

<b>THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN</b>	
<b>EXAMINERS' COMMENTS</b>	
<b>SUBJECT</b> Financial Accounting & Reporting I	<b>SESSION</b> Certificate in Accounting and Finance (CAF) Examination - Autumn 2019

### Passing %

Question-wise								Overall
1	2	3	4	5	6	7	8	
76%	35%	74%	53%	50%	20%	42%	13%	39%

### General comments

An overall passing ratio of 39% stands between the last two results of 29% and 57% respectively. 19% examinees were just short of 9 or fewer marks and could have easily obtained them if they have covered all areas of the syllabus. The highest score in the paper was 94 marks.

Performance in Q6 and Q8 was poor. Q6 (IAS 16) has a higher difficulty level as compared to previously examined questions on this topic at FAR 1 due to recent changes in syllabus. Examinees who only focused on previously examined questions faced difficulty in attempting the question. Poor performance in Q8 (IFRS 15) was mainly due to the inherent difficulty (newness) of the topic.

Although many examinees performed well, some shortcomings such as lack of practice, poor presentation, etc. were commonly noted in most scripts. Many examinees secured good marks in two to three questions but failed to obtain reasonable marks in the remaining questions.

It has been observed that examinees often spend extra time on completing a question which affect their performance in the other questions. Examinees are therefore strongly advised to move to the next question after they have spent reasonable time on a particular question. This would help them to attempt all questions of the paper.

### Question-wise common mistakes observed

#### Question 1

- Amount of premium in right issue was taken at Rs. 12 million instead of Rs. 72 million.

- Several mistakes were made in presenting relevant dividends in the statement for the year ended 30 June 2019. Please refer ICAP's suggested solution for correct presentation of relevant dividends.

### **Question 2**

- In (i), grant was considered as related to asset.
- In (ii), answers were correct to the extent discussed but lacked completeness.

### **Question 3**

Average cost of closing stock was calculated incorrectly and was often stated at Rs. 1,640 which was the cost of opening finished goods.

### **Question 4**

MCQ numbers (i), (ii), and (x) were least well answered.

### **Question 5**

- Few examinees prepared the statement of cash flow by using indirect method.
- Effects of contract liability and/or cash sales were not considered while calculating receipts from customers.
- Receipt of rent was not presented anywhere in the statement.
- While calculating amount paid for additions to property, plant and equipment, amount of impairment was ignored.
- While calculating amount paid for additions to investment property, increase in fair value was ignored.
- Dividend paid was not computed and/or presented.
- Repayment of loan did not include effect of current maturity.

### **Question 6**

- Amount of additions to equipment was calculated on the basis of fair value of the new equipment instead of fair value of the old equipment.
- Adjustment of revaluation of building was not properly presented and/or incorrectly bifurcated into revaluation surplus and profit or loss.
- Schedule of property, plant and equipment was often incomplete in terms of presentation.
- Carrying value of building if the cost model had been used was incorrectly calculated.
- Correct capitalization period of 7.5 months was not taken into account for borrowing cost on manufacturing plant. Further, lengthy calculations were made for calculating borrowing cost to be capitalized which were not required as it was the case of 'Specific borrowings'.

**Question 7**

- Several types of mistakes were made in calculating sales and often were not computed at all. Please refer ICAP's suggested solution for correct calculation.
- Rent expense and related prepaid were incorrectly calculated.
- Depreciation of old equipment was calculated on book value.

**Question 8**

- Examinees could not differentiate between receivable and contract asset.
- In part (a), reduction in revenue due to placement of second order by Alpha was not made.
- In part (b), revenue was recognized @ Rs. 250 instead of Rs. 215 upon first order by Beta.

***(THE END)***