

INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

EXAMINERS' COMMENTS

SUBJECT	SESSION
Financial Accounting and Reporting-I	Certificate in Accounting and Finance (CAF) Examination - Spring 2023

Passing %

Question-wise									Overall
1	2	3	4	5	6	7	8	9	
30%	36%	42%	44%	32%	17%	54%	11%	30%	22%

General

The current result of 22% is fairly consistent with the previous result of 25% and the average of the last 3 sessions which is 26%. About two-thirds of the examinees for this paper got the exemption from Introduction to Accounting due to the transition to the new scheme, and the passing rate for these examinees is significantly lower than that of the other examinees.

The performance of the examinees varied significantly across the answer scripts, with some scoring exceptionally well, receiving marks in the 80s or even as high as 93. However, it is worth noting that 18% of the examinees scored 20 or fewer marks, indicating a lack of understanding of the subject's basics and inadequate exam preparation.

Some of the most commonly noted issues were a lack of practice and poor presentation skills. This could be attributed to the fact that for many examinees, it was their first paper-based examination.

Question-wise common mistakes observed

Question 1

- Examinees were unable to identify that in 2021 diluted EPS was the same as the basic EPS.
- Weighted average number of outstanding shares for 2022 was taken the same as 2021 instead of 8.4 million.
- While computing diluted EPS for 2022, the denominator was adjusted with 3 million instead of 0.6 million.
- A significant minority considered the irredeemable preference shares as convertibles and incorporated their effect in diluted EPS.

Question 2

- In (a), the compensation was taken to profit or loss for 2021.
- In (b), the grant was taken to profit or loss over 2 years instead of 5 years.
- In (c), the saving of transportation cost was treated as government assistance.

Question 3

Examinees struggled the most with effects related to the change in inventory policy.

Question 4

- Depreciation for 2021 was calculated using a rate of 15% instead of 20%.
- Examinees concluded that no adjustment for impairment reversal was necessary for 2022 after calculating a higher recoverable amount.
- Examinees computed the value in use incorrectly by considering only a single year of cash flows in 2021 and 2022 instead of considering four and three years of cash flows, respectively.

Question 5

Despite its relatively easy nature and similarity to the examples provided in ICAP's study material, examinees performed below expectations on this question. Many lacked the necessary approach to properly handle the question.

Question 6

- MCQs at serial (i), (iv), and (vi) presented particular challenges on this exam, as they were the least well-answered questions.
- Some examinees wasted valuable time in reproducing the wordings of the correct option instead of only mentioning the serial of the option.

Question 7

- Transaction cost for the right issue was not adjusted.
- Net profit and transfer of incremental depreciation for 2022 were not restated.
- The word 'restated' was not mentioned for each line item which was different from the previously reported amount due to the impact of the correction of the error.

Question 8

- Examinees did not prepare an account for membership to calculate membership income. Instead, they tried to directly calculate income using other methods which usually resulted in an incorrect answer.
- Restricted contribution for the tractor was shown as income.
- Gain on disposal was taken as Rs. 300,000 instead of Rs. 700,000.
- Working for the opening general fund was not prepared.
- Land was presented at Rs. 1 million.
- Rent receivable was shown for 12 months instead of 21 months.

Question 9

- Examinees often presented incomplete extracts and focused primarily on showing their workings, while those who did prepare the extracts failed to disclose the required comparative figures for 2021.
- In respect of (i), the warehouse was reclassified to property, plant and equipment on 31 March 2022 instead of 1 January 2022.
- In respect of (ii), the change in depreciation method was applied retrospectively instead of applying it prospectively.
- In respect of (iii), the borrowing cost for the specific loan was capitalized for an incorrect number of months. Further, interest expense and income to be taken to profit or loss were not computed and/or presented.

(THE END)