

# INTERACTIVE VIRTUAL EXAMINATION TECHNIQUES PRESENTATION

**Subject:** CA 2.3 Auditing Principles and Practice  
DA 11 Principles of Auditing

**PRESENTER:** Peterson G Mumbuluma

**Contact No:** 097-9-278669

**Email address:** mumbulumapeterson1@gmail.com

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## **Terms of reference:**

**To present during the virtual meeting to be held on Thursday 27<sup>th</sup> November 2025 from 14.00hours to 17.30hours in CA2.3/DA11 on the following:**

1. Question requirements
2. Linking questions with scenarios.
3. Planning stage of an audit
4. Methods of recording internal control systems
5. Understanding of corporate governance
6. Sampling & non sampling risks
7. Benefits of external audits
8. Examination time management
9. General examination preparation tips such as syllabus coverage, study and question selection.

# **Contents:**

- 1.0 Objectives of meeting
- 2.0 Syllabus topics & syllabus weightings.
- 3.0 Structure of CA 2.3 and DA 11 examinations
- 4.0 Learning outcomes
- 5.0 General matters related to CA 2.3(Auditing principles & Practice) and DA 11 Principles of Auditing.
- 6.0 Verbs used in examination questions.
- 7.0 How to pass – page xv of study manual
- 8.0 Analysis of September 2025 & June 2025 examination results
- 9.0 Assurance engagements in brief
- 10.0 Elements of an assurance engagement
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## **Contents continued:**

- 12.0 Appointment of auditors
- 13.0 Planning the audit
- 14.0 Obtaining sufficient appropriate evidence
- 15.0 Review
- 16.0 Reporting
- 17.0 Internal controls
- 18.0 Substantive audit procedures
- 19.0 Answering scenario based questions
- 20.0 Answering risk identification questions
- 21.0 Ethics & ethics scenario questions
- 22.0 Answering audit review & report questions
- 23.0 Common causes of failure
- 24.0 The examination techniques

- 1.0 **Objectives:**
- 1.1 To give candidates intending to sit for the December 2025 CA 2.3 Auditing Principles & Practice and DA 11 Principles of Auditing an opportunity to **interact** with experts and seek clarification in areas of concern pertaining to the **examination**.
- 1.2 To highlight the **main problems encountered** by candidates in the major syllabus areas.
- 1.3 To discuss the **examination techniques** that could increase the chances of the candidates passing papers CA 2.3 Auditing Principles and Practice and DA 11 Principles of Auditing.
- 1.4 To respond to questions **related to the examination** that will be raised by candidates during the interaction.

## 2.0 Syllabus and syllabus weightings:

Topic	CA 2.3	Marks	DA 11	Marks
Purpose & context of audit	20	24	5	6.25
Corporate governance	20	24	10	12.5
Internal audit			5	6.25
Audit planning, risk and documentation	20	24	15	18.75
Applying techniques of auditing & assurance engagements	20	24		
Internal control			20	25
Audit evidence techniques			15	18.75
Audit evidence – specific areas			20	25
Review & reporting	20	24	10	12.5
<b>Total</b>	<b>100</b>	<b>120</b>	<b>100</b>	<b>125</b>

- Same topics difference is the **weightings**
- Difference in the **structure** of the examinations

### 3.0 Structure of the two examination papers:

	CA 2.3	DA 11
<b>SECTION A(COMPULSORY QUESTIONS)</b>		
1	40	25
2		25
<b>Total compulsory marks</b>	<b>40</b>	<b>50</b>
<b>SECTION B (OPTIONAL QUESTIONS)</b>		
2	20	25
3	20	25
4	20	25
5	20	-
<b>Total optional marks</b>	<b>80</b>	<b>75</b>
<b>Total available marks</b>	<b>120</b>	<b>125</b>
<b>Total marks of attempted questions</b>	<b>100</b>	<b>100</b>

## **4.0 Learning Outcomes**

4.1 CA 2.3 Auditing Principles and Practice Learning Outcomes.

4.2 DA 11 Principles of Auditing Learning Outcomes.



## **4.1 Learning outcomes CA 2.3**

- 4.1.1 **Explain** key audit & assurance concepts & the role of audit & assurance in relation to organizations.
- 4.1.2 **Explain** audit & assurance regulatory requirements.
- 4.1.3 **Explain** the nature of levels of assurance & key processes involved.
- 4.1.4 **Explain** the nature of governance structures that support effective control environments.
- 4.1.5 **Explain** how governance is supported by effective control structures.
- 4.1.6 **Explain** the business, reporting & compliance objectives supported by IC.
- 4.1.7 **Explain** what is meant by professional ethics & how they can help resolve ethical dilemmas.
- 4.1.8 **Explain** the key components of effectively planned audit and assurance engagements.
- 4.1.9 **Evaluate** internal controls
- 4.1.10 **Evaluate** the quality of audit evidence.
- 4.1.11 **Apply** appropriate procedures to gather evidence.
- 4.1.12 **Evaluate** the results of evidence
- 4.1.13 **Report** appropriately on audit and assurance assignments.

## **4.2 Learning Outcomes – DA 11**

- 4.2.1 **Explain** the purpose & context of external audit & other assurance engagements.
- 4.2.2 **Explain** the principles of good corporate governance & apply professional & ethical codes in specified circumstances.
- 4.2.3 **Explain** the nature of internal audit & its relationship with external audit.
- 4.2.4 **Demonstrate** how an auditor plans an audit in accordance with ISAs.
- 4.2.5 **Evaluate** the effectiveness of systems of internal control and assess risks & their potential consequences.
- 4.2.6 **Explain** the audit evidence that the auditor requires to meet the objectives of the audit in accordance with ISAs.
- 4.2.7 **Identify** & describe the audit evidence & work that would be required related to specific areas of an audit conducted in accordance with ISAs.
- 4.2.8 **Evaluate** the findings of the audit and assess their potential on the auditor's report.

- 5.0 General matters related to CA 2.3 Auditing Principles and Practice and DA 11 Principles of Auditing.**
- 5.1 To pass the examination?
- 5.2 Prior knowledge required
- 5.3 Verbs used in the examination questions

## 5.1 To pass the examination:

The candidate **should** score a total of **50 marks** out of the maximum 100 available marks. In theory this translates to **half** the available marks in each of **4 questions** attempted.

Question	CA 2.3	DA 11
1	20	12.5
2		12.5
3	10	
4	10	12.5
5	10	12.5
Total score	50	50

- Aim at scoring more marks in the scenario compulsory questions.
- To compensate for lower marks scored in optional questions.
- Required to attempt the required number of questions.

## **5.2 Prior knowledge required:**

5.2.1 **Communication** skills in answering theory questions.

5.2.2 Knowledge of **financial reporting & accounting standards** – FS Assertions for specific areas under the syllabus.

5.2.3 **Work experience** an added advantage – Subject practical in nature & apply your practical experiences.

5.2.4 Provisions of **accounting standards** for the specific areas in this syllabus.

## **Tools for examination preparation:**

- Student handbook
- Study manual CA 2.3 or DA 11 – Hard copy preferred.
- Practice & revision kit
- The Accountants Act 2008

## **5.3 Verbs used in CA 2.3 & DA Examination questions**

- 5.3.1 **Explain** – Most common verb used per Learning Outcomes.
- 5.3.2 **Evaluate**(Internal controls) – Using information in the question scenario.
- 5.3.3 **Apply** appropriate procedures to gather evidence – audit evidence
- 5.3.4 **Report** appropriately on audit and assurance assignment
- 5.3.2 **Identify** and describe

## **6.0 DA 11 Verbs used:**

1. Explain
2. Demonstrate how an auditor plans an audit
3. Evaluate the effectiveness of systems of internal control & findings of an audit.
4. Assess risks & their potential consequences
5. Identify & describe audit evidence and work required

## **CA 2.3 Verbs used**

1. Explain
2. Evaluate internal controls/results
3. Apply appropriate procedures
4. Report appropriately

## **7.0 How to pass – Page xv of DA 11 study manual:**

### **7.1 Study the whole syllabus**

You need to be comfortable with **all areas** of the syllabus. The format of the paper allows the **examiner to cover most** of the syllabus, so you cannot afford to omit any part of it. Question sporting is unwise and not recommended.

### **7.2 Lots of question practice**

You can develop application skills by **attempting the questions** within each chapter. **Question practice** is also key part of your revision and will allow you to develop your application skills. Answering the questions within each chapter and using the questions in the **Practice and Revision Kit** for DA 11 are the best way to improve your skills.



# How to pass continued:

## 7.3 Analyzing questions

You need to consider the **question requirements** carefully so that you answer the question set. For example , if the requirements ask you to **‘explain’**, make sure that you do so, rather than just produce a list of bullet points.

When answering questions , you need to ensure that your answers are **relevant to the scenario** in the question – do not just produce a general answer covering **everything you know about a particular areas**. This is an inefficient use of your time and will not score you many marks.

## 7.4 Answering questions

Well-judged clear answers grounded in the scenario will always score well as **markers** for this paper have a **wide remit to reward** good answers. You need to be selective.

	Sept DA 11	June DA11	Sept CA 2.3	June CA 2.3
Total number of candidates that sat for the exam	76	153	136	224
Number that passed the exam/(Pass rate)	15(19.7%)	77(50.3%)	47(34.6%)	120(57.6%)
Overall average score	36	45%	39.6%	53%
Average score of those that passed	53%	56%	53.2%	57.6%
Average score of those that failed	31%	34%	32.9%	36%
Number attempted less than required number of questions/(Average score)	10(28%)	22(33%)	13(24%)	17(35%)

- 9.0 **Assurance engagements in brief:** (The statutory auditor assurance to users)
- 9.1 Need for assurance
- 9.2 Separation of **ownership** and **management**
- 9.3 **Accountability, stewardship** and **agency** – management
- 9.4 Corporate governance – best practice on how organizations should be run.
- 9.5 Board of directors and board committees(Audit, Risk, Remuneration etc.)
- 9.6 The objective of the statutory auditor – Form an **opinion** based on evidence.
- 9.7 **Appointment** of the auditor and ethical requirements
- 9.8 Professional ethics for accountants
- 9.9 Internal audit and the reliance on the work of internal audit.

## 10.0 Elements of an assurance engagement.

### Elements of an assurance engagement

<b>C</b> – Criteria	-	Regulatory framework/IFRS
<b>R</b> – Report	-	Outcome of the assurance
<b>E</b> – Evidence	-	Required basis for the opinion
<b>S</b> - Subject matter	-	The Financial statements under audit
<b>T</b> – Three party relationship	-	Client/Shareholder/Auditor

## 10.1 Need for **audit** and **assurance**:

- Separation of **ownership & management**
- **Stewardship** and **agency** – Should act in the interest of the **principal**.
- Lack of Independence by management – Act in own interest
- Need for assurance by **independent evaluation** – audit & opinion

- 11.0 The MAIN stages of an assurance engagement:**
- 11.1 Appointment**
- 11.2 Planning the audit and risk assessment** – at commencement of the audit before next stage begins.
- 11.3 Performing the audit** – Obtaining audit evidence through performing audit procedures.
- 11.4 Internal controls** and reliance on IC in an audit
- 11.5 Substantive** audit procedures
- 11.6 Review** – Review & finalisation of the audit
- 11.7 Reporting** – Final outcome of the audit

**Generally:**

- Client provides the auditors the **trial balance** and the **general ledger**
- The details in the individual ledger accounts for income and expenditure for the year will provide details of transactions during the year.
- Client provides auditor with **schedules** giving break down of balances in the SOFP.
- Auditor extracts samples and performs audit procedures on the sample items
- Auditor evaluates evidence and concludes to reach audit opinion.

Important for candidates to have knowledge of **structure of audit firms** and composition of a **typical audit team**. (Engagement Partner, Audit Manager, Audit Senior & Audit Assistants)

## **12.0 Appointment as auditor – Pre-conditions**

- 12.1 **First appointment** (Ethical considerations and pre-conditions)
- 12.2 **Continuance** – matters to consider
- 12.3 Risk high above acceptable level – **decline** or **resign**
- 12.4 Matters to consider in **considering bidding** for audit services.
- 12.5 Matters to consider **before accepting** nomination to be auditor.
- 12.6 Procedure for the **removal** of auditors
- 12.7 Procedure for **resignation** as auditor.
- 12.8 The letter of engagement submitted by the auditor - **contents**
- 12.9 **Changes** to the terms of the engagement letter.

## **13.0 Planning the audit:**

**13.1** Risk assessment – ISA 315 *Identifying and assessing the risks of material misstatement through understanding the entity and its environment.*

(Why, what and how?)

**13.2** **Audit risk** and **business risk** identification and responses to identified risks.(ISA 330 – *The auditor's responses to assessed risks.*)

**13.3** Fraud, laws and regulations and responsibilities of management and the auditor.  
(ISA 240 *The auditor's responsibilities relating to fraud in an audit of financial statements.*

ISA 250 *Consideration of laws and regulations in an audit of financial statements.*

**13.4** Audit strategy and the audit plan – **contents** of each of these documents.

**13.5** Audit documentation ISA 230 *Audit documentation* – Audit files i.e. **permanent** and **current** audit files.

**13.6** Internal controls

- **Control activities, control objectives** and **tests of controls.**

- Reliance on the effectiveness of controls and impact on further audit procedures.

- 14.0 Gathering sufficient appropriate audit evidence:**
  - 14.1 Basis for opinion – **sufficient appropriate** audit evidence
  - 14.2 Financial statement **assertions** – and relation to audit procedures
  - 14.3 **Tests of controls** and substantive audit procedures compared.
  - 14.4 **Directional testing** – technique used by the auditors(Over & understatement)
  - 14.5 **Sampling** and performing audit procedures and the use of CAATs.
  - 14.6 Audit evidence specific areas including:
    - 1. Tangible non current assets – IAS 16
    - 2. Inventory & inventory count – IAS 2
    - 3. Receivables and sales
    - 4. Cash and bank
    - 5. Provisions and accruals & contingencies – IAS 37 & IAS 38
    - 6. Capital and directors' emoluments
- 13.7 Evaluation of audit evidence and concluding on specific areas



## **15.0 Review**

15.1 **Final stage** towards the end of the audit.

15.2 **Review of audit work** – Audit team(Engagement Partner, Audit Manager, Audit Senior & Audit Assistants)

15.3 **Subsequent events** – IAS 10 & ISA 560 – Active and passive duty

15.4 Important dates – **date of signing report, issue** of FS and after issue of FS

15.5 **Going concern** ISA 570 and responsibilities for going concern

➤ Importance of assessment – **Basis** of preparing financial statements.

➤ **Responsibilities** for going concern

➤ Indicators of **going concern problems**(Financial, operational & other indicators.

➤ **Material uncertainty** and impact on opinion – Basis of preparing FS & disclosures.

15.6 Uncorrected misstatements and impact on opinion ISA 450 – Materiality set.

## **16.0 Reporting:**

16.1 ISA 700 (Revised) *Forming an opinion in the independent auditor's report.*

- Unmodified report and opinion
- Elements of the audit report – Order of elements.

16.2 ISA 701(Revised) *Communicating key audit matters in the independent auditor's report.*

- Matters to include – professional judgment – From matters communicated to TCWG according to ISA 260.
- Mandatory for listed companies even when no matter to report on.

16.3 ISA 705 (Revised) *Modifications to the opinion in the independent auditor's report.*

- Forms of modification (Qualified, adverse & disclaimer of opinion.)
- Materiality and pervasiveness of the matter of concern – in determining form of modification of the opinion.
- Obtaining sufficient appropriate audit evidence and limitations of scope -

#### 16.4 ISA 706(Revised) *Emphasis of matter paragraphs and other matter paragraphs in the independent auditor's report.*

- The EoM paragraph and its use – Outcome of litigation or regulatory action or major catastrophe with significant effect on entity financial position.
- Overlap of EoM with KAM paragraph – for example prior year FS audited by different auditors.
- Other matter paragraph – no overlap with KAM paragraph.

#### 16.5 Other information ISA 720 (Revised) *the auditor's responsibilities relating to other information in documents containing audited financial statements.*

- Management and auditor responsibilities for other information.
- Action where there is inconsistency and reporting requirements.

#### 16.6 Reports to management – ISA 265 *Communicating deficiencies in internal control to those charged with governance and management.*

- Containing weaknesses in IC observed during the audit.
- Elements (Weakness, implication, recommendation & response)

## **17.0 INTERNAL CONTROLS 20% of syllabuses**

17.1 The meaning of IC and responsibilities for IC in a client company.

17.2 Objective of IC is to help **prevent** and **detect** fraud and error

17.3 Systems cycles in a business including inventory system, purchases system, sales system, payroll system, capital and revenue expenditure & cash and bank.

- Need to know the documentation in each system

- The typical IC in each system.

17.4 Connection between **internal control activities**, **control objectives** and **tests of controls**.

**Control activity** – This is the control put in place by management

**Control objective** – Is the reason for putting the control activity in the first place.

**Test of control** – Is the procedure performed by the auditor to test the effectiveness or lack thereof of the control activity.

17.5 Use of internal controls by the external auditors – extent of further procedures to be conducted.

16.6 Methods of recording IC systems and related advantages and disadvantages.

## **17.6 Components of internal controls:**

In planning an audit the auditors require to understand the elements of internal control:

1. The control environment
2. The entity's risk assessment process
3. The information system including related business processes
4. The control activities
5. Monitoring of controls

### **Use of internal control systems by auditors:**

Depends on results of tests of controls

1. Effective – can follow combined approach and rely on controls
2. Ineffective – Substantive audit approach no reliance on internal controls.

## **17.7 Recording accounting and control systems – in audit working papers:**

1. Narrative notes
2. Flowcharts
3. Questionnaires

Internal Control Questionnaire (ICQs)

Internal Control Evaluation Questionnaires (ICEQs)

4. Checklists

### **Need to know:**

- Advantages
- Disadvantages

## 17.8 INTERNAL CONTROLS CONTINUED

**IC and the examinations** – Candidates may be required to do the following in the examinations.

**Identify and explain** the IC weaknesses and suggest suitable improvements.

**Suggest suitable IC** activities using information in the scenario & explain the control objective.

**Explain** the tests of controls for given IC activities.

Using the information in the scenario:

- (i) **Suggest IC activities** that should be put in place.
- (ii) **Explain the control objective** for the IC activities in (i)
- (iii) **Explain the test of control** for each control activity in (i)

Explain the **objectives of tests of control** and explain the **impact** of tests of controls on an audit of financial statements.

Explain the **information** that should be contained in a **letter of weakness**.

Explain the **limitations** of internal controls in a client company.

## 17.9 Common mistakes – Internal controls

1. **Failure** to suggest **suitable IC** activities owing to lack of knowledge of business systems.
2. Failure to explain the **control objective** for suggested controls when required to do so.
3. **Explaining management responses** to control weaknesses when required to explain tests of controls.
4. **Poor presentation** of answers when required to suggest IC activities, state control objective and suggest suitable test of control.
5. Clear lack of understanding of the use of IC in an audit and the impact the results of tests of control will have on the extent and nature of further audit procedures to be conducted.

IC is 20% of the syllabus for DA 11 & and part of a unit with a weighting of 20% for the CA 2.3. Examination questions are likely to always include questions on this important area of the syllabus.



## **18.0 SUBSTANTIVE AUDIT PROCEDURES**

- 18.1 The meaning of substantive tests – analytical procedures & tests of details
- 18.2 The objective of substantive procedures – to test for **misstatements** of figures and related disclosures in the financial statements.
- 18.3 Accounting for specific areas – Tangible NCA, Inventory, Sales etc.
- 18.4 Meaning of **financial statement assertions** and **relationship** with **audit procedures**.
- 18.5 Describing substantive audit procedures to test given assertions or generally
- 18.6 Audit risks for specific figures in the financial statements

## **18.0 SUBSTANTIVE AUDIT PROCEDURES CONTINUED**

18.7 Substantive audit procedures and the examinations – You may be required to do the following in the examinations related to audit procedures:

- Explain **audit procedures** for given figures **explaining the FS assertion** for each procedure.
- Explain the audit work you expect to find on **TNCA in a review** of the audit working papers – Reviewing audit working papers as Audit Manager.
- Explain the **meaning of financial statement assertions** using suitable examples.
- Explain the **financial statement assertions** being tested by a given **set of substantive audit procedures**.

## 18.8 Common mistakes – Substantive audit procedures

- Explaining procedures for assertions not required.
- Explaining FS assertions in describing audit procedures when not required by the question.
- Explaining **methods** of obtaining evidence rather than using these in describing audit procedures.
- Common for candidates simply **NOT attempting** to describe audit procedures and leaving the part not answered.
- Candidates simply **stating** instead of explaining for example simply stating recalculation.
- Many candidates simply suggesting **obtaining written representations** even where not relevant.

This is a core area of the syllabus and question on this topic will feature in every examination.

## **19.0 Answering scenario based questions:**

Requires the use of information in the scenario to answer questions. The scenario will contain information that will aid candidates to answer the question requirements. Candidates simply require to be skeptical in identifying such information.

Common requirements for scenario based questions:

- (a) Identify and explain the audit risks in the audit and suggest suitable responses.
- (b) Identify and explain the ethical matters in the audit and suggest appropriate safeguards that should be applied.
- (c) Suggest suitable control activities for the purchases system.
- (d) Identify the internal control deficiencies and suggest recommendations to remedy the deficiencies.
- (e) (i) Suggest suitable internal control activities.
  - (ii) For each control activity explain the control activity
  - (iii) Suggest a suitable test of control for each suggested control activity.

## 20.0 Answering risk identification questions:

- 20.1 Requirement may be for **identification** of business and/or audit risks and suggesting suitable responses.
- 20.2 Distinction between **business** and **audit risks** required. Common to mix and confuse in answering examination questions.
- 20.3 Some risks obvious while others less obvious e.g. The fact that a company is a listed company and the **nature of inventory**(Obsolescence & valuation.)
- 20.4 Audit risks – impact the financial statements ie what could go wrong including correct accounting/disclosure according to relevant accounting standards.
- 20.5 Require to bring to bear the **accounting knowledge** and determine what could go wrong in the FS that is the audit risk.
- 20.6 Audit response depends on the risk identified – common for candidates not to explain this resulting in losing marks allocated to doing so.
- 20.7 Be **sceptical** in reading scenario – usually audit/business risks obvious from information in the scenario. Look out for accounting issues in the scenario most likely there will be audit risk issues.

## 20.8 Common mistakes in answering risk questions:

- Explaining **business risks** when question requires explanation of **audit risks**.
- **Not using** the information in the scenario in answering the questions – required to **identify and explain**.
- Explaining the **elements** of audit risk instead of dealing with the risks in the scenario. (Inherent risk, control risk and detection risk)
- Explaining the auditor response when not required – a waste of valuable examination time.
- **Not suggesting auditor** response for the risk identified **when required**.
- Giving **management responses** to the risks identified instead of auditor responses. Audit risk should be considered from the **point of view** of the auditors.
- Describing and explaining **less than** the required number of audit risks and not explaining the assertion that will be misstated e.g. inventory or receivables.
- Poor presentation of solutions making it difficult for the markers to award marks.

## 20.9 Audit risk identification illustration:

You are Audit Senior on the audit of the financial statements of Tree Ltd for the year ended 30 September 2025. This will be the **first time** for your firm to audit financial statements in the industry that Tree Ltd is involved with.

In the current year, Tree Ltd spent a significant amount of money on **repairs and rehabilitation of its equipment**. Some of the equipment in use is obsolete and the company conducted an **impairment review** whose results have been incorporated in the financial statements. Tree Ltd has spent K10.2 million on **research and development** out of which K6.4 million has been capitalized as development cost in the financial statements.

### Required:

Identify and explain the **audit risks** in the audit of the financial statements of Tree Ltd and **suggest responses** by the auditors.

# Suggested solution:

	Audit risks	Audit response
1	This being the first time for the firm to audit the financial statements of a client in this industry suggests that the firm does not have the required skills and competences too conduct the audit. Since detection risk is high, there is a risk that there could exist undetected misstatements resulting in the financial statements being misstated.	There will be need to take care in the selection of audit team members and close supervision of the work done.
2	A significant amount has been spent on repairs and rehabilitation and there is a risk that there could be a misallocation of amounts between revenue and capital expenditure. Such misallocation could result in the misstatement of the financial statements.	Review the supporting documents for a sample of repairs and rehabilitation expenditure to confirm correct classification and allocation. This will be done by extracting a sample from the repairs account and the additions to tangible non current asset.
3	The company has conducted an impairment of its assets. There is a risk that the impairment computations may have been incorrectly made and the adjustments incorrectly done resulting in the misstatement of the assets and expenses.	Request for the working of the impairment and confirm that has been correctly done considering the carrying amount. Review the accounting entries for the impairment review in the relevant general ledger accounts.



**Solution continued:**

	Audit risk	Audit response
5	IAS 38 gives guidance on intangible assets including research and development expenditure. Expenditure should only be capitalized if it meets the criteria contained in IAS 38 failure to which all research and development costs should be charged to profit or loss. There is a risk that management may capitalize expenditure that does not meet the criteria resulting in an understatement of expenses and an overstatement of profit.	Review supporting documents related to capitalized expenditure and inquire of management on whether the necessary criteria has been met.

## **21.0 Ethics – Fundamental ethical principles**

- 1. Integrity** – Straight forward and honest
- 2. Professional competence and due care** – Professional knowledge & skill
- 3. Professional behavior** – Comply with laws & regulations, avoid conduct that discredits the profession.
- 4. Objectivity** – Not allow bias, conflict of interest or undue influence of other to override professional judgments.
- 5. Confidentiality** – Not to disclose to third parties without permission of client/employer.

### Threats:

1. Self interest threat
2. Self review threat
3. Advocacy threat
4. Intimidation threat
5. Familiarity threat

## **21.1 Answering ethical questions**

- 19.2 Candidates may be required to **explain the ethical principles** using suitable examples.
- 19.3 Candidates may be required to **identify and explain** ethical matters in a given scenario and **suggest suitable safeguards** that should be applied.

### **Common mistakes made in answering ethical questions:**

- Candidates explaining the **five ethical principles(IPPOC)** instead of identifying and explaining ethical issues in given scenario.
- Candidates failing to describe the ethical issues clearly.
- Candidates **not suggesting** suitable **safeguards** when required.
- Candidates suggesting safeguards in questions **NOT** requiring safeguards which is a waste of time.
- Poor presentation of answers instead of using columnar format.
- Candidates explaining less than the required number of ethical matters.

## 19.4 Ethics & examination illustration:

You are Audit Senior in the audit of the financial statements of Kalomo Ltd for the year ended 30 September 2025.

Kalomo Ltd has been an audit client of your firm for five(5) years. The **audit fees** for the past audit has **remained unpaid** on account of liquidity problems that Kalomo Ltd is facing. In a pre audit meeting with management, the audit team was promised a **fully paid for holiday** to Livingstone at the end of the current audit. The company is in the hospitality industry and runs a pleasure resort in Livingstone.

The Chief Executive Officer of Kalomo Ltd requested the firm to give a **short term loan to the company** which will be repaid as soon as the current negotiations with its bankers are concluded. He further requested that your firm continues to submit the **tax returns** as has been the case in the past. In the current year, the company requires your firm to **assist in the determination of the tax liability** on account of the sudden resignation of the Financial Controller who is the only person who could do this. In this regard your firm has been requested in the **recruitment** of a replacement to the Financial Controller.

**Required:**

(a) Explain the **ethical issues** in the audit of the financial statements of Kalomo Ltd and suggest **appropriate safeguards** that should be put in place.

**Suggested solutions:**

5	Ethical matters	Safeguard
1	The overdue fees by Kalomo Ltd give a self interest threat which could impact the objectivity of the auditors. This would lead to the auditors from making objective decisions for fear that they will not be paid the overdue fees.	The firm should take steps to recover the overdue fees before continuing with current audits. Further, overdue fees are considered to be like interest free loans to the company which is not allowed.
2	The offer for a fully paid for holiday to the audit team creates a self interest threat and will cause the audit team not be objective. The fact that the pleasure resort belongs to Kalomo Ltd is not relevant.	The offer of a fully paid for holiday should be declined by the audit team.
3	The request for a short term loan to Kalomo Ltd will give rise to a self interest threat. This will impact the objectivity of the auditors in making professional judgment.	The firm should not agree to the request for a short term loan as this is against ethical guidance.

**Solution continued:**

	Ethical matters	Safeguard
4	The firm may continue submitting tax returns as they are not considered to give rise to ethical challenges. The assistance to compute the tax liability will give rise to a self review threat which will impact the objectivity of the auditors.	The firm should not assist Kalomo Ltd to determine the tax liability unless suitable safeguards could be applied such as having a separate team assist with the determination from the team that will undertake the audit.
5	The firm assisting in the recruitment of the Financial Controller will give rise to a self interest threat which will impact the objectivity of the auditors. This will be a person recruited by them and may deter the audit team from being objective.	The firm should end at shortlisting and not take on the management responsibility of final selection. Management should make the final decision on whom to employ.

**Common mistakes:**

- Explaining ethical threats in general without dealing with matters in the scenario- struggling to identify self interest, self review threats etc
  - Not describing the number of ethical matters in the question requirement.
  - Not suggesting safeguards when required or suggesting safeguards when not required.
- Read the question carefully and simply address the question requirement.Peterson2018+

## 22.0 Answering audit review & report questions

- 22.1 Candidates may be required to explain **comparative information** and the two main types and explain the responsibility of the auditors with regards these.
- 22.2 Candidates may be required to explain the **other information** contained in the documents containing the financial statements and explain the responsibility of the auditor.
- 22.3 Candidates may be required to **explain subsequent events** giving examples or discuss the audit matters relating to given subsequent events.
- 22.4 Candidates may be required **to critique** a suggested opinion with explanations.
- 22.5 Candidates may be required to **suggest a suitable opinion** using the information in the scenario.
- 22.6 Candidates may be required to **explain** the forms of opinion and the circumstances each could be issued. (Unmodified, qualified, adverse or disclaimer of opinion.
- 22.7 Candidates may be required to **explain the meaning** and use of **elements** of the audit report including the Going concern paragraph, Material uncertainty with regards going concern, the emphasis of matter paragraph and the other matter paragraph.

## 22.8 Reviews and reports and the examinations:

1. Explain the responsibilities of management and the auditors regarding **subsequent events IAS 10 and ISA 560**
2. Explain, giving examples, **adjusting** and **non adjusting** events.
3. State the elements of an audit report.
4. Explain the use of the **Key Audit Matters paragraph** ISA 701
5. Explain the possible forms of modification clearly explaining the criteria for each form.
6. Explain the impact of the existence of material uncertainty with regards going concern on the audit report.
7. Suggest a suitable opinion based on evidence obtained.



## 22.9 Common mistakes in answering review and report questions.

- Inability to explain the **audit risks** with regards opening balances, subsequent events and comparative information.
- Lack of understanding of **accounting provisions** for **subsequent events** and apply the knowledge to auditing. Unable to demonstrate understanding of adjusting and non adjusting events.
- Unable to use the **information** in the **scenario** to explain subsequent events.
- Failure to explain the **forms of opinions** and the **circumstances** when can be used considering materiality and pervasiveness of the matters of concern.
- Failure to **critique simple suggested** report suggesting lack of knowledge of reporting.
- Failure to **suggest with justification** the opinion under given circumstances.
- Clear lack of knowledge and understanding of the **paragraphs** of the audit reports such as the **KAMs** paragraph, **emphasis of matter** paragraph and the **other matter paragraph**.

## **23.0 Common causes of failure:**

- 23.1 Attempting **less than** the required **four(4)** questions – Very few pass.
- 23.2 Leaving **parts of questions unattempted** in most cases resulting marks worth a whole question not attempted. Time does not appear to be factor due to **poor performance on questions attempted**.
- 23.3 **Not using information** in the **scenario** in answering scenario questions.
- 23.4 Not addressing the **question requirements**. Question could be on **audit risks** candidates deal with **business risks**.
- 23.5 Candidates not addressing question requirements in **multi requirement** questions. Where **AND** is used in the question requirement.
- 23.6 Clear **lack of knowledge** of some topics clear case of guessing.
- 23.7 No clear understanding of **provisions of auditing standards**. Candidates are required to answer questions in line with the **provisions of auditing standards**.
- 23.8 **Poor or lack** of knowledge of specific **accounting requirements** such as accounting estimates or fair value accounting, assets held for sale etc.

## **23.0 Additional common causes of examination failure:**

23.9 **Poor handwriting** making it difficult for markers to read solutions.

23.10 **Wrong numbering** of solutions – risk being marked wrong as a result. The extent of this was high at the June 2025 examination diet.

23.11 Writing in **margins** – Not following instructions risk marks being omitted.

23.12 Writing **too much** for marks on offer – A waste of time. Candidates should be guided by the marks on offer resulting in failing to answer questions required.

23.13 Writing everything/anything about a topic without considering the **question requirements**.

**23.14 Evidence of self study** and short tuition period – require six(6) months to fully understand subject matter.

23.15 Poor answer **presentation**. Column versus general writing.

## **23.16 Presentation of solutions:**

- 23.16.1 Numbering of solutions – use same numbering in question (care when decide to change question to be answered).
- 23.16.2 Follow instructions don't start new question on same page as end of a previous solution.
- 23.16.3 Correctly tick attempted question in the correct box and **NOT** in the box reserved for the examiners to insert marks scored.
- 23.16.4 Points answering the question requirements should be clearly shown as against general writing in most cases with few or no relevant points contained.

## 23.17 Presentation continued – Example

**Required:**

- (a) Identify and explain** audit risks in the scenario
- (b)** For each risk in (a) suggest a suitable audit response by the audit team.

### Solution one

	(a) Risk/explanation	(b) Suitable response
1	Laws & regulations – provisions misstated	Professional scepticism
2	Accounting estimate – determining of fair valued	Inquire on the determination of accounting estimates
3	Obsolescence of iveroy – overt statement of inventory	Attend inventory count to determine dealing with obsolete inverntoy.

**Note:** above presentations could be used in answering an **ethical** question requiring identification/explanation of ethics and appropriate safeguards or the identification of **internal control weaknesses** and suggestions for improvement.

## **23.18 Alternative presentation:**

### **Solution one:**

#### **(a) Audit risks**

- 1 Laws & regulations – Result in misstatement of provisions
- 2 Accounting estimate – Mistatement of fair values determined
- 3 Obsolescences of inventory – Resulting in the overstatement of inventory of NRV lower than cost.

#### **(b) Audit responses**

- 1 Observe professional & look out for non compliance
- 2 Accounting estimate – Inquire on how fair values determined
- 3 Obsolescences of inventory – Plan to attend inventory count

The **order** in part (b) should be the same as the order in part (a). This format takes much longer time a valuable resource in the examination.

## 24.0 The Examination Techniques

- Objective is to **enhance** chances of passing the examination if well followed.
- Even well prepared candidates could fail if **mismanage themselves** in the examination.
- Aim at scoring 50% and go for the **easy marks** scattered across the question paper.

- 24.1 Manage **time** effectively – **72 minutes** for a 40 mark question, 45 minutes for a 25 mark question and **36 minutes** for 20 mark questions – **Never overrun** on time.
- 24.2 Use the **15 minutes** reading time **effectively**
- 24.3** Attempt the required **four(4) questions** – Need the marginal marks. Take great care in deciding on the optional question not to be attempted.
- 24.4 Attempt **all parts** of the questions and use **common sense** where necessary.
- 24.5 Use the **information** in the **scenario** in answering questions – be sceptical solutions most likely will be in the scenario information.
- 24.6 Ensure points are **clear** and avoid overwriting – use marks on offer in deciding how much to write.
- 24.7 Cover the **whole syllabus** in preparing for the examination – be guided by the **syllabus weghtings**.
- 24.8 Attempt **examination standard questions** during exam preparation
- 24.9 **READ** examination standard questions and solutions – Source: **past examination papers** and the **practice and revision kit**. Important aspect of exam preparation.
- 24.9 Attempt a **mock examination** under examination conditions.



## **24.0 Examination technique continued..**

- 24.10 Mind your business** in the examination – do not be distructed by other candidates.
- 24.11 Clearly **number** your solutions using **numbering format** in the question paper especially for solutions put on different page from the rest of the solution.
- 24.12 Use **short headings** in your answers to make it easier for the marker to see your answer and award marks accordingly – No need to copy the question requirement!
- 24.13 Use **short but clear sentences** in answering questions and if possible leave a line between points. Cannot **hide** through **long paragraphs**. Markers will read everything. Disappointing **long two page answer** but score only **3 marks!!**
- 24.14 Note that there are **ALWAYS EASY** marks in every examination paper go for these and **do not stress** over what you **do not know**.
- 24.15 If it is a difficult paper then it is diffciult for everyone ,fight to the end until the invigilator says **STOP**.
- 24.16 Remember you can get **50 marks wrong** and still **pass the examination**.
- 24.17 You have **13 days** to the examination day. These are sufficient days to make a difference in your performance.
- 22.18 **DO NOT** panick **now** and in the **examination room**.

## **25.0 INTERACTION WITH PARTICIPANTS**

**WILL NOW TAKE YOUR QUESTIONS AND CONTRIBUTIONS**

**WILL TAKE TWO(2) QUESTIONS AT A TIME AND ANSWER THEM.**

**WISH YOU WELL IN THE FORTH COMING EXAMINATION**

**FOR ANY COMMENTS AND CLARIFICATIONS YOU MAY CONTACT THE ZAMBIA**

**INSTITUTE OF CHARTERED ACCOUNTANTS(ZICA).**

**WISHING YOU WELL IN YOUR FORTHCOMING EXAMINATIONS**

**END OF THE PRESENTATION**

**THANK YOU.**