following information:

- The audit assistants reviewed each other's work.
- The audit senior was working on another audit engagement concurrently.
- The two audit assistants were left to keep each other on track and answer each other's questions about audit issues encountered.

The audit completion was delayed by three weeks.

SSQM 1 and SSA 220 provide guidance in relation to the firm's quality management system and the quality management for audit engagements.

**e-Exam
Question
Number**

Question 3 required:

14

(a) Discuss the deficiency in quality management in relation to:

(i) The assembly of the audit engagement team.

(4 marks)

(ii) The allocation of tasks to the audit engagement team members.

(3 marks)

(iii) The nature and extent of the following:

- Direction **(2 marks)**
- Supervision **(2 marks)**
- Review **(2 marks)**

Your review of the audit fee documentation showed that a discount was planned in the audit fee proposed to the client. The discount is given to take into consideration the fees earned from other engagements such as tax and advisory work for SMD.

15

(b) Identify and explain the ethical issues in relation to the discount given.

(4 marks)

**e-Exam
Question
Number**

Question 3 cont.

A potential client who is exempted from audit requests the SMD's AEP to perform a review of their financial statements. The AEP seeks assistance from you on this request while you were performing the cold review.

16

(c) Explain the differences between an audit of financial statements and a review of financial statements along the following dimensions:

(i) Assurance level. **(2 marks)**

(ii) Nature of procedures performed; two types of procedures in audit and two types of procedures in review.

(4 marks)

17

(d) Describe the assurance conclusion from a review of financial statements.

For example, the assurance conclusion from an audit of financial statement is "In our opinion, the financial statements are true and fair."

(2 marks)

(Total: 25 marks)

Question 4 – (a) to (e)

Very Artificial Intelligence Pte Ptd (VAI) is a company specialising in the development of Artificial Intelligence solutions and products for corporate customers.

The company is growing steadily and now occupies several office buildings that it owns. These owner-occupied properties are recorded using the cost model in FRS 16 – *Property, Plant and Equipment*.

In the audit planning meeting, management informed the auditor that it intends to use the revaluation model to value these properties. As most of these properties have appreciated in their market value, management believes the revaluation model will strengthen VAI's reported financial position and boost the reported financial performance.

This will help greatly in the upcoming negotiation of share issues to new investors. To save costs, management intend to value these properties themselves.

The VAI accountant intends to record the revaluation gain on these properties in the income statement.

**Exam
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Question 4 required:

18

- (a) Explain why an auditor will be less willing to rely on management's valuation of the properties. Your answer should include **TWO** reasons.

(4 marks)

Management is advised to engage a valuation specialist to determine the fair value of the properties. Management should consider the competence, capability and objectivity of the valuation specialist.

19

- (b) Provide **THREE** examples of the competence, capability and independence required of the valuation specialist. For each example, explain how it contributes to the reliability of the valuation.

(6 marks)

When reviewing the valuation report provided by the valuation specialist, the auditor should consider the facts, valuation approaches, and assumptions used by the valuation specialist.

20

- (c) Provide **TWO** examples for each of the following:
- (i) Facts (for example, the age of a property)
 - (ii) Valuation approaches
 - (iii) Assumptions

(6 marks)

**Exam
Question
Number**

Question 4 cont.

21

(d) Explain why profit is likely to be overstated when VAI switches to the revaluation model as described by the management.

(4 marks)

22

(e) If management refuses to engage a valuation specialist (i.e. management expert) and refuses to pay the fee for the auditor to engage a valuation specialist (i.e. auditor's expert) for the property valuation:

(i) Explain whether the issue is a misstatement or a limitation.

(1 mark)

(ii) Suggest an appropriate audit opinion if the issue is considered to be of material **BUT NOT** pervasive effect and briefly describe the suggested audit opinion.

An example of a description of unmodified opinion is: In our opinion, the financial statements are true and fair.

(2 marks)

(iii) Suggest an appropriate audit opinion if the issue is considered to be of material **AND** pervasive effect and briefly describe the suggested audit opinion.

(2 marks)

(Total: 25 marks)

END OF PAPER

Appendix A – Common verbs used by the Examiners

Verb	Description
Describe	Describe requires you to provide the characteristics and features of an item or situation. For instance, “ Describe the audit procedures to verify ...” requires you to state the specific audit procedure/s that you would use without going into step-by-step detail of how to perform that procedure.
Determine	Ascertain or conclude after analysis and evaluation the most appropriate course of action or most correct answer from a range of viable alternatives.
Discuss	<p>Discuss requires you to provide the for and against arguments, you cannot have a discussion without opposing views otherwise it would be just a conversation. If discuss is placed near the front of the instruction, then it requires you to provide an answer that is similar to explain, but addresses both the for and against arguments. For instance, “Discuss why numerical valuation is essential when buying or selling a small business”.</p> <p>However, if there is a statement and discuss is placed at the end, your answer <u>must be</u> in the form of <u>an essay</u> with the following elements:</p> <ul style="list-style-type: none"> • An introduction, which declares whether you agree, disagree, partly agree, or partly disagree with the statement; • The body of your answer, stating: i) Why it is possible to agree <u>and</u> ii) why it is possible to disagree with the statement. You should provide examples to support both points of view; and • A conclusion that proves your original position. <p>An example of a discuss question that requires an essay style answer would be “Numerical valuation is not essential when buying or selling a small business because the actual selling price is the outcome of negotiation. Discuss”.</p>
Explain	Explain requires you to write at least several sentences conveying how you have analysed the information in a way that a layperson can easily understand the concept or grasp the technical issue at hand.
Evaluate	Pass judgment on or provide your opinion based on the facts at hand. When making an evaluation , there are often predetermined criteria that you will use to base your opinion on. The key here is to give your opinion or make a judgment of the facts, but providing just a description of the facts is insufficient. Professional judgment and scepticism (a questioning mind) are called for when making an evaluation . Examine and Evaluate have similarities.

Verb	Description
Identify	<p>Identify is similar to list, but requires you to also provide an explanation as to why the item/s that you have identified is/are relevant to the facts given in the question.</p> <p>Often identify will require you to select a specific issue or issues, but not all issues, so you need to look out for any qualifying words. For instance, “Identify the <u>Board Matters</u> ...” is asking you to focus solely on issues that relate to Board Matters from the Singapore <i>Code of Corporate Governance</i> so if you digress and identify remuneration issues, you will not score well. Another example is “Identify the companies that qualify as members of a group for the purposes of group tax relief”. In order to score well in this second example, you need to identify the companies and state why they are included in the group. You also need to state if a company is not included and why.</p>
Quantify	<p>Provide a <u>numerical value</u> (an exact calculation) or a <u>range of values</u> (upper/lower limits, average, likely values, etc.). For instance, “Quantify the misstatement in the ‘investment in subsidiary’ in the Statement of Financial Position” or “Quantify the adverse direct materials variance cost”. As with calculate and compute, you should always show your workings and crosscheck your numbers.</p>
State	<p>State is similar to list, but the items require your professional judgement. For instance, “State any restrictions that apply”. One of the easiest ways to make sure that you state comprehensively is to think, “list and justify”. You will note that state appears in many of the verb descriptions given.</p>