

## SINGAPORE CA QUALIFICATION EXAMINER'S REPORT

**MODULE:** Assurance (AS)

**EXAMINATION DATE:** 8 December 2025

### **Section 1**

#### **General comments**

The overall performance for the December 2025 exam was similar to previous examinations.

Candidates demonstrated stronger performance on topics that were more common and less complex, including (i) accounting for research and development expenditures and inventory obsolescence; (ii) articulating control deficiencies and proposing improvements; (iii) detecting anomalies within transactional data; and (iv) describing ethical threats.

The key technical topics underlying the weaknesses in Candidates' performance included evaluation of risks using the 3-point response scale, audit risk assessment and the linkage between risks and audit procedures, recognition versus disclosure of provisions and contingent liabilities, testing of management assumptions, directional testing and audit assertions (tracing versus vouching), and revenue recognition principles.

Areas for improvement and advice:

- Apply concepts in context: Link technical knowledge directly to the case facts and demonstrate how principles are applied in the specific scenario, rather than providing generic statements.
- Explain and justify conclusions: Clearly state what the issue is, why it arises, and support conclusions with logical reasoning and appropriate evidence.
- Propose risk-focused audit procedures: Suggest specific, evidence-based procedures that directly address the identified risks and relevant audit objectives.
- Demonstrate professional judgement: Show how risks are evaluated and appropriate responses selected, rather than making unsupported assertions.
- Structure answers clearly: Use clear, logical sequencing and, where appropriate, brief examples to enhance depth and clarity.
- Answer according to marks allocated: Ensure responses reflect the marks available; for example, a four-mark question typically requires four distinct, relevant points, each clearly explained, rather than one or two brief statements.

**Section 2**  
**Analysis of individual questions**

**Question 1**

**Question 1(a)(i)**

While most Candidates correctly identified the three inherent risk factors required by the standards, the depth of application varied significantly.

**Subjectivity:** Performance was strongest here. Most Candidates correctly identified a high-risk rating, successfully linking it to the extensive reliance on management's personal experience and the lack of objective valuation models, which inherently increases the risk of management bias.

**Estimation Uncertainty:** A substantial number of Candidates erroneously rated this as High. The common error was attributing high risk to general market volatility and rapid technological shifts. In doing so, Candidates failed to account for the specific mitigating facts in the case: the short inventory turnover period (6 months) and access to current competitor pricing. These factors reduce the likelihood of significant market changes occurring before the inventory is sold, thereby justifying a Low to Moderate rating.

**Complexity:** This factor was frequently misunderstood and incorrectly rated as High. Many Candidates mistook high sales volumes, a wide product range, and short inventory turnover as indicators of a complex valuation process. However, they failed to recognize that the valuation methodology itself is simple and straightforward, involving a direct comparison against external benchmarks (competitor prices) rather than intricate mathematical models or specialized skills, warranting a Low to Moderate rating.

**Question 1(a)(ii)**

Performance was generally satisfactory, with most Candidates correctly identifying a relevant control deficiency. Most Candidates were able to correctly identify and explain one of the following control risk factors:

- **Lack of verification of competitors' prices:** The Accountant failed to independently verify that the competitor pricing data gathered by staff reflected the most current market information. This control failure increases the risk that Pluto fails to react to significant market price declines. Consequently, inventory may become slow-moving or unsellable, leading to an overstatement of the Net Realisable Value (NRV) and an understatement of the required impairment.
- **No regular review of inventory aging report:** There was no regular or timely review of inventory aging reports by management, leading to slow-moving or obsolete inventory items that may go unnoticed. This oversight results in

the delayed recognition of write-downs, leading to the understatement of inventory impairment losses.

#### **Question 1(a)(iii)**

Performance for this question was weak. Most Candidates relied almost exclusively on inquiry of management to test assumptions regarding future discount variations. This approach is insufficient, as inquiry alone provides low-reliability audit evidence for subjective management beliefs and must be corroborated with independent data.

Candidates did not suggest a review of post-year-end sales. Such a review is an objective method to validate whether year-end assumptions regarding net realizable value and planned discounts were realistic in practice. Additionally, the use of external and market data was limited. Only a small minority of Candidates suggested using independent benchmarks, such as competitor announcements or industry periodicals, to identify trends that could affect the saleability of Pluto's inventory. Auditors should inspect industry periodicals and websites for current trends and information to validate management's assumptions with data from manufacturers and competitors.

#### **Question 1(a)(iv)**

Most Candidates were able to identify audit procedures to ascertain that the data in the spreadsheet is accurate. However, a handful of Candidates confused the verification of data integrity with the assessment of management's assumptions. The question specifically required audit procedures to ascertain that the raw data within the spreadsheet, such as unit costs, sales prices, and dates, was accurate.

A common error was the proposal of substantive analytical procedures or market research, which are appropriate for testing "reasonableness" but do not address the accuracy of the data entry itself. Many Candidates failed to identify the specific source documents required for vouching and matching, such as agreeing the unit cost of inventory in the spreadsheet to supplier invoices or official inventory records.

Weaker responses often utilized vague terminology, such as "checking the cost," without naming the specific point of origin or the document required to confirm that the data was accurately recorded.

#### **Question 1(b)(i) & (ii)**

Overall, Candidates demonstrated a good understanding of the question requirements, as reflected by the generally high marks achieved. Most responses addressed the need to perform checks and assess the reasonableness of the discount rate. However, few Candidates provided only generic statements (e.g. "perform checks" or "assess whether the discount rate is reasonable") without explaining how this should be done. These Candidates did not specify appropriate procedures, such as comparing the discount rate against industry averages, market

data, or observable benchmarks, indicating a partial misunderstanding of the depth required.

### **Question 1(c)(i)**

Almost all Candidates correctly identified the relevant risks and were able to clearly articulate why these constituted risks, demonstrating a strong understanding of the requirements. Few Candidates identified a self-interest threat, and these responses were generally from the weaker Candidates, indicating a gap in understanding of ethical threat classifications.

### **Question 1(c)(ii)**

Candidates' understanding of the requirement, which is to identify appropriate safeguards or actions, was comparatively weaker. Several Candidates suggested declining or not accepting the engagement without fully considering the specific circumstances or whether the identified threats could be adequately addressed through appropriate safeguards. This indicated a tendency to provide overly conservative responses rather than applying professional judgment to the scenario.

### **Question 1(d)**

Overall, Candidates demonstrated a basic understanding of the auditor's responsibilities when encountering fraud. Most Candidates correctly identified the need to report the matter to Those Charged with Governance (TCWG), indicating awareness of the appropriate reporting requirement. However, this was not the best-answered question. While the key point was commonly identified, many responses lacked depth and completeness, with limited discussion of other relevant actions or considerations expected of the auditor. As a result, answers tended to be narrow in scope, focusing primarily on reporting to TCWG without fully addressing the broader requirements.

## **Question 2**

### **Question 2(a)**

Many Candidates do not know that the updated SSA600 (revised) removed the requirement to identify significant components in a Group audit. Those Candidates discussed the incomplete approach of only using 15% of profit before tax and suggested other benchmark and considerations for identifying significant components.

To score well, Candidates should also explain the starting point for group auditors when applying the risk-based approach under the updated SSA600 (revised).

### **Question 2(b)**

Most Candidates can correctly identify and explain the risk factor relating to the special bonus scheme and the related inherent risk at the financial statements level. However, many Candidates struggled to provide the appropriate responses from the Group auditor to address this risk. Candidates should focus on suggesting appropriate responses from the perspective of the Group auditor.

### **Question 2(c)**

Some Candidates demonstrated a good understanding of inherent risks and effectively identified risk factors associated with revenue recognition principles, provisions, and research and development costs. Additionally, they were able to recognize control deficiencies and articulate the related risk implications.

However, many Candidates who showed limited skill in analysing and synthesising information, often pointed out that there was a problem without clarifying why it was incorrect or how the error related to the details of the case. For instance, when discussing revenue recognition principles, some would state that revenue could be recorded incorrectly, rather than describing whether it was recognised too early or without meeting the necessary criteria, as indicated by the scenario. These responses lacked proper explanation and showed little ability to connect technical concepts to the facts presented.

### **Question 2(d)**

When suggesting audit procedures, Candidates' responses were often superficial, commonly limited to generic actions such as "challenging management's assumptions" or "asking management", which were frequently presented as standalone procedures. Such answers lacked depth and failed to demonstrate an understanding that effective audit procedures must be evidence-based, sufficiently specific, and responsive to the identified risks, rather than relying primarily on management representations.

For example, many Candidates stated that the auditor should "challenge management's assumptions" without explaining how this would be supported by audit evidence, failing to recognise that such challenges must be based on sufficient and appropriate contradictory evidence. Higher marks were awarded to responses that proposed specific, evidence-based procedures, such as discussing with the project manager to understand expected launch dates, demand forecasts, and potential project completion issues. Similarly, Candidates often stated that the auditor should "review supporting documents" without specifying what those documents were or how they would address the audit risk.

A further weakness observed was Candidates' confusion between the direction of audit testing, specifically tracing versus vouching, and the related audit objectives. While many Candidates correctly identified the control deficiencies that increased the risk of errors in the payroll spreadsheet, they failed to align their procedures with

the relevant assertion. Appropriate responses focused on vouching payroll data in the spreadsheet to source documents, such as hours worked to timesheets and employee details to HR records, to test the validity and occurrence of payroll transactions. However, some Candidates instead suggested tracing payroll figures to payslips or bank statements, which only tests whether wages recorded were paid (completeness of payment) and does not address whether the payroll data itself was accurate.

In addition, some Candidates showed a misconception of appropriate audit responses to control deficiencies, incorrectly suggesting improvements to controls or tests of controls, rather than recognising that such deficiencies require auditors to reduce reliance on controls and perform substantive procedures, particularly tests of details.

### **Question 2(e)**

Most Candidates can correctly identify at least one matter which the group engagement partner may consider in determining whether the component auditors have the appropriate competency and capability.

Candidates should focus on considering the competency of the component auditors from the perspective of the group auditor, especially at the planning stage.

Some Candidates incorrectly identified the component auditors' compliance with independence and ethical requirements as the required consideration for competency and capability.

### **Question 3**

#### **Question 3(a)**

This is a practical question which tests Candidates' data analytical skills. Generally, it was well attempted by the Candidates with majority of them obtaining more than half of the marks.

However, there are also clear gaps identified as follows:

- Candidates did not read the question carefully - they were asked to identify "pairs of transactions". However, several Candidates identified only single transaction for each investigation point.
- Depth of thinking - when asked to provide reason for the investigation, majority explained what went wrong, e.g. GRN date before PO date, which was wrong. But they failed to analyse the reason (e.g. orders may not have been approved before they are received) and potential impact on financial statements (e.g. risk of unauthorised purchases, overstatement of expenses, recording transactions in the wrong accounting period etc).

### **Question 3(b)**

Most Candidates answered this question well, as they were able to identify the issues raised and suggested improvements to internal controls.

However, it appeared that numerous Candidates lack sufficient IT knowledge or a clear understanding of accounting software. Their responses often relied on textbook theory or manual processes learned at work, indicating limited familiarity with accounting software.

Some Candidates presented their answers in table format, which generally helped them stay focused on the questions and provided direct responses. In contrast, those who wrote lengthy paragraphs sometimes lost focus and failed to address the specific issues identified.

### **Question 3(c)**

While most Candidates understood what was required, many were not very familiar with writing the necessary audit procedures. Candidates could identify the relevant issues, but a few got confused when responding and treated “purchase controls and process” as if they were sales procedures. This confusion about their role—whether as buyer or seller—became problematic and led to weaknesses in these Candidates’ answers.

### **Question 3(d)**

This question was typically addressed with Candidates demonstrating the ability to discuss situations or scenarios that may result in adjusting or non-adjusting events. While most Candidates were able to analyse both perspectives and share their views, they often failed to provide a definitive conclusion or clearly state their position regarding whether the event should be classified as adjusting or non-adjusting, or whether the opinion should be qualified or unqualified.