



Professional Accounting Supplementary School (PASS)

DETAILED MULTI UFE EVALUATION GUIDES 2007-2014

FOR THE 2017 CFE



TABLE OF CONTENTS

Introduction	6
Top Ten Strengths and Weaknesses of Candidates.....	10
Category 1 Questions	12
2014 UFE – Detailed Evaluation Guides.....	13
Paper 2.....	14
Simulation 1 – Evaluation Guide.....	15
Simulation 2 – Evaluation Guide.....	22
Simulation 3 – Evaluation Guide.....	30
Paper 3.....	38
Simulation 1 – Evaluation Guide.....	39
Simulation 2 – Evaluation Guide.....	47
2013 UFE – Detailed Evaluation Guides.....	54
Paper 2.....	55
Simulation 1 – Evaluation Guide.....	56
Simulation 2 – Evaluation Guide.....	65
Simulation 3 – Evaluation Guide.....	75
Paper 3.....	84
Simulation 1 – Evaluation Guide.....	85
2012 UFE – Detailed Evaluation Guides.....	93
Paper 2.....	94
Simulation 1 – Evaluation Guide.....	95
Simulation 2 – Evaluation Guide.....	107

Simulation 3 – Evaluation Guide.....	116
Paper 3.....	125
Simulation 1 – Evaluation Guide.....	126
Simulation 2 – Evaluation Guide.....	135
2011 UFE – Detailed Evaluation Guides.....	143
Paper 2.....	144
Simulation 1 – Evaluation Guide.....	145
Simulation 2 – Evaluation Guide.....	156
Paper 3.....	164
Simulation 1 – Evaluation Guide.....	165
Simulation 2 – Evaluation Guide.....	172
2010 UFE – Detailed Evaluation Guides.....	180
Paper 2.....	181
Simulation 1 – Evaluation Guide.....	182
Simulation 3 – Evaluation Guide.....	189
Paper 3.....	195
Simulation 1 – Evaluation Guide.....	196
Simulation 3 – Evaluation Guide.....	203
2009 UFE – Detailed Evaluation Guides.....	212
Paper 2.....	213
Simulation 2 – Evaluation Guide.....	214
Simulation 3 – Evaluation Guide.....	220
Paper 3.....	230

Simulation 1 – Evaluation Guide.....	231
Simulation 2 – Evaluation Guide.....	238
Simulation 3 – Evaluation Guide.....	243
Category 2 Questions.....	252
2013 UFE – Detailed Evaluation Guides.....	253
Paper 3.....	254
Simulation 3 – Evaluation Guide.....	255
2009 UFE – Detailed Evaluation Guides.....	263
Paper 2.....	264
Simulation 1 – Evaluation Guide.....	265
Category 3 Questions.....	273
2013 UFE – Detailed Evaluation Guides.....	274
Paper 3.....	275
Simulation 2 – Evaluation Guide.....	276
2011 UFE – Detailed Evaluation Guides.....	284
Paper 3.....	285
Simulation 3 – Evaluation Guide.....	286
Category 4 Questions.....	294
2014 UFE – Detailed Evaluation Guides.....	295
Paper 3.....	296
Simulation 3 – Evaluation Guide.....	297
2012 UFE – Detailed Evaluation Guides.....	307
Paper 3.....	308

Simulation 3 – Evaluation Guide.....	309
2011 UFE – Detailed Evaluation Guides.....	319
Paper 2.....	320
Simulation 3 – Evaluation Guide.....	321
2010 UFE – Detailed Evaluation Guides.....	328
Paper 2.....	329
Simulation 2 – Evaluation Guide.....	330
Paper 3.....	339
Simulation 2 – Evaluation Guide.....	340

INTRODUCTION

This coming September, the fourth CFE will be written. The first CFE was written in September 2015 and the second was written in May 2016 and the third in Sept. 2016. As CPA Canada did not release a complete CFE report, with full solutions, for the May 2016 CFE, there are only two prior CFEs, the Sept. 2015 CFE and the Sept. 2016 CFE, that students can write in order to practice their case writing for the September 2017 CFE. The good news however, is that there is a long history for the predecessor exam, the UFE, and there is every reason to believe that many of the UFE cases are very representative of CFE multis which comprise Day 3 of the CFE. The fact that CPA Canada uses prior years' UFE cases in Capstone 2 attests to the similarity between the UFE and CFE. Students can therefore practice their case writing for the CFE multis very effectively by writing prior UFEs. The same is not true of the elective comp (Day 2 of the CFE), as it is markedly different than the UFE comp in which each student did not elect a particular depth area. Consequently this publication provides detailed guides for the UFE, focusing on multis and including only those multis that are relevant to preparing for the CFE.

The publication does not include detailed CFE guides for both the Sept. 2015 and Sept. 2016 CFEs, as these guides are provided in Capstone 2 in sufficient detail.

While writing prior exams is vital in preparing for the CFE, students will face two challenges when writing old exams both of which are clearly addressed in this publication:

- 1) For UFE questions, the minimal level of detail provided in the evaluation guides available to students
- 2) For the UFE specifically, the differences between the levels at which topics were examinable on the UFE versus the level at which they are now examinable on the CFE

Minimal Level of Detail Provided in the Evaluation Guides

Evaluation Guides provided in the UFE reports which are published every year by CPA Canada are very general and are not very specific when describing what was necessary to achieve a particular level. In many instances only a sentence or two is provided to describe what was necessary to achieve reaching competence or competent.

Furthermore, the descriptions of what was necessary to score “Reaching Competence” and “Competent” often use terms such as:

“Identify” vs. “Discuss”
“Some issues” vs. “Several issues”

Candidates rightly question, what is the difference between “identify vs. discuss”, or “some vs. several”? What does it mean to score “Competent”? The word “reasonable” or “in depth” is sometimes added in describing what it took to be competent, while to score “Reaching Competence” these words are often not present, leaving the student to ponder what these terms mean.

There is little doubt that at the marking centre, all of these questions are answered in painstaking detail. Unfortunately, candidates do not have the luxury of being present at the marking centre and they are not provided with this information in the Evaluation Guides provided in the Exam reports. This makes the marking of practice questions by students into somewhat of a guessing game, with students constantly searching for the elusive level of detail that will properly explain what was needed to be written for “competent”.

The quandary facing candidates is:

What is the difference between “Reaching Competence” and “Competent”, for each assessment opportunity?

In order to respond to this pressing need for more detail, PASS has prepared this book. In preparing the Publication, Professional markers who have marked the CFE and the UFE have taken the evaluation guides for the 2007 – 2014 UFEs and expanded on the descriptions provided in these reports for achieving the “Reaching Competence”, “Competent” and “Competent with Distinction” levels. We believe this will make a significant difference when candidates write these questions and try to mark their responses.

The Publication also includes a “Top 10 List” of both the strengths and weaknesses of past candidates, put together by professional markers.

By using the Evaluation Guides in this book, candidates can write prior cases, read the solutions and then review the detailed notes provided on what a candidate had to do to achieve “competent”. In fact, for every assessment opportunity, the following is included:

- A detailed description of what was required for achieving “Reaching Competence”, “Competent” and “Competent with Distinction”;
- A short “Key Distinction” sentence, clearly differentiating between “Reaching Competence” and “Competent”.

In addition, under the description of what the candidate needed to do to achieve “Competent”, a concise summary of major issues that a candidate could have addressed is provided. This will assist candidates to quickly focus on the key issues and points relevant for that assessment opportunity.

Differences in Levels at Which Topics Tested on UFE versus CFE

While many of the questions of the UFE are very representative of CFE cases this will not always be the case. This is due to two factors:

- 1) For multis on the CFE, topics can only be tested at the core 1/core 2 level. They can not be tested at the elective level given that all students will write the same multis regardless of the depth area chosen. Consequently there are some cases on past UFEs where a topic in taxation or assurance was tested at too high a level for a CFE multi, as it required knowledge at a level beyond the core 1/core 2 level.

2) Multis on the CFE are expected to include among other assessment opportunities, an assessment opportunity relating to financial reporting or management accounting. This was not always the case on UFE multitis.

Therefore in order to help students determine which UFE cases to write as practice cases and avoid writing non representative cases, the Publication breaks down the UFEs multitis into four categories:

Category 1

Questions in this category are most representative of the CFE. They include an assessment opportunity relating to financial reporting and/or management accounting and the level at which topics are tested is no higher than the core 1/core 2 level.

Category 2

Questions in this category are representative of the CFE in so far as the level at which topics are tested is no higher than the core 1/core 2 level. These questions however, do not include an assessment opportunity in either financial reporting or management accounting.

Category 3

Questions in this category include an assessment opportunity in assurance that it tested at a high level more reflective of the elective level than the core 1/core 2 level. Such an assessment opportunity could not be included on a CFE multi but could certainly come up on an elective comp for an assurance role required (Day 2 of the CFE).

Category 4

Questions in this category include an assessment opportunity in taxation that it tested at a high level more reflective of the elective level rather than the core 1/core 2 level. Such an assessment opportunity could not be included on a CFE multi but could certainly come up on an elective comp for a taxation role required (Day 2 of the CFE)

How To Use this Publication

As a rule all things being equal, the greater number of cases a student writes and effectively debriefs, the more prepared the student will be for the exam. However, students have varying time available to write cases depending upon their other responsibilities.

We would therefore suggest that in preparing for the CFE multitis, students focus first on the Category 1 questions and then write Category 2 questions if they have additional time.

Students who have chosen assurance as a depth area may wish to write the Category 3 questions and students who have chosen taxation as a depth area may wish to write Category 4 questions, if

they wish to gain more practice dealing with the types of scenarios that may arise on the elective comp (Day 2).

We hope that you will find this publication useful and wish you the best of luck on the CFE!

Sincerely,

Michael and Ira

Notes

1. The detailed guides for the period 2007 to 2008 are available electronically on our website And can be accessed through the password provided to you by PASS.
2. Many of the above concepts above are expanded on in the PASS CFE courses. Please see the PASS website, www.passyourcpa.ca for more information on PASS courses or simply contact Michael (mjlevi@passyourcpa.ca) or Ira (iwalfish@passyourcpa.ca) directly.

TOP 10 STRENGTHS & WEAKNESSES OF CANDIDATES

TOP TEN STRENGTHS

1. Attempting each direct required
2. Addressing Assessment Opportunities and not spending too much time on unimportant issues
3. Properly playing the role – being able to adapt to varied roles other than traditional assurance roles, such as advisor, consultant, internal accountant etc.
4. Providing overall conclusions, especially when discussing alternatives (i.e. for accounting)
5. Attempting balanced responses when required, i.e. risk/opportunities, pros/cons etc.
6. Providing quantitative calculations that are reasonably well done
7. Applying adequate technical knowledge of IFRS/ASPE to accounting issues
8. Properly addressing moderately difficult accounting issues with discussion of alternatives where relevant and spending minimal time on minor issues
9. Writing in an overall clear manner
10. Staying away from templates

TOP TEN WEAKNESSES

1. Not enough use of case facts throughout the response
2. Confusing quantitative and qualitative discussion. Candidates think they are providing a balanced response between quants and qualitative, but much of what they think constitutes qualitative analysis, is really quantitative
3. Avoiding or addressing in a very superficial manner, more complicated accounting topics
4. Not using the relevant sources of technical information available – i.e. the Handbook
5. Attempting to discuss alternatives where none exist or inventing alternatives that are impractical or unrealistic
6. Not enough elaboration on assumptions in quantitative schedules
7. For assurance – (a) creating procedures that do not address risk areas identified; (b) identifying assertions and then providing a procedure that does not address the assertion; (c) providing insufficient detail on how to perform the procedure, so the marker is unsure if the candidate actually understands how to perform the test/procedure; and (d) failing to consider user needs when discussing reporting options – discussion is too dumpy
8. When discussing controls, inability to consistently discuss both the implications and recommendations for control weaknesses
9. Inadequate technical knowledge for taxation
10. Considerable difficulty in identifying pervasive issues, particularly where a high degree of integration is necessary

CATEGORY 1

**FINANCIAL REPORTING OR
MANAGEMENT ACCOUNTING**

CORE 1 / CORE 2 LEVEL

2014 UFE

DETAILED EVALUATION GUIDES

PAPER 2

2014 UFE

DETAILED EVALUATION GUIDES

2014 PAPER II - SIMULATION 1 – PONYUP STABLES INC.

Assessment Opportunity #1

The candidate prepares an audit planning memo and suggests procedures for the significant areas.

The candidate demonstrates competence in Assurance.

For Assessment Opportunity #1 (Assurance), the candidate must be ranked in one of the following five categories:

- Not Addressed** - Response satisfies the following criterion:
 - Assessment Opportunity Not Addressed.
- Nominal Competence** - Response satisfies the following criterion:
 - The candidate does not attain the standard of Reaching Competence.
- Reaching Competence** – **The candidate attempts to discuss some of the planning elements of the engagement and provides some audit procedures for the identified risk areas.** RC could be attained by analyzing a total of **four (4)** planning elements and procedures, with at least **one (1)** procedure attempted and at least **one (1)** planning element attempted. At least **one (1)** of the four items analyzed must be at a “discuss” level. The remaining analysis may be an “attempt to discuss”.

An “attempt” to discuss a planning element involves an analysis that may be generic and not tied to case facts, or which has some technical weaknesses.

An “attempt” to discuss a procedure involves not explaining the significant risk/assertion or providing a procedure that is vague and does not adequately address the risk.

See below under Competent for “discuss” requirement for planning elements and procedures.

- Competent** – **The candidate discusses some of the planning elements of the engagement and discusses some audit procedures for the identified risk areas.** C could be attained by discussing a total of **five (5)** planning elements and procedures, at least **two (2)** of which must be planning elements and at least **two (2)** of which must be procedures (must be from at least **two (2)** different risk areas). For planning elements, this involves explaining the issues in a technically accurate manner using case facts. For procedures, this involves stating the risk and assertion, and providing a specific and useful procedure, clearly explaining how it will be performed and its purpose. This would include:

Planning Elements

- **Risk Assessment** – states at least **two (2)** valid risk factors (first time audit, potential fraud, change in ownership, control weaknesses, unusual and complex transactions) linked to specific case facts with an explanation of the impact on risk, and concludes that risk of material misstatement (or alternatively, audit risk)

is high

- **Materiality** – calculates materiality based on either revenue or total assets, using a reasonable percentage, and either supports the benchmark with reference to users or calculates a performance materiality figure with support
- **Approach** – concludes that a substantive approach should be taken due to control weaknesses **OR** recognizes that opening balances need to be audited and considers the impact of fraud on the audit approach

Procedures*

***must cover at least two (2) different risk areas below for C**

- **Cash/Revenue**
 - Explains specific risk of unrecorded cash, ties to completeness assertion, and provides specific procedure for **one (1)** of the following:
 - Horse riding
 - Service fee
 - Lesson fees
 - Analytics
- **Expenses**
 - Explains specific risk related to fraudulent expenses, supported by computer use at office, and provides specific procedure
- **Related Party Transactions**
 - Explains specific risk using case facts tied to either completeness or accuracy assertion, and provides specific procedure
- **Non-monetary Transactions**
 - Explains specific risk of measurement/value, ties to accuracy assertion, and provides specific procedure
- **Revenue – Non-refundable Fee**
 - Explains specific risk of premature revenue recognition, ties to existence or accuracy assertion, and provides specific procedure
- **Revenue – Gross versus Net**
 - Explains specific risk relating to recorded amount (gross versus net), ties to presentation or accuracy assertion, and provides specific procedure
- **Investment in Saddle Stables Inc.**

- Explains specific risk relating to recorded amount, ties to accuracy assertion, and provides specific procedure

- **Horse Inventory**

- Explains specific risk relating to recorded amount, ties to classification or valuation assertion, and provides specific procedure

**** Key distinction between RC and C – For C need to discuss at least three (3) (or two (2)) planning elements and at least three (3) (or two (2)) procedures (five (5) in total); RC requires analyzing four (4) items in total, at least one (1) of which is a planning element and one (1) of which is a procedure, with at least one (1) of the four (4) items analyzed at a discuss level (remaining analysis can be an attempt to discuss)****

- **Competent with Distinction – The candidate discusses some of the planning elements of the engagement and discusses some audit procedures for the identified risk areas, including a discussion of the implications of potential fraud on the audit.** CD could be attained by discussing **three (3)** planning elements of the audit **AND** discussing at least **four (4)** procedures (from at least **three (3)** different risk areas) **AND** discussing the implications of potential fraud on the audit. This involves using at least **two (2)** specific case facts to support potential fraud, and doing **one (1)** of the following: considering whether to withdraw from the engagement (must tie to owners being involved in fraud as well), **or** explaining the need to communicate the fraud to those charged with governance.

Assessment Opportunity #2

The candidate discusses the accounting issues.

The candidate demonstrates competence in Financial Reporting.

For Assessment Opportunity #2 (Financial Reporting), the candidate must be ranked in one of the following five categories:

- Not Addressed** - Response satisfies the following criterion:
 - Assessment Opportunity Not Addressed.
- Nominal Competence** - Response satisfies the following criterion:
 - The candidate does not attain the standard of Reaching Competence.
- Reaching Competence** – **The candidate identifies some of the accounting issues.** The accounting issues included related party transactions, non-monetary transactions, revenue (non-refundable fee), revenue (gross versus net), investment in Saddle Stables, and inventory versus property, plant and equipment. At least **two (2)** of the issues should be identified, and may contain some technical weaknesses or may not fully integrate case facts.
- Competent** – **The candidate discusses some of the accounting issues.** C could be attained by discussing any **three (3)** issues **OR** discussing **two (2)** issues, **one (1)** of which must be significant (see **bold** below). This requires a technically accurate analysis supported by specific case facts and would include:
 - **Related Party Transactions** – assesses how the parties are related, using case facts, and applies case facts to each relevant criteria under section 3840 (normal course of operations, substantive change in ownership, independent evidence); concludes on the appropriate accounting treatment in a manner that is consistent with the analysis
 - **Non-monetary Transactions** – assesses whether each of the criteria under Section 3831 are met (must use case facts to support that commercial substance exists); notes that the transaction should be measured at the more reliably measurable of the fair value of the asset given up and that received, and concludes to measure at the fair value of the boarding fees given up (\$4,800)
 - **Investment in Saddle Stables** – identifies issue of loan versus investment, refers to importance of substance over form (handbook reference not required), and applies at least one case fact to criteria from Section 3856 to support loan treatment; concludes that the amount should be recorded as a loan on the balance sheet and either notes it should be at fair value or that it needs to be discounted
 - **Revenue (non-refundable fee)** – assesses whether performance is met using case facts, and concludes to defer and recognize the \$1,000 into revenue over 24

months

- Revenue (gross versus net) – assesses whether PonyUp is a principal or agent by applying **two (2)** factors (primary responsibility, inventory risk, price setting, credit risk) using case facts, and concludes whether to record revenue on a gross or net basis, consistent with the analysis
- Inventory versus PP&E – identifies issue of inventory versus property, plant and equipment, and does **one (1)** of the following:
 - Applies case facts to inventory definition, concludes treatment is appropriate (must link to willingness to sell), and notes lower of cost and net realizable value rule
 - Applies case facts to inventory definition to conclude horses should not be considered inventory, and recommends treating as PP&E, noting the need for depreciation
 - Applies case facts to PP&E definition to conclude horses should be considered PP&E, noting the need for depreciation
 - Applies case facts to both inventory and PP&E definitions and concludes horses should be considered PP&E

**** Key distinction between RC and C – For C need a technically accurate analysis supported by specific case facts for either any three (3) issues OR two (2) issues, one (1) of which is significant; RC requires identifying two (2) issues****

- Competent with Distinction** – The candidate thoroughly discusses most of the accounting issues. At least **four (4)** of the issues should be discussed, **two (2)** of which must be significant.

Assessment Opportunity #3

The candidate discusses the control weaknesses that provide an opportunity for potential fraud.

The candidate demonstrates competence in Assurance.

For Assessment Opportunity #3 (Assurance), the candidate must be ranked in one of the following five categories:

- Not Addressed** - Response satisfies the following criterion:
 - Assessment Opportunity Not Addressed.
- Nominal Competence** - Response satisfies the following criterion:
 - The candidate does not attain the standard of Reaching Competence.
- Reaching Competence** – **The candidate addresses some of the control weaknesses, including recommendations to address them.** The control weaknesses included segregation of duties, approval of expenses, scheduling of horses, lesson fees, approval of bank reconciliations, and cheque signing. At least **two (2)** of the control weaknesses should be addressed, which involves stating the control weakness (may not use case facts), and either stating a valid implication for each, or providing a useful and practical recommendation to address the weakness.
- Competent** – **The candidate discusses some of the control weaknesses, including recommendations to address them, and recognizes the indicators of potential fraud.** C could be attained by discussing at least **two (2)** control weaknesses **AND** recognizing at least **two (2)** indicators of potential fraud. This involves identifying the control weakness using case facts, stating a valid implication, and providing a useful and practical recommendation to address the weakness. For fraud, this involves using specific case facts to identify fraud concerns and directly linking this to Mrs. Devanney. Valid discussions would include:

Control Weaknesses

- **Segregation of Duties** – notes duty segregation issue with Mrs. Devanney receiving payments, making deposits, and having access to accounting records; explains implication (i.e. shows how fraud can occur – must provide detail using case facts) and provides a valid recommendation such as having the receptionist collect cash and open the mail
- **Approval of Expenses** – notes issue with expense approval due to inadequate support for payments; explains implication (i.e. illegitimate expenses that are personal in nature) and provides a valid recommendation such as ensuring each cheque has supporting documentation attached to it at time of approval
- **Scheduling of Horses** – notes issue with not all riders being scheduled; explains implication (i.e. Mrs. Devanney is keeping excess payments for herself) and provides a valid recommendation such as having the receptionist maintain the schedule

- **Lesson Fees** – notes issue with rates charged to riders; explains implication (i.e. loss of reputation, fraud) and provides a valid recommendation such as posting price list at reception desk for clients
- **Approval of Bank Reconciliations** – notes issue with lack of review; explains implication (i.e. owners not able to catch errors) and provides a valid recommendation such as monthly review by at least one owner
- **Cheque Signing** – notes issue with one signature policy; explains implication (i.e. duplicate invoices could be fraudulently presented and paid) and provides a valid recommendation such as implementing two-owner signing policy

Indicators of Fraud

- **Double-booking of Horses** – notes potential for Mrs. Devanney to allow horses to be ridden more than expected based on the schedule in order to pocket money, tied to case fact (either the horse ridden for more than three hours, or the receptionist being told not to note unscheduled riders that make payments)
- **Overcharging for Lessons** – notes potential for Mrs. Devanney to pocket excess charges, using case fact (i.e. charged client \$40/hour but rate is only \$30/hour)
- **No Vacation** – notes that Mrs. Devanney does not take vacation and explains why this could indicate fraudulent behaviour (i.e. does not want others to have access to records)
- **Personal Expenses** – notes that Mrs. Devanney may have stolen a computer, using case fact (i.e. two computers purchased but only one is in the office)
- **Low Recorded Revenue** – notes that Mrs. Devanney may be stealing revenue based on low recorded revenue amounts (must do a reasonable calculation based on case facts to support why revenue seems lower than it should be)

**** Key distinction between RC and C – For C need an implication and useful and practical recommendation for each control weakness, as well as an analysis of two (2) fraud indicators; RC requires an implication or recommendation for each weakness identified, and may not use case facts****

- ❑ **Competent with Distinction – The candidate discusses several of the control weaknesses, including recommendations to address them, and discusses the indicators of potential fraud. CD could be attained by discussing at least four (4) control weaknesses, discussing at least three (3) indicators of potential fraud, and providing a recommendation on the next steps that the owners should take in order to address the fraud (must be practical).**