



Think Ahead

Advanced Audit and Assurance (AAA) December 2022 Examiner's report

The examining team share their observations from the marking process to highlight strengths and weaknesses in candidates' performance, and to offer constructive advice for those sitting the exam in the future.

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Overall	15



General comments

This examiner's report should be used in conjunction with the published December 2022 exam which can be found on the [ACCA Practice Platform](#).

In this report, the examining team provide constructive guidance on how to answer the questions whilst sharing their observations from the marking process, highlighting the strengths and weaknesses of candidates who attempted these questions. Future candidates can use this examiner's report as part of their exam preparation, attempting question practice on the [ACCA Practice Platform](#) and reviewing the published answers alongside this report.

Format of exam

The examination comprised two sections, A and B. Section A consisted of one compulsory question for 50 marks in total. Section B consisted of two compulsory questions for 25 marks each. Out of this total of 100 marks across sections A and B, 20 marks were available for professional skills related to communication, commercial acumen, analysis and evaluation, and professional scepticism and judgement. 80 technical marks were available for applying appropriate technical knowledge in response to the requirements.

Section A

Question 1 – Mercurio

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Exhibits

- 1. Partner's email
- 2. Background information
- 3. Selected financial information
- 4. Meeting notes

Requirement

- Requirement (50 marks)

Response Options

- Briefing notes
- Spreadsheet

It is 1 July 20X5. You are an audit manager in Arnott & Co, responsible for the audit of Mercurio Co, a listed company with a financial year ending 30 September 20X5. Mercurio Co is the country's leading specialist retailer of small domestic pets, pet food and pet accessories, operating 264 stores across the country.

The following **exhibits**, available on the left-hand side of the screen, provide information relevant to the question:

1. Partner's email – an email which you have received from Ted Hastings, the audit engagement partner.
2. Background information – information and matters relevant to audit planning.
3. Selected financial information – extracts from Mercurio Co's management accounts, including the results of preliminary analytical procedures, which have been performed by a member of the audit team.
4. Meeting notes – extracts from meeting notes taken at a recent meeting with the finance director of Mercurio Co.

This information should be used to answer the question **requirement** within your chosen **response option(s)**.

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Format of the question

This question was a typical Section A question set at the planning stage, with requirements focusing on matters specific to the planning stage of an audit engagement, an evaluation of the significant audit risks, a discussion focussed on the outsourcing the credit control function and designing specific audit procedures in relation to the holiday pay obligation. The Section A question is typically where candidates perform best and there have been more focused answers in recent sessions. It is pleasing to see that many candidates appeared to have taken note of the guidance provided by the examining team in this area.

The company in the scenario was based around a listed client of the firm, with the core business being a large retailer of small domestic pets, pet food and pet accessories with the client looking to start selling their own range of premium food and accessories that are manufactured abroad.

Candidates should note that they are not expected to have detailed industry specific knowledge when answering questions in this examination and the scenario will always have enough information to enable sufficient specific risks to be identified and evaluated to achieve full marks.

Several exhibits were provided to candidates to enable them to develop an understanding of the specific issues relevant to the audit. These were as follows:

1. Partner's email – an email which you have received from Ted Hastings, the audit engagement partner.
2. Background information – information and matters relevant to audit planning.
3. Selected financial information – extracts from Mercurio Co's management accounts, including the results of preliminary analytical procedures, which have been performed by a member of the audit team.
4. Meeting notes – extracts from meeting notes taken at a recent meeting with the finance director of Mercurio Co.

In this question, the partner's email specified that all exhibits should be considered when carrying out risk evaluations. It is often the case that there will be interactions between the exhibits which will impact on the analysis performed by candidates. For example, the bank loan described in Exhibit 4 was taken out to purchase 20 stores from Lakewell Co in Exhibit 3, which increases business risk for the purchase and provides an angle for management bias; to overstate the financial statements in order to present a more positive image of the company to the providers of loan financing.

As always, candidates are encouraged to spend adequate time planning and aim to obtain a holistic view and understanding of the issues present in the question.

Exhibit 1 – Partner’s email

In a Section A question, the partner’s email will always set out the detailed requirements which are to be answered and the mark allocation. It is recommended that candidates refer to the partner’s email first to ensure that they understand what they are being asked to do and the best way to allocate their time to each requirement.

To: Audit manager
From: Ted Hastings, audit engagement partner
Subject: Audit planning – Mercurio Co
Date: 1 July 20X5

Hello

With the year end approaching, I need you to start planning the audit of Mercurio Co. I met with the company’s finance director, Kate Fleming, last week to discuss recent developments for the business. I have provided you with a summary of the matters discussed at the meeting along with some projected financial information. Based on the analysis I have done on this industry, it is appropriate for overall materiality to be based on the company’s profit before tax as this is a key measure for investors and providers of finance. I require you to prepare briefing notes for my use in which you:

- (a) Evaluate the significant business risks faced by Mercurio Co. (8 marks)

- (b) Evaluate and prioritise the significant risks of material misstatement which need to be considered in our audit planning.

Please note that you should NOT evaluate risks relating to the audit of animal inventory as these will be addressed separately at a later stage by an auditor’s expert as in prior years.

(18 marks)

Note: You should use ALL exhibits when carrying out the requested risk evaluations.

- (c) Discuss and conclude on the impact which outsourcing the credit control function will have on our audit planning.

(7 marks)

- (d) Design the principal audit procedures to be performed in respect of the holiday pay obligation.

(7 marks)

Thank you.

The requirements of this question were split into four parts. Part (a) of the question required candidates to evaluate the significant business risks facing the company. Part (b) asked candidates to identify and explain the significant risks of material misstatement (RoMM) relevant to the information provided. The requirement also asked candidates to prioritise, with a brief justification, the risks which they considered to be most significant to the audit. Part (c) asked candidates to discuss and conclude on the impact of outsourcing the credit control function on audit planning. Finally, part (d) required candidates to devise audit procedures in relation to the holiday pay obligation.

Professional skills marks were available for all four of the professional skills associated with the syllabus.

General comments

Well prepared candidates scored good marks on this question, particularly when focusing on the specific scenario. Where a candidate prepared an answer tailored to the scenario and focused on the requirement, high technical and professional skills marks were obtained.

Some candidates continued to produce very vague answers which were not tailored to the specific scenario and, therefore, did not achieve high technical or professional skills marks. This exam requires candidates to demonstrate both technical knowledge but also, they need to be able to apply this knowledge to a specific scenario. Generic responses with speculative risks not evident from the detail provided in the scenario will gain little credit. Candidates should use the specific information provided within the scenario demonstrating both knowledge and application of skills to pass each requirement.

Requirement (a) – 10 marks

(a) Evaluate the significant business risks facing the company.

(10 marks)

In this section of the question, candidates were required to use the specific information provided in the scenario to identify and evaluate the significant business risks in relation to Mercurio Co. In the AAA exam, significant risks are considered to be those which would have a significant impact on the client business and where there is a significant probability of these risks occurring, after any mitigations stated in the information provided. Risks that are of a remote likelihood of occurring, already mitigated against or will have an insignificant impact are not considered to be 'significant risks'. Candidates are required to identify what is significant in the context of the specific scenario, demonstrating good professional judgement and an ability to disseminate the important information whilst assessing the risks which may affect the audit.

It is pleasing to see many candidates were able to focus on the risks arising, describing the impact on the business of Mercurio Co, however a much smaller proportion of candidates evaluated the significance of these risks by assimilation of the information from the different exhibits. For example, many candidates were able to identify the risk that the pet healthcare plans were a financial risk for the company (Exhibit 2) owing to the company's inability to raise prices due to customer price sensitivity and amid rising costs. Stronger candidates then went on to assess that this risk in the context of both the likelihood of losses occurring and the magnitude of

the revenue stream, being a core service that consisted of 10% revenue and would be likely to bring in further sales of food and accessories in the pet stores. An alternative evaluation that was credited was the consideration of the financial risk of the pet healthcare plans against continually rising costs and whether it was strategically beneficial to increase prices at the present time or in the future. These candidates not only provided a well thought out evaluation for the purpose of scoring technical marks, but many went on to demonstrate the skill of commercial acumen in recognising the service as a loss leader.

Weaker candidates often discussed the implication of the risk without attempting to evaluate the scale of the risk. Typical responses by candidates who did not score sufficient credit to pass the exam would simply state that something which had occurred in the scenario, such as “there might be difficulties in paying back loans” whilst failing to relate the threat to any of the specific information in the scenario, such as the lack of current financing required to renovate the stores purchased from Lakewell and the implications of this on the business. Professional scepticism could be demonstrated in this area when candidates questioned management’s decision to purchase the 20 stores whilst not having a proper business plan in place and the risks to the business as a result of this lack of planning.

Some candidates remarked that going concern was a risk because the company would fail to pay back the loans that were due, however this was not indicated in the scenario and although cash balances had decreased it is normal for profitable businesses to fund expansion with loan financing.

Overall, in this section many candidates were able to identify sufficient risks to pass the requirement. Fewer candidates identified the business risks of the company’s poor internal controls and the impact on business decisions. In summary, candidates did not seem to have difficulty in identifying business risks and the implication on the company; however the differentiator between stronger and weaker candidates was their ability to evaluate the risks and demonstrate their professional skills of commercial acumen and professional scepticism.

Requirement (b) – 18 marks

- (b) Evaluate and prioritise the significant risks of material misstatement which need to be considered in our audit planning.

Please note that you should NOT evaluate risks relating to the audit of animal inventory as these will be addressed separately at a later stage by an auditor’s expert as in prior years.

(18 marks)

This requirement is typical in volume and nature to many planning questions and examines a major area of the syllabus – risk. It is important to recognise that the requirement asked for an evaluation, not simply a list of risks, nor a strategy or

procedures to address those risks. The examining team are testing whether candidates understand how and why a risk arises and the implications this has on the financial statements or the audit itself.

Candidates are expected to perform relevant analysis to support an evaluation of risks of material misstatement (RoMMs). There were 18 technical marks available in this part of the question in addition to a significant number of professional skills marks for the analysis. It was disappointing to see that candidates often achieved strong marks in this section for the identification of the RoMMs but fewer obtained the marks for the evaluation of those risks. Many candidates are continuing to rely on basic or generic explanations, which fail to refer to the information in the scenario. Candidates who refer to the specific information provide more in-depth answers and are also able to assess the scale of the risk in the context of the specific audit client.

Materiality

Specific marks were available in this requirement for the calculation and application of materiality in line with the new syllabus guidance and for the prioritisation of the risks identified. Whilst a significant number of candidates appeared prepared for the new syllabus and followed the new materiality guidance, there remained few who attempted to prioritise risks and were unable to access the professional skills marks for this skill.

Candidates are expected to initially determine a materiality threshold for the audit, as would be used in practice. Three technical marks are available for the materiality determination. Candidates are expected to demonstrate a knowledge of the appropriate percentage range for the benchmark instructed by the audit partner (in this question, profit before tax was to be utilised with candidates expected to use 5-10% as their range), calculate the monetary amount in respect of the range. Candidates must then use their professional judgement to select an appropriate materiality threshold given the risk levels which exist in the audit and provide a brief justification for their choice. Each of these steps examines a different aspect of the understanding and skills required of an auditor.

It was disappointing to note that some candidates initially calculated a range appropriately, then failed to justify a materiality threshold for the audit. The examining team will give credit for any reasonable explanation of the chosen materiality threshold, as the mark is to recognise that there is the application of professional judgement and that a candidate can justify their response. It is not required that candidates select the identical percentage or figure, or that they provide a justification identical to that shown in the model answer. For example, in this question, some candidates stated the higher end of the range was justified because this was an existing client, some stated the lower end was more appropriate due to the accounting errors that the finance director was making. Alternative answers

which were awarded credit included those which suggested that an amount in the middle of the range was appropriate, because whilst this was an existing client, the rapid expansion and increased loan finance would bring the financial statements under increasing scrutiny. All of these obtained the mark for justifying the chosen materiality threshold.

Evaluation of the risks

Candidates were then required to evaluate the significant risks. In determining which risks are the most significant, candidates are demonstrating an understanding of risk, how it arises and how the audit will focus on those issues most likely to cause a material misstatement. Candidates that demonstrated a depth of evaluation were awarded more credit than those more generic responses.

An issue that arises repeatedly is candidates attempting to find 9 risks for an 18-mark question and conducting little or no in-depth analysis of any of them. This will not be sufficient to attain a pass mark. This means some of the risks stated in these answers will be speculative or not significant and, therefore, will not obtain credit.

This also increases the time pressure for candidates as they are trying to cover too many risks and these risks which are identified are often not developed in sufficient depth to obtain a pass mark.

Once again, examples seen by the examining team that do not attain credit included risks that don't arise at all in the scenario such as a provision for the refit of stores, or the split of loans between current and non-current which is neither a significant ROMM nor business risk. These speculative risks are not given credit.

The scenario contained information which gave rise to five significant risks, of which the majority of candidates were able to identify at least four. These were the classification and measurement of properties, revenue recognition related to the pet healthcare plans, trade receivables, lack of controls relating to holiday pay and the missing shipment. Each of these could be evaluated in the context of the scenario using the information provided, ensuring that the underlying accounting treatment was correct. In this exam, financial reporting knowledge from the SBR syllabus and previous FR and FA exams is deemed knowledge. The majority of marks available in AAA will be for the application of the financial reporting knowledge to the specific audit scenario, not simply for the knowledge itself.

In Exhibit 3, candidates were provided with the trade receivables figure with comparatives and many correctly calculated the percentage increase. In addition, a narrative on trade receivables was provided stating (i) an increasing number of customers have credit accounts, and (ii) a service organisation is now engaged to provide the credit control function. For this Strategic Professional level exam,

candidates are expected to provide further analysis in order to obtain credit, rather than simply relating the increase in trade receivables directly to a ROMM. Candidates need to explain the changes to the organisation which can help to explain the increase year on year. Stronger candidates were able to understand the numerical and narrative explanations and determine that a ROMM existed in relation to trade receivables owing to the outsourcing of the credit control function and lack of visibility of the recovery of debts.

Candidates who further develop this ROMM such as by questioning management's motive for overstating trade receivables, could achieve credit for professional skills marks by displaying scepticism and judgement. It was pleasing to see that candidates could link the issues of trade receivables and loan financing proposing that management may wish to present more positive financial statements in order to increase the likelihood of gaining further loan financing in the future. Weaker candidates who discussed generic management bias which is not linked to a specific risk, such as "the company is listed therefore management want to perform earnings management" did not obtain credit.

Consistent with the September examination, it was disappointing to see that few candidates attempted any prioritisation of the risks as specifically stated in the requirement. Professional skill marks were available to the candidates who attempted this requirement. Candidates were expected to identify the most significant risks, and then provide a brief justification for their choice. Again, credit was awarded for candidates who offered a reasonable explanation, and therefore, a range of possible explanations are valid. Candidates should be aware this mark is for the act of justifying the reason not for the actual justification used. Candidates can obtain these marks by either ordering their answer in priority order **and stating this is the case** or by summarising in a brief conclusion which risk, or risks, are most significant. Where candidates use this latter method, if a candidate does not state which one or two risks are the most significant but simply lists some or all their identified risks, this will not be sufficient for credit.

Requirement (c) – 7 marks

- (c) Discuss and conclude on the impact which outsourcing the credit control function will have on our audit planning.

(7 marks)

Part (c) required candidates to discuss and conclude on the impact of outsourcing the credit control function – this topic could attract credit in parts (a), (b) and (c) of the question and was unfortunately often poorly understood throughout.

A significant proportion of students attempted to answer as if it was an acceptance question and rote learnt answers in this context naturally scored very poorly. Despite

In addition, a professional mark was available under the communication category to recognise those candidates who applied their answer to the scenario and the service organisation being related to credit control. This could be awarded where candidates had, for example, suggested procedures relating to the outsourcing of credit control to a service organisation, however, it was often lacking in candidates' responses.

(d) Design the principal audit procedures to be performed in respect of the holiday pay obligation.

This requirement is typical of a section A question and requires candidates to design audit procedures to address a specific risk arising in the question. In this question, the procedures were to determine the holiday pay obligation, which had been described in Exhibit 3.

Mercurio Co has an internal audit department, who have been testing the controls in the company's payroll system. Internal audit procedures have revealed that some employees are duplicated on the payroll system; this seems to have happened when two different systems used for recording full-time and part-time staff were merged in October 20X4. Additionally, the internal audit team's procedures have found that while the systems have the capability of recording holidays taken by staff, this is not always used, and manual records are also maintained in relation to holiday entitlement. Employees are entitled to carry forward a maximum of 3 days of unused holiday entitlement to the next year. Management estimates a holiday pay obligation relating to unused holiday entitlement at the year end using the previous year's obligation and adjusting it for pay rises and changes in staff levels. The holiday pay obligation forecast for 30 September 20X5 is \$21.1 million (20X4 – \$11.6 million).

In addition to the professional skill marks described within the different sections of the question, three marks were available for communication overall. These marks were awarded for the use of a report header and introduction, presentation and relevance of answer and clarity of explanations. The majority of candidates achieved maximum marks in this area.

Section B

Question 2 – Gnome

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Exhibit

1. Capital expenditure forecast

Requirements

Requirements (25 marks)

Response Options

Word Processor

Spreadsheet

It is 1 July 20X5. You are a manager in Gnome & Co, a firm of Chartered Certified Accountants which offers a range of services to audit and non-audit clients.

Your firm has been asked to consider a potential engagement which is to review and provide an assurance report on a capital expenditure forecast for Kobold Co. The company does not wish to engage its audit provider to perform this engagement and Kobold Co is not currently a client of your firm.

The following **exhibit**, available on the left-hand side of the screen, provides information relevant to the question:

1. Capital expenditure forecast - a capital expenditure forecast for the 24 months beginning 1 September 20X5, prepared by Kobold Co's financial controller.

This information should be used to answer the question **requirements** within your chosen **response option(s)**.

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Gnome Co was a 25-mark question based on a capital expenditure forecast for a company with two requirements, firstly to evaluate acceptance matters for the review and report of the capital expenditure forecast, and secondly, to recommend the examination procedures to be performed. Professional skill marks were available for analysis and evaluation, professional scepticism and judgement and commercial acumen. The question required candidates to appreciate that Gnome Co, the firm looking to undertake the capital expenditure forecast, was not the current auditor of the prospective client.

Requirement (a) – 10 marks

(a) Evaluate the matters to be considered by Gnome & Co before accepting Kobold Co as a client and the engagement to review and report on the capital expenditure forecast.

(10 marks)

Answers to this question were some of the best across the paper. The requirement appeared to be well understood by the majority of candidates and answers were of sufficient length that time pressure did not seem to have shortened responses. Some candidates misunderstood the scenario whereby Gnome Co are not the current auditor and therefore their answers were directed away from critically analysing the possible reason for the client not using their current auditor for the capex forecast. This limited the number of technical and professional skills marks that could be achieved due to attempting the question from the wrong perspective.

Where candidates failed to score well, they had neglected to apply their answers to the specific details in the scenario and produced generic rote learned lists that would score limited technical credit and miss out on valuable professional skills marks.

Although candidates scored well overall and there was a good grasp of the technical content, marks could have been improved for many candidates by giving reference

to the wider implications of the engagement for the firm, and thereby demonstrating commercial acumen. This involved a slight alteration in the candidate's perspective when considering the acceptance criteria by considering it for the firm as a whole rather than for the engagement in isolation. Candidates who displayed commercial acumen considered issues such as resourcing limitations in the wider firm and fee issues that made reference to the scenario. A further professional mark was available for candidates who gave a reasoned conclusion of whether the engagement should be accepted or not, and it was important that this was borne out a balanced discussion of the points developed in the technical marks in order to display the appropriate level of professional judgement.

Requirement (b) – 10 marks

(b) Assuming Gnome & Co accepts the engagement, recommend the examination procedures to be performed in respect of Kobold Co's capital expenditure forecast.

(10 marks)

Requirement (b) requested examination procedures on the capex forecast and was generally well received by candidates. The lack of time pressure was apparent as there was no additional reading from the first part of the question and many students produced sufficiently detailed and high scoring answers. Weaker candidates requested the same documentation types for each of the elements of the capital expenditure forecast, e.g. repeated quotes and invoices, and marks here were restricted. Stronger candidates were able to identify possible omissions from the information provided in the scenario, such as interest on the loan that was being applied for.

Candidates are encouraged to produce a carefully considered list of examination procedures, which are specific to the scenario, rather than long and unwieldy lists that are less accurate and repetitive as there is professional credit in concise and detailed information, which is reflected in the awarding of the analysis and evaluation professional mark.

Question 3 – Marlos

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Exhibit
① 1. Audit matters

Requirements
② Requirements (25 marks)

Response Options
Word Processor

It is 1 July 20X5. You are the manager responsible for the audit of Marlos Co and you are completing the audit of the financial statements for the year ended 31 March 20X5. Marlos Co is a listed company operating in the retail industry.

The audit field work is nearly complete, and the auditor's report is due to be issued in four weeks' time.

The following **exhibit**, available on the left-hand side of the screen, provides information relevant to the question:

1. Audit matters – summary of the key matters the audit supervisor has flagged for your attention.

This information should be used to answer the question **requirements** within the **response option** provided.

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This 25-mark question was set at the completion and reporting stage of an audit. As is typical of reporting questions, the examining team saw some of the strongest and some of the weakest demonstrations of auditing competence from candidates in Marlos Co.

This was a matters and evidence question with two accounting issues; incorrect depreciation of a right-of-use asset and consignment inventory that had been incorrectly accounted for in the client's financial statements.

Candidates appeared comfortable with the familiar format of the question and the answers provided were appropriately structured however the majority of candidates failed to make any attempt at the professional skills that were also examined in the question of professional scepticism and judgement and analysis and evaluation.

Requirement (a) – 16 marks

(a) Evaluate the matters to be considered on the completion of the audit and the audit evidence you should expect to find during your review of the relevant audit working papers.
(16 marks)

Note: The following mark allocation is provided as guidance for this question:

- (i) Lease (9 marks)
- (ii) Inventory (7 marks)

The accounting error in the depreciation of the right-of-use asset was correctly identified and explained by the majority of candidates. A large number of candidates calculated the error and compared this error to the materiality threshold in the question in order to conclude that this constituted a material misstatement. Some candidates continued to use the entire asset value to assess materiality or failed to compare the error to the materiality threshold provided in the question and therefore

missed out on valuable marks. Evidence areas were well addressed by most candidates for this issue; however many candidates failed to develop their answer sufficiently to gain professional skills marks on this issue. The lack of professional skills marks awarded was disappointing as it was reasonable to suggest that there may be management bias on the incorrect accounting treatment due to a desire to manipulate profits.

The inventory matter was less well addressed by candidates as a significant number failed to appreciate that the accounting issue was that consignment inventory was being accounted for as if it was owned and controlled by Marlos Co. Some students strayed into discussing the business risk aspects of this arrangement which was outside of the scope of this question. The failure to identify the accounting error affected the follow on marks for evidence, however sensible descriptions of evidence were awarded credit, such as consideration of whether the inventory had been paid for and obtaining the supplier's confirmation of goods that remained unsold at the year end.

As previously mentioned, there was a disappointing lack of understanding of the accounting issue and this also had an impact on the professional skills marks. Firstly, there was a lack of any attempt to critique management's treatment of the inventory and furthermore candidates did not appear comfortable with the double entry here and failed to appreciate that the error had no effect on net assets. This meant that the error which could be judged as an area of management incompetence rather than bias and therefore suggested the possibility of further errors to the financial statements as a result was often not identified.

Requirement (b) – 4 marks

(b) Evaluate the implications for the auditor's report of Marlos Co, assuming that the inventory matter has been satisfactorily resolved but that no further adjustments or disclosures are made to the financial statements with respect to the new property lease.

(4 marks)

This part of the question was either answered very well or very poorly. As with elsewhere in the exam, candidates could only score sufficient credit to pass this requirement by following the instructions and applying their answers to the scenario. Some candidates continued to produce answers that failed to decide on an appropriate audit report by offering a range of different audit opinions which does not address the requirement and therefore cannot attract credit.

Follow on marks for the title and content of the basis of opinion paragraphs were awarded where appropriate, however few candidates made their description of the content of the basis of opinion paragraphs sufficiently detailed and applied to be awarded maximum credit. This was disappointing as many candidates had

demonstrated sufficient understanding of the accounting issue in part (a), and so these marks should have been achievable.

Professional skills marks associated with this part of question were awarded for analysis and evaluation in the context of the scenario and the use of judgement to determine an appropriate audit opinion. Strong candidates could confidently achieve maximum technical and professional skills marks in this area.

Overall

The performance of candidates in these questions is broadly in line with past sessions. There continues to be a gap between candidates capable of demonstrating audit competence through strong application of knowledge and concepts to practical scenarios, and those who approach the examination as a factual exercise and fail to tailor their answers to the scenarios or do not show professional scepticism or commercial awareness.

Practice of past questions will aid candidates in determining their knowledge gaps and give practice at applying their knowledge to the given scenarios. It is essential that candidates analyse their answers produced in comparison to the scenario specific explanations given in the model answers. This question practice needs to be built upon a good knowledge of the syllabus and must build upon both the Applied Skills level audit and financial reporting examinations and the Strategic Business Reporting (SBR) syllabus.

Candidates are encouraged to develop a wider appreciation of the significance of risks by reviewing published auditor's reports of listed companies where the auditor produces a key audit matters section. This will allow candidates to see real world explanations by auditors of why something was a specific risk to a specific client.

Information and guidance on the introduction of professional skills marks for AAA is available as part of the [study resources on the ACCA website](#).