

<b>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 2020

### Passing %

Question-wise								Overall
1	2	3	4	5	6	7	8	
78%	27%	48%	31%	25%	43%	50%	12%	31%

### General:

An overall passing ratio of 31% is much lower than previous two sessions' results i.e. 51% and 39% respectively. The low result was mainly due to lower than expected performance in Q8 (based on IAS 16) and overall below average performance of the repeaters. The highest score in the paper was 87 marks.

Performance in Q5 and Q8 was poor. Poor performance in Q7 (IFRS 15) was mainly due to the inherent difficulty (newness) of the topic. Q8 was based on IAS 16 which seems to have been overlooked by many examinees in this session on the assumption that it has been tested in previous session.

16% examinees were just short of 9 or fewer marks and could have easily obtained them if they had not missed straightforward marks and made basic mistakes. The most commonly noted issues are lack of practice and poor presentation.

### Question-wise common mistakes observed

#### Question 1

In manufacturing overheads, examinees either did not include raw material warehouse cost or also included cost incurred at other locations along with factory cost.

#### Question 2

A majority of examinees had not studied the topic. Thus answers tended to be very polarized, either very good or very poor.

### **Question 3**

- Examinees did not read the requirement carefully and also prepared entries for the years 2014 to 2018. This resulted in loss of valuable time and also affected the performance in other questions.
- Examinee presented entries as if the grant had been recorded initially by setting up deferred income account.
- Annual interest cost was either ignored or deducted from net annual cash inflows while calculating value in use.

### **Question 4**

- MCQs at serial (v) and (vi) were least well answered.
- Many examinees wasted valuable time in reproducing the wordings of correct option instead of only mentioning the serial of the option.

### **Question 5**

- In part (b), examinees had no idea of the examined areas.
- In part (c), examinees did not mention that transaction price should exclude amounts to be collected on behalf of third parties. Only few examinees were cognizant with the factors and they were often left un-attempted.

### **Question 6**

- Effect of transfer from revaluation surplus was not considered while determining profit.
- Depreciation on investment property was not shown in 'adjustments for'.
- The adjustment for short term investments readily convertible to cash, outstanding proceeds from disposal and/or accrued interest were not considered in 'changes in working capital'.
- Repayment of loan did not include effect of current maturity.
- Purchase of property, plant and equipment against issuance of shares was presented in the statement though it was a non-cash transaction.

### **Question 7**

- In part (a), all components (as given in point vi of the question) of loss from suspected fraud were not included in the calculation.
- Goods in transit and goods issued against fake invoices were not deducted in calculating cost of the goods sold.
- Unpresented cheques and deposit in transit were not correctly incorporated in the creditor and debtor accounts.
- Examinees prepared cash account and assumed the balancing figure to be cash sales and ignored the misappropriations from cash sales.

**Question 8**

- 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.
- Borrowing cost was capitalized till 31 March 2020.
- Carrying values of land and building if the cost model had been used were incorrectly calculated.

***(THE END)***