

Singapore CA Qualification Examination**8 December 2025****Assurance****INSTRUCTIONS TO CANDIDATES**

1. The time allowed for this examination paper is **3 hours 15 minutes**.
2. This examination paper has **THREE (3)** questions and comprises **TWENTY-TWO (22)** pages (including this instruction sheet). Each question may have **MULTIPLE** parts and **ALL** questions are examinable.
3. This is an open-book examination. 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.
4. 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.
5. This examination paper and all video recordings of this exam are the property of the Accounting and Corporate Regulatory Authority.

MODULE-SPECIFIC INSTRUCTIONS:

6. Assume that all dollar amounts are in Singapore dollar (S\$) unless otherwise stated.
7. 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 as at 1 January 2025.

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.

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****VERY IMPORTANT NOTICE****

1. Your question paper is attached under the "**Resources**" tab found at the bottom right of **EACH** question.
2. You may also download the question paper that allows annotation throughout your exam in Question 1 of the e-Exam portal.

Other important information:

3. You will be allowed to access your reference materials but **will not be allowed** to communicate with anyone either physically or through any electronic means.
4. You are **NOT ALLOWED** to access any websites during the exam.
5. You are **NOT ALLOWED** to print the question paper.
6. **Please take note that your screen will be monitored throughout the examination. If you are found to have accessed any 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 numbers:

+65 6028 9811

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

Question 1 – (a), (b), (c) and (d)

Pluto Pte Pte Ltd (“Pluto”) specialises in the sale of various types of laptops, targeting distinct customer segments with tailored product offerings and pricing strategies. You are performing the audit of its financial statements for the year ended 31 December 2024. The company offers a range of laptop products, including gaming laptops, business laptops, and budget/consumer laptops.

Gaming laptops cater to gamers and content creators, featuring high-performance hardware with a moderate inventory turnover of 4–6 months, as premium pricing limits demand. Business laptops serve professionals and remote workers, emphasizing durability and security, with a steady turnover of 3–5 months, driven by corporate bulk purchases and regular upgrades. Budget/consumer laptops target students and general users, offering affordable computing solutions with a high turnover of 1–3 months, as they appeal to a broad market and experience frequent replacements.

The highly competitive laptop market forces sellers to offer strategic discounts to drive sales. Budget laptops face intense price wars, leading to frequent promotions and discounts of 10–30% to attract cost-conscious buyers. Business laptops see moderate discounts of 5–20%, as corporate clients prioritize reliability over price. Gaming laptops, being premium products, generally have lower discounts of 5–15%, though older models may receive deeper price cuts to clear inventory before new releases.

You have identified that the value of some laptops held by Pluto may become impaired. As a result, there may be a need for, or changes in, an allowance for inventory impairment to record impaired inventories at the lower of cost and net realizable value.

When establishing appropriate estimated net realizable values for the laptops, management has concluded there is no need for specialised skills or expertise beyond their own, as they have an in-depth knowledge of the products they deal in and monitor market developments. Management does not need to use models to estimate values as their judgement is informed by their experience of which laptop models are currently selling well or poorly, and their knowledge of deep discounting of previous slow-moving items by themselves and by their competitors. Other than relying on their experience

of the industry, management also relies on other methods in making the accounting estimates, such as reading industry periodicals to stay up to date on industry trends, new products, and best practices, and reviewing competitors' advertisements to understand which laptop models their competitors are offering at discounted prices.

A member of the accounts staff, under the supervision of the accountant, maintains a bi-weekly spreadsheet tracking competitor pricing across various laptop models. These prices are sourced from the catalogues of major retailers as well as selected websites representing smaller retailers offering laptops for sale. The accountant reviews the collected competitor pricing data provided by the accounts staff, but does not independently confirm that these prices reflect the most current information available. Management is responsible for setting discount levels for each product category. While the accounting system is equipped to generate inventory aging reports, such reports are produced only infrequently and solely upon management's request.

Below is the spreadsheet containing information about competitors' prices and the company's cost and pricing information for the different laptop models during the last two weeks of December 2024.

Product Group	Model	Unit Cost	Unit Sales Price before discount	Discounts	GRN Date	Retailer 1	Retailer 2	Retailer 3	Website 1	Website 2	Website 3
Gaming Laptops	Model A	\$1,200	\$1,500	5%	13.10.24	\$1,450	\$1,475	\$1,500	\$1,430	\$1,460	\$1,490
Gaming Laptops	Model B	\$1,800	\$2,200	5%	05.08.24	\$2,150	\$2,175	\$2,200	\$2,130	\$2,160	\$2,190
Gaming Laptops	Model C	\$2,600	\$3,000	5%	11.09.24	\$2,650	\$2,775	\$2,670	\$2,730	\$2,760	\$2,690
Business Laptops	Model D	\$900	\$1,200	5%	28.07.24	\$1,150	\$1,175	\$1,200	\$1,130	\$1,160	\$1,190
Business Laptops	Model E	\$1,100	\$1,500	5%	16.09.24	\$1,450	\$1,475	\$1,500	\$1,430	\$1,460	\$1,490
Business Laptops	Model F	\$1,300	\$1,700	5%	11.12.24	\$1,650	\$1,675	\$1,700	\$1,630	\$1,660	\$1,690
Budget Laptops	Model G	\$480	\$600	10%	08.03.24	\$540	\$540	\$540	\$540	\$540	\$540
Budget Laptops	Model H	\$400	\$650	10%	25.11.24	\$600	\$625	\$650	\$580	\$610	\$640
Budget Laptops	Model I	\$450	\$700	10%	21.10.24	\$650	\$675	\$700	\$630	\$660	\$690

Management presumes that the applied discount levels will facilitate the sale of inventory at targeted prices over time. It is further assumed that any anticipated new product releases will not hinder Pluto's ability to sell its inventory at these discounts, and that no unforeseen significant market condition changes will materially impact year-end inventory sales.

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Question 1 required:

(a) With reference to the case study above:

(i) **Explain** the inherent risk of material misstatement of the valuation of allowance for inventory impairment, in terms of estimation uncertainty, complexity and subjectivity. In the explanation of each inherent risk factor, rate whether you consider it to be high, moderate or low and provide the reasons for the rating.

(6 marks)

(ii) **Identify and explain ONE** control risk factor that could increase the risk of material misstatement of the valuation of the allowance for inventory impairment.

(2 marks)

(iii) **Identify and explain TWO** audit procedures to test whether significant assumptions made by management are appropriate in the context of applicable financial reporting framework.

(4 marks)

(iv) **Identify FOUR** audit procedures to ascertain that the data in the spreadsheet is accurate.

(6 marks)

Question 1 cont.

- (b) Suppose that management has not produced a range of possible outcomes to cover possible variations in the discounts that may ultimately be applied as they believe that such variations will be limited and not have a significant impact on the allowance.

You have obtained an understanding of management's basis including what are the input variables and conclude that further audit procedures are needed to ascertain the reasonableness or validity of management's belief.

- (i) **Describe ONE** audit procedure that the auditor should perform to ascertain the reasonableness or validity of management's belief.

(2 marks)

- (ii) Based on the given spreadsheet, **identify and explain TWO** laptop models whereby further discounting is necessary.

(4 marks)

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Question 1 cont.

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(c) Suppose that the accounts staff who maintains the spreadsheet of competitor prices for Pluto has resigned. Pluto has requested to loan a personnel from your audit team to perform inventory accounting for one year.

(i) Identify and explain ONE ethical threat which may affect the independence of the audit team.

(3 marks)

(ii) Identify ONE safeguard or action your audit firm should take.

(1 mark)

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(d) Suppose you have identified information that suggests a potential fraud involving a member of the management. **Describe** your communication and reporting responsibilities as the auditor (excluding the audit report) assuming no prohibition by law or regulation.

(4 marks)

(Total: 32 marks)

Question 2 – (a), (b), (c), (d), and (e)

You are an audit manager of Tan & Lee LLP, working on the audit of the Tech Innovators Group (the Group), which has a financial year ended 31 September 2025. The Group, a listed entity, consists of Tech Innovators, the investment holding company that holds 100% ownership of four subsidiaries Smart Devices, Green Energy Solutions, MedTech and FinTech. The Group specializes in developing cutting-edge software solutions for a variety of industries, including healthcare, finance, and renewable energy.

Background

The nature of the activities performed by the entities within the group is as follows:

- Smart Devices Pte Ltd focuses on designing and manufacturing smart homes.
- Green Energy Solutions Pte Ltd specializes in producing solar panels, wind turbines, and energy storage systems.
- MedTech Innovations Pte Ltd operates within the healthcare industry, focusing on developing advanced medical devices and diagnostic tools.
- FinTech Ventures Pte Ltd is the subsidiary developing and providing innovative financial services such as mobile banking apps and blockchain-based payment systems. 50% of FinTech's employees are freelancers who are paid based on hours worked.

Materiality at Group level

The following table presents the Group Materiality and Performance Materiality determined during the planning stage of the audit. Description	Amount \$'000	Basis
Group Profit before tax (PBT)	213,500	
Group materiality	10,600	5% of Group PBT
Group clearly trivial threshold	530	5% of Group materiality
Group performance materiality	7,950	75% of Group materiality

Profit before tax

The following table presents the profit before tax figures of the parent company and its subsidiaries.

	Parent Co Tech Innovators	Subsidiary Smart Devices	Subsidiary Green Energy	Subsidiary MedTech	Subsidiary FinTech
	\$'000	\$'000	\$'000	\$'000	\$'000
Profit before tax	-5,000	2,700	113,400	100,100	2,300

Suggestion from audit junior

A junior member of the audit team suggested that, as the group auditor, the team should apply a 15% threshold to the group profit before tax (\$32,025) to identify significant components. Based on the above table, the audit junior argued that the group auditor should designate the subsidiaries Green Energy and MedTech as significant components and instruct the component auditors to perform “full scope” audits of these two subsidiaries. As for the parent company and the subsidiaries Smart Devices and Fintech, they should be considered as insignificant components and no further audit procedures are required.

Risk assessment

As the group auditor, you made inquiries with group management and discussed with the component auditors to obtain the following information about the group and its subsidiaries.

Special bonus scheme

Effective from this financial year, the Group has implemented a special bonus scheme for senior managers and above. Participants are eligible to receive a special bonus payment contingent upon the achievement of specified targets. This scheme is applicable across all Group companies, with certain targets tied to profitability and others linked to non-financial metrics such as operational efficiency. Under the terms of the scheme, participants may earn a special bonus payment up to a percentage of their salary.

Smart Devices

In September 2025, the management of Smart Devices has announced its decision to shut down a division in Country X and make the workforce of one hundred employees redundant. Country X's labour law provides strong protections for workers, including mandatory severance pay, long notice periods, strict rules around dismissals, and significant involvement of employee representatives in decisions like layoffs. The management and the employee representatives are still in negotiation to determine the final amount of redundancy payment, which is expected to be finalised in two months' time.

Green Energy

Green Energy caters to commercial and industrial clients who require bespoke solutions to meet their unique energy needs. Their contracts usually include lump sum project fees that cover customization, manufacturing, delivery, installation, and performance testing services.

Green Energy's revenue recognition policy is described as follows:

- Customization and Manufacturing: Revenue is recognized over time using the cost-to-cost method to estimate the percentage of completion, as the turbines are customized and manufactured to customer specifications.
- Delivery and Installation: Additional revenue is recognized upon delivery and successful installation of the turbines at the customer site.
- Performance Testing: A portion of the revenue is deferred until the turbines pass performance tests and are fully operational.

MedTech

Since January 2025, MedTech has commenced development of a new AI-enabled medical device, and incurred expenditure of \$16.8 million up to the financial year end, which has been capitalized as an intangible non-current asset. The Group's Finance Director explains that MedTech has completed the initial research phase and determined that the device can be successfully developed and implemented. Its management is committed to fully developing and commercialising the device and expects the device to generate long-term revenue through sales and licensing fees.

Due to the sensitive nature of the development project, the only available audit evidence for your examination is a written representation from management stating that the development of the new product is expected to be successful.

FinTech

Susan, an employee at FinTech, is responsible for payroll processing and maintains all payroll records in spreadsheets. These records include the salary details such as hours worked and hourly rates, and bank account numbers of employees. Each month, after calculating the salaries for FinTech's 500 employees, she forwards the spreadsheets to her supervisor for approval via email. The supervisor typically approves by inserting her e-signature in the spreadsheets and returns the signed spreadsheets to Susan via email, within half an hour. Upon receiving the email approval, Susan forwards the signed spreadsheets to an outsourced company and gives instructions to make salary payments to the employees.

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Question 2 required:

- 6** **(a)** Based on SSA 600 (Revised), **explain** to the audit junior why his suggestion of applying a 15% threshold to the profit before tax to identify significant components is not appropriate.
(3 marks)
- 7** **(b)** Using the risk-based approach described in SSA 600 (Revised), **identify and explain ONE** risk factor leading to risk of material misstatement at the financial statement level. **Suggest TWO** appropriate responses from the Group auditor to address this risk.
(4 marks)
- 8** **(c)** Using the risk-based approach as described in SSA 600 (Revised), **identify and explain FOUR** risk factors leading to risk of material misstatement at the assertion level.
(14 marks)
- 9** **(d)** For **EACH** of the risk factors identified in **part (c)**, **suggest TWO** audit procedures to address the risk of material misstatements.
(12 marks)

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Question 2 cont.

- (e) SSA 220 (Revised) provides guidance regarding matters the engagement partner may take into consideration when determining the competence and capabilities of the engagement team.

Identify TWO matters that the group engagement partner may consider in determining whether component auditors have the appropriate competence and capabilities to perform the assigned audit procedures at the component.

(2 marks)

(Total: 35 marks)

Question 3 – (a), (b), (c), and (d)

Mars Manufacturing Pte Ltd (Mars) is a mid-sized company based in Singapore, producing precision metal components for clients in the electronics and automotive sectors. Some high-value precision metal components produced by Mars, such as gears, housings, and couplings, are made from titanium or stainless steel that can be resold in the second-hand market. Smaller manufacturers and repair shops often buy these parts to cut costs, especially when the components are still within tolerance and in good condition.

You are the audit senior responsible for the statutory audit of Mars for the year ended 31 December 2025. As part of your risk assessment, you are reviewing the company's purchasing process and evaluating the internal control systems.

As Mars expanded, it developed its own in-house purchasing and accounting system to support its business. However, the system lacks some of the embedded controls found in commercial enterprise resource planning (ERP) platforms, resulting in greater reliance on manual checks and staff oversight.

Mars's purchasing process based on its standard operating manual

When stock levels fall below the minimum threshold, the Warehouse Manager, Ali Rahman, raises a purchase requisition. The requisition is routed to Suri Tan, the Purchasing Manager, for review. If the total value exceeds SGD 10,000, the Purchasing Director, Jason Ong, must approve it.

Jason Ong maintains the approved supplier list in a spreadsheet, and any request to add a new supplier requires supporting documentation such as Accounting and Corporate Regulatory Authority (ACRA) registration documents. Only Jason has the authority to approve supplier onboarding.

Once the purchase requisition is approved, Suri selects a supplier from the approved list and obtains quotations. A formal purchase order is created and sent to the supplier. Orders under SGD 10,000 are approved by Suri, while higher-value purchases require

Jason's approval. The system auto-generates the purchase order number, and once issued, it cannot be altered.

Upon delivery, the Warehouse Manager inspects the goods against the supplier delivery note. If the items are in order, a Goods Received Note (GRN) is created in the system. Discrepancies or damaged goods are recorded and reported.

Invoices are received by Accounts Payable Accountant Thomas Chua, who matches them manually to Purchase Orders (POs) and receiving records. After verification, he records the invoice in the ledger. Chief Accountant Aisha reviews entries and oversees supplier reconciliations and monthly ageing reports.

You have obtained THREE (3) Microsoft Excel spreadsheets:

- Purchase order listing covering the period from 27 November to 24 December 2025 (provided in Appendix A).
- Employee details as at 31 December 2025 (provided in Appendix B).
- Approved Supplier List as at 31 December 2025 (provided in Appendix C).

Appendix A - Purchase order listing from 27 Nov to 24 Dec 2025

Txn Number	Purchase Order Date	Invoice Post Date	Goods Receipt Date	Vendor Name	Amount	Units	Items
10101	27/11/2025	9/12/2025	2/12/2025	Prime	\$12,793	80	Flanges
10102	28/11/2025	10/12/2025	3/12/2025	Metronix	\$19,842	80	Threaded inserts
10103	30/11/2025		5/12/2025	Vertex	\$14,256	50	Mounts
10104	30/11/2025	12/12/2025	5/12/2025	ZenMet	\$15,126	80	Brackets
10105	3/12/2025	8/1/2026	8/12/2025	TechForge	\$7,618	50	Couplings
10106	4/12/2025	16/12/2025		Nova	\$6,235	50	Service Fees
10107	8/12/2025	14/12/2025	13/12/2025	HydroMet	\$14,688	100	Sensor housings I
10108	8/12/2025	15/12/2025	11/12/2025	Strato	\$10,831	50	Shafts
10109	9/12/2025	19/12/2025	3/12/2025	SingMet	\$13,742	50	Spur Gears
10110	10/12/2025	18/12/2025	15/12/2025	Prime	\$12,793	80	Flanges
10111	11/12/2025		19/12/2025	Vertex	\$14,256	50	Mounts
10112	12/12/2025	20/12/2025	17/12/2025	Fusio	\$13,059	100	Spacers II
10113	12/12/2025	22/12/2025	17/12/2025	AccuFab	\$9,917	50	Sensor housings I
10114	12/12/2025	22/12/2025	17/12/2025	AccuFab	\$9,917	50	Sensor housings I
10115	12/12/2025	24/12/2025		Nova	\$11,984	50	Service Fees
10116	16/12/2025	23/12/2025	19/12/2025	Axis	\$16,487	100	Bushings
10117	17/12/2025	19/12/2025	13/12/2025	SingMet	\$19,274	50	Bevel Gears
10118	17/12/2025	22/1/2026	22/12/2025	TechForge	\$7,618	50	Couplings
10119	17/12/2025	27/12/2025	22/12/2025	Metronix	\$11,438	80	Steel inserts
10120	18/12/2025	30/12/2025	23/12/2025	HydroMet	\$14,765	100	Sensor housings I
10121	21/12/2025	29/12/2025	23/12/2025	Strato	\$17,329.60	80	Shafts
10122	22/12/2025	27/12/2025	24/12/2025	Fusio	\$10,237	100	Spacers I
10123	23/12/2025	29/12/2025	26/12/2025	Axis	\$16,487	100	Bushings
10124	24/12/2025	31/12/2025	29/12/2025	ZenMet	\$9,453.75	50	Brackets

Appendix B - Employee details as at 31 December 2025

Employee ID	Employee name	Position	Bank account	Address
M1001	Ali Rahman	Warehouse Manager	DBS 0062338812	123 Emerald Grove, #04-56, Singapore 123456
M1002	Suri Tan	Purchasing Manager	POSB 0239687174	56 Ruby Boulevard, #08-22, Singapore 678912
M1003	Jason Ong	Purchasing Director	OCBC 0114335967	89 Indigo Lane, #11-31, Singapore 238681
M1004	Thomas Chua	Accounts Payable Accountant	UOB 0051134082	345 Golden Way, #02-14, Singapore 459023
M1005	Aisha	Chief Accountant	DBS 0124680043	201 Azure Road, #06-45, Singapore 640201

Appendix C - Approved Supplier List as at 31 December 2025

Account No.	Vendor Name	Mailing Address	Bank account details
A001	AccuFab	123 Sapphire Avenue, #04-18, Singapore 123456	OCBC 65123456789
A002	Axis	456 Ruby Street, Singapore 678912	DBS 12345678901
F003	Fusio	789 Emerald Drive, Singapore 238681	UOB 76543219876
H004	HydroMet	321 Diamond Road, #14-21, Singapore 459023	HSBC 53467280123
M005	Metronix	234 Topaz Crescent, Singapore 640201	Citi 11020230305
P007	Prime	890 Opal Place, Singapore 128965	Bank of China 83759200349
S008	SingMet	654 Garnet Court, #03-77, Singapore 518742	RHB 31245389024
S009	Strato	89 Indigo Lane, #11-31, Singapore 238681	OCBC 0114335967
T010	TechForge	987 Peridot Walk, #01-39, Singapore 245678	UOB 99887766554
V011	Vertex	432 Onyx Drive, Singapore 359021	OCBC 65498732112
Z012	ZenMet	876 Jade Street, Singapore 61548	DBS 9876543210

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Question 3 required

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- (a)** From the **THREE** appendices (i.e. Appendix A, B, C) provided, **identify and explain SIX** pairs of transactions that require further investigation. For each pair of transactions, your answer should include **ONE reason** for further investigation.

(18 marks)

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- (b)** Based on the unusual items or observations identified in **part (a)** above, **identify and explain THREE** possible control deficiencies that could cause one or more of the unusual items or observations to occur. For **EACH** of the control deficiencies identified, recommend **ONE** internal control improvement to address the deficiency. (Note: You may suggest relevant control deficiencies that are not described in the scenario.)

(6 marks)

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- (c)** From the unusual items or observations identified in **part (a)** above, **identify and explain TWO** tests of details to ascertain whether there are material misstatements in the purchases and payable accounts.

(5 marks)

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Question 3 cont.

- (d)** Suppose that your team had completed the field work at Mars. Mars' audited financial statements show profit before tax after audit adjustments amounted to \$1 million and total shareholders' equity amounted to \$5 million. The audit partner is about to sign the audit report in a week's time, on 27 February 2026. You have become aware that, on 3 January 2026, the court awarded Mars' customer, Axis Pte Ltd, damages of \$550,000 for poor quality products sold by Mars during the past two years, resulting in lost contracts, production delays and rework costs on their end. You have also read in the news that almost all of Mars' customers have suffered significant damages and are filing similar lawsuits against Mars, following the successful claim from Axis Pte Ltd.

Explain the impact these events would have on the audit report that you are about to issue, assuming that Mars' management will not be making any adjustment or disclosure in the financial statements.

(4 marks)

(Total: 33 marks)

END OF PAPER