

INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN	
EXAMINERS' COMMENTS	
SUBJECT Financial Accounting & Reporting I	SESSION Certificate in Accounting and Finance (CAF) Examination - Autumn 2021

Passing %

Question-wise								Overall
1	2	3	4	5	6	7	8	
58%	66%	30%	66%	23%	47%	17%	15%	31%

General:

An overall passing ratio of 31% is lower than previous result of 40%. Decline in result was mainly due to lower than expected performance in Q2, Q3 and Q5. Around 25% of the examinees could secure maximum of 1 mark in these questions. The examinees performed well in section A comprising of short questions but the performance in section B was poor except for Q6. It was also observed that many examinees secured good marks in two or three questions but failed to obtain reasonable marks in the remaining questions. It seems that they did not study all areas of the syllabus on the assumption that these topics would have least possibility of being examined.

There were many examinees securing marks in the 80s and even as high as 95.

Question-wise common mistakes observed

Question 1

- Cost of sales was used as denominator instead of purchases in calculation of trade payables payment period.
- Examinees provided general comments e.g. debtor, creditor or sales should be increased or decreased, instead of providing specific measures which should be taken.

Question 2

Value in use was calculated using post-tax discount rate instead of pre-tax discount rate.

Question 3

- Payment for Factory payroll was recorded but payroll was not transferred to 'Work in process' and 'Manufacturing overheads'.
- Entries for usage of raw material and completion of finished goods were not presented.

Question 4

- MCQs at serial (ii) and (iii) were not correctly answered by many examinees.
- Some examinees wasted valuable time in reproducing the wordings of correct option instead of only mentioning the serial of the option.

Question 5

- Examinees did not read the requirement carefully and presented "Correct entries" instead of "Correcting entries". Also, workings were often haphazard and partial marks could not be awarded as trail for the calculations was not available.
- In respect of (ii), revenue for 11 units was recognized instead of 11th unit only.
- In (iii), correction was often made with Rs. 160,000 instead of Rs. 152,000.
- In (iv), revenue from annual maintenance was needed to be recognised for 4 months which was often not recognised at all or recognised in full.

Question 6

- Instead of following either direct or indirect method, examinees adopted hybrid approach and computed a few amounts using direct method and other amounts using indirect method.
- Examinees could not identify that Interest expense for the year need to computed as difference between loss after interest (balancing amount in retained earnings) and loss before interest.
- Purchase and depreciation of property, plant and equipment could not be correctly calculated as examinees merged cost and accumulated depreciation and then got confused.
- Payable against capital work in progress was not adjusted for presenting Trade payables in working capital changes or cash paid to supplier.
- Share discount was not adjusted in calculating proceeds from issuance of shares.

Question 7

- Comparative figures for 2019 were not disclosed as required by the question.
- Interest earned on unused funds from grant was deducted from cost of factory building.
- Capitalization rate for 2020 was either not computed or also applied to 2019 as well.
- Portion of deferred grant related to land was not taken to profit or loss.
- Forgivable loan related to manufacturing plant was not treated as government grant.

Question 8

- Examinees could not prepare the subscription account and were mostly confused by the fact that members were required to pay three years' subscription.
- Only cash purchases of golf kits were taken as purchases.
- Golf kit for rent were not treated as non-current asset and consequently no depreciation was charged on them.
- Loss from misappropriation was not reduced by the insurance amount and corresponding receivable from insurance claim was not presented.
- Repair and maintenance fund was not included in calculation of 'General fund'.

(THE END)