



ASSURANCE SERVICES AND AUDIT

22522

Autumn 2020 final exam review comments

UTS Business School

LECTURER: DR AMANDA WHITE

Dear students

Thank you for your patience, enthusiasm and feedback during our first ever session taught online. I thought that you may appreciate this report on the main final exam held on Saturday June 20, 2020. These comments are from the tutors and myself who marked the exams. In an attempt to ensure marking is fair – tutors are assigned specific questions and marked those questions for all 242 students who sat the exam. You'll also see histograms of the distribution of marks awarded for each question.

Tutors remarked that it was much easier to read the exam papers with the typed responses. We also noted that students wrote a lot more than in hand written exams. Overall, they were more detailed. However, we did find instances where more words were not necessarily better – just more waffle.

You will also receive an individual email with a results break down – showing your marks for each question in the final exam.

Overall results

Compared to previous sessions, the pass rate is significantly higher and the grades are distributed further to the right. It is my understanding that many students did not complete the Weekly class quizzes as they were intended to be completed (on your own, not communicating with others except with your breakout room during the Group round) – thank you to those students who reported this to me.

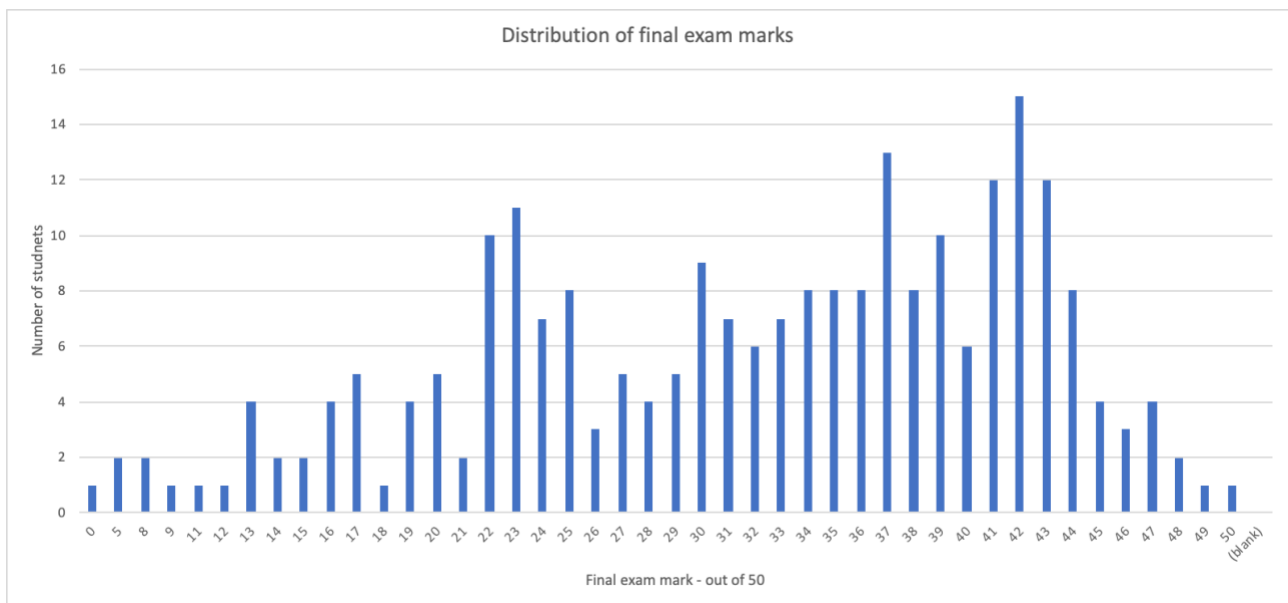
Grade	Number of students (%)
H	44 (17.6%)
D	65 (26.0%)
C	64 (25.6%)
P	59 (23.6%)
Z	9 (3.6%)
W	9 (3.6%)

4 students who received a W are yet to sit the final exam due to technical or timetabling issues. 5 students who received a W achieved a score of 45-49 and will sit a supplementary exam (those 5 students – you have a separate email from me already in your inbox). More information on those supplementary exams can be found here on [this website](#).

Analysis of the final exam

Being an accountant – here are some descriptive statistics about the final exam

Descriptive	Result
Mean	31.9 / 50
Median	34 / 50 (68%)
Standard deviation	10.16
Minimum	5 / 50
Maximum	50/50



Question 1

This was an information question only. No marks were awarded. Oceanic Airlines may sound like a familiar name. It was the name of the airline that crashed in the TV show “Lost” and can be found in many tv shows and movies.

Question 2 (8 marks)

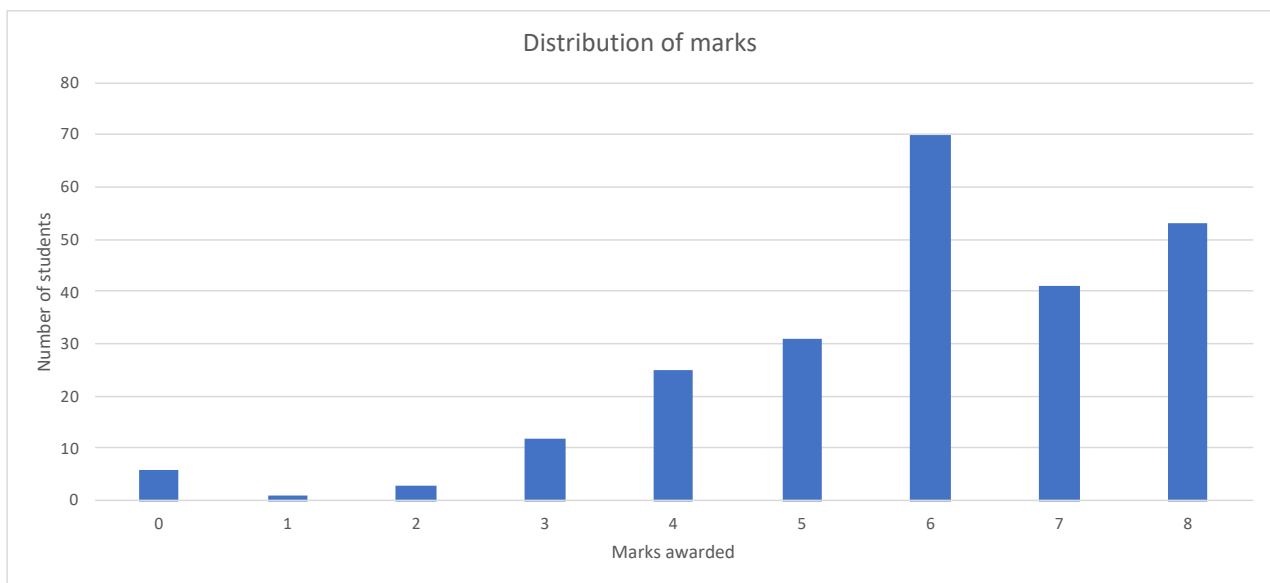
Students were asked to identify the ROMMs for Oceanic Airlines using their own research and the information that was provided in the exam.

The was answered well by most students. The best answers made it clear what the ROMM was, with a clear identification of the accounts and assertions at risk. It was clear that a number of students had put in a lot of effort to research the current issues facing the airline industry and it was pleasing to see that students could identify complex issues and convert these to relevant accounts and assertions at risk

Common mistakes included:

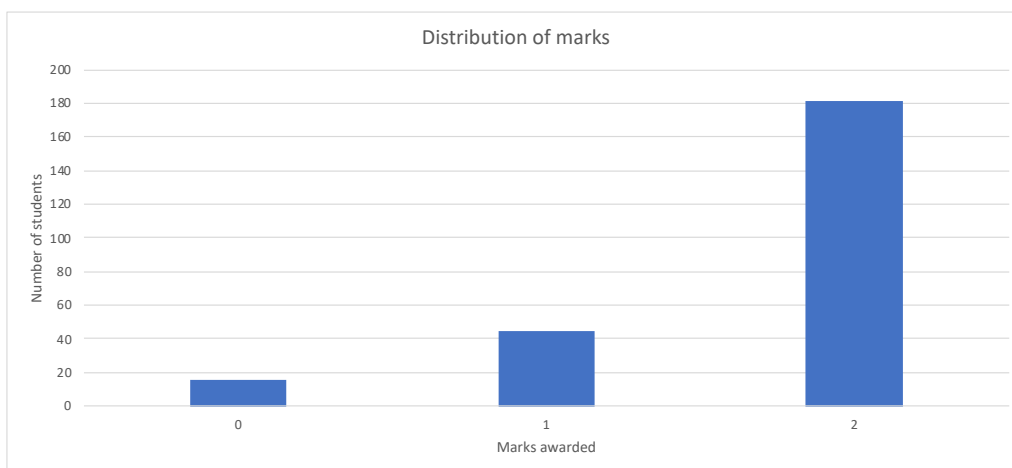
- Generic answers not linked to the case material

- Answers that were too brief and did not explain the risk identified in the context of the case material
- Incorrect assessment of what risk is an inherent risk (that would cause a material misstatement)
- Answer was not understandable
- Using the incorrect assertion that related to the risk identified (i.e. the assertion selected was not most at risk)
- Incorrect use of balance and transaction assertions for the risk/account identified
- Not providing 4 ROMMs



Question 3 (2 marks)

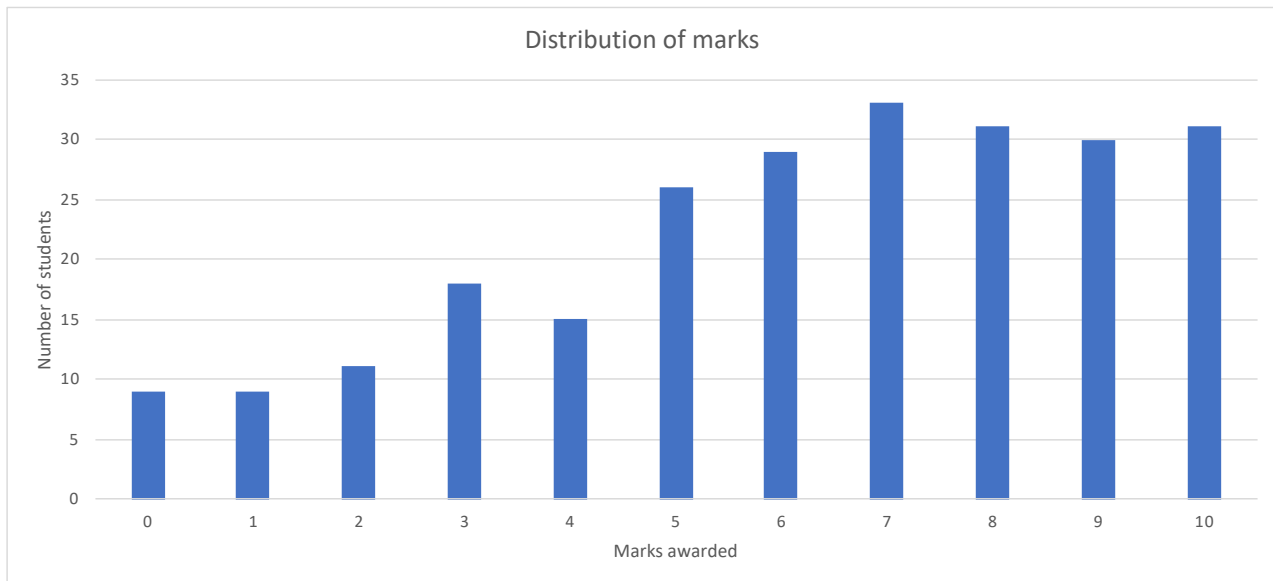
This question asked students to make an assessment of inherent risk at Oceanic Airlines. Most students identified and explained the risk level as being HIGH. Nearly all other students either identified the risk as Medium and those students who could justify this assessment received 1 mark.



Question 4 (10 marks)

This question asked students to assess the level of Control Risk in the process described. The case was designed to have LOW control risk – we did not insert any control weaknesses into the case. Nine internal controls were built into the case.

Most students answered the question well, those that didn't misunderstood the question asked and gave procedures or suggestions for improvement. If students did find a weakness, we evaluated them based on their level of detail and whether the explanation was logical.

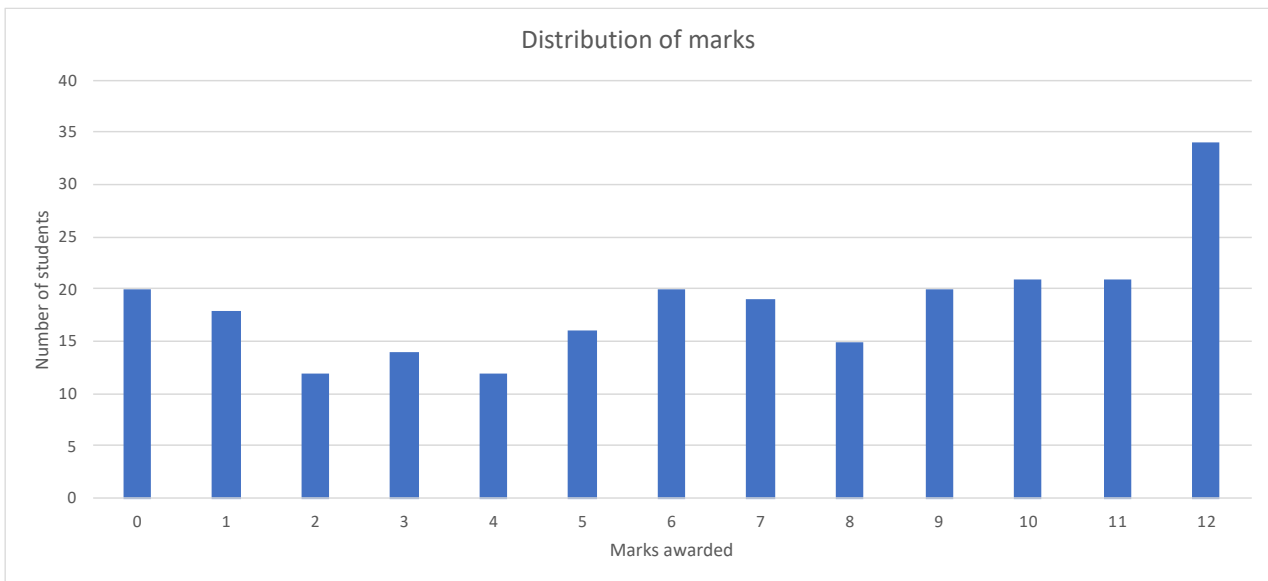


Question 5 (12 marks)

This question asked students to design four (4) TESTS OF CONTROLS. If students wrote down substantive tests, no marks were awarded.

Each test was evaluated based on whether it was for a specific control from the case, used the correct audit and client terminology and whether the procedure contained sufficient detail. We did not have a specific list of tests we were looking for – instead evaluating each test on its merits.

A common issue was writing substantive procedures instead of a test of a control.



Question 6 (5 marks)

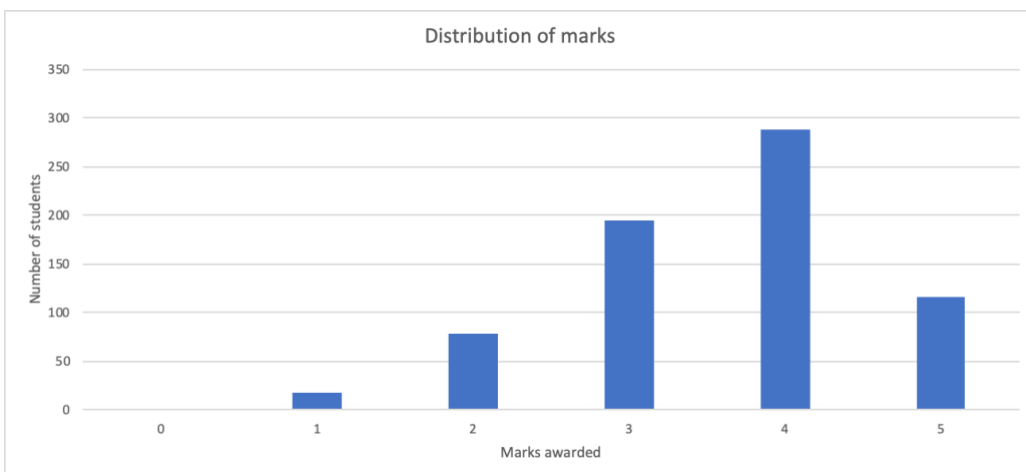
Overall, this question was answered quite well demonstrating students have a good grasp of how to identify period 1, period 2 and period 3 events and the corresponding actions.

Students who did well in this question recognised that this was a period 3 event and provided identified the correct action (do nothing) and provided appropriate supporting information and included the correct account standard references.

Those who excelled in this question also suggested that the client should disclose to their shareholders via their website or ASX, or auditors must consider the impact on going concern in future years.

Students who did not perform well in this question did one of two things:

- They either didn't recognise this as a period 3 event (they called it period 1 or period 2) and then their supporting information and accounting references were incorrect; or
- They correctly identified this as a period 3 event but their actions were not aligned to this (e.g. they stated the financial statements should be recalled, updated and reissued)

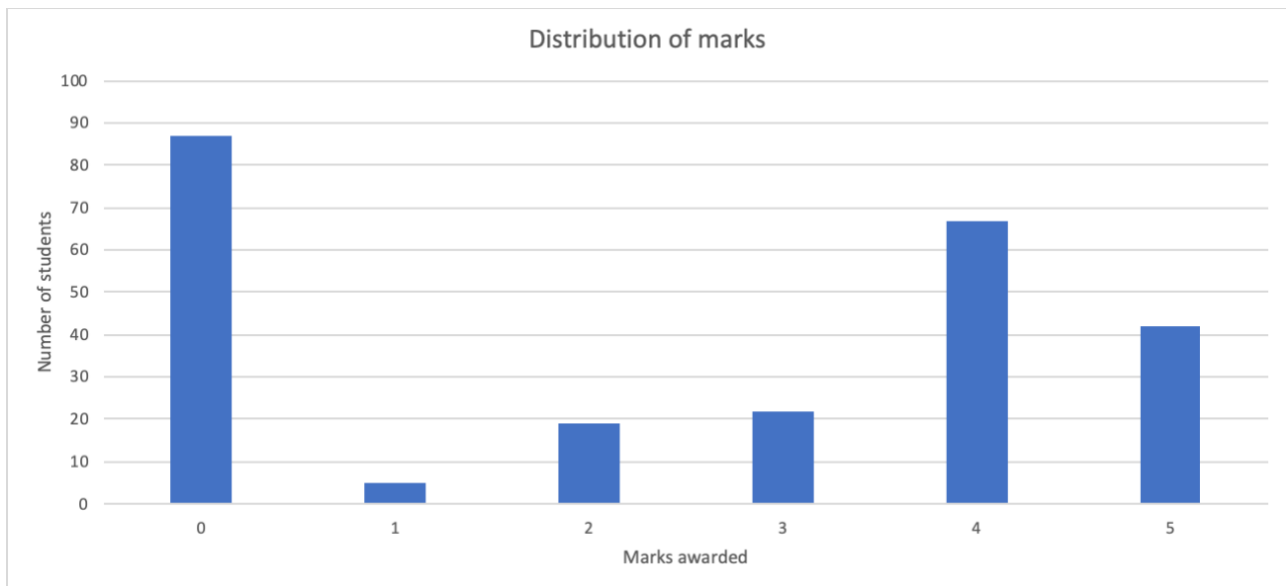


I also want to make an observation on students' overall written communication skills because this applies to how they should communicate in the world of business... Many students provided their supporting information and their thought process first and then answered the question as their conclusion (i.e. the action the auditors should take, e.g. "do nothing"). Always state your answer to the questions FIRST (e.g.: "the auditor should do nothing"), then back it up with evidence. No one lost marks for doing it the other way around, but it makes it much harder to read. In the 'real world' – you should always lead with your conclusion then back up your answer with evidence.

Question 7 (5 marks)

Students who performed poorly were those who stated a qualified opinion should be issued because of material misstatements. A lot of students interpreted management's adjustment of \$480,000 to sales as being above materiality (\$455,000) by \$25,000 demonstrating they didn't understand the question. As the question states, the auditors had identified a misstatement of \$650,000 so management agreed to adjust sales by \$455,000. This meant the remaining \$195,000 misstatement in sales that management did not adjust is immaterial and an unmodified/unqualified opinion would be appropriate.

Other students who performed poorly are confused between qualified (modified) and unqualified (unmodified) opinions. Unqualified/unmodified opinions are GOOD because that means the auditors believes the financial statements are stated true and fair. Qualified/modified opinions are BAD because it means the auditors don't believe the financial statements are presented true and fair. Very limited students said a disclaimer of opinion was appropriate but those who did should review their study notes and lecture material on this topic again.



Students who performed well correctly identified that there were no material misstatements and an unmodified/unqualified opinion could be issued. Students who excelled in this question, also correctly identified the relevant going concern issues and provided a good analysis of the facts and what opinion should be issued, with appropriate references to the accounting standards, e.g.:

- if management appropriately use going concern basis of accounting and adequately disclose the operating difficulty, the audit shall give an unmodified opinion and include a section of 'material uncertainty related to going concern' (ASA570.22)

- if management have not disclosed, a qualified of adverse opinion shall be given (ASA570.23) (ASA705.7a)

Question 8 (8 marks)

In the final question, we asked you to apply the fraud risk triangle to any assessment task that you experienced during the Autumn 2020 session. Students provided detailed descriptions of the assessment tasks and overall, did a good job of identifying and describing the three (3) components of the fraud triangle.

Students were also asked to answer the question of whether it was ok to cheat in an accounting exam if you did not intend to be an accountant. If you answered everything adequately except forgot to answer this question – you received 6 marks. Marks were allocated based on your explanations, not whether you said it was ok or not to cheat.

