

INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN	
CERTIFICATE IN ACCOUNTING AND FINANCE (CAF) EXAMINATIONS	
EXAMINERS' COMMENTS	
SUBJECT Cost & Management Accounting (CMA)	SESSION Autumn 2020

Passing %

Question-wise						Overall
1	2	3	4	5	6	
23%	61%	17%	11%	39%	44%	26%

General comments

The overall performance in this attempt has declined (26%) in comparison to previous attempt (48%). The underperformance can be attributed to selective studies, poor time management and weak concepts.

It is generally observed that examinees do not read the question properly and are unable to understand the requirement of the question. With particular reference to questions 6, it was observed that examinees tried to produce answers in a rote learned format instead of what the question required. It is suggested to read the question and the requirement carefully to avoid wastage of time on unnecessary computations.

Question-wise common mistakes observed

Question 1

- Examinees did not compute the production at full capacity in order to get the total units to be produced in 2020. Instead, they used production units of current year for the budget which was incorrect.
- In computation of material cost, the impact of price increase was not taken correctly or not taken at all.
- Labour hours were computed by multiplying units per labour hour with units produced instead of dividing it.
- Weighted average ratio for computation of overheads was not calculated.

Question 2

- In computation of demand, consumption of cheese per unit was not considered.
- In some cases, EOQ was computed under the proposed scenario as well which demonstrated lack of understanding.
- The entire warehouse cost was incorrectly included in carrying cost which included fixed cost as well.
- Monthly finance cost was taken as annual finance cost.

Question 3

- Actual overheads were computed by adjusting the over/under absorbed amount to budgeted overheads instead of applied overheads. It appears that examinees are not clear about the difference between budgeted and applied overheads.
- In some cases, both the budgeted machine hours and actual machine hours were not computed and only one of the two was used for computation of all the overheads in the question.
- Overhead rate for 2020 was computed using budgeted overheads.
- Fixed overheads included in opening inventory, variable cost of production and closing inventory were not computed correctly. Due to this reason, correct figures were not taken in the profit and loss statement. Many examinees tried to compute the variable cost directly without computing the fixed overheads and ended up wasting time.
- In the reconciliation, the fixed cost included in opening and closing inventory was incorrectly added/subtracted from the profit under marginal costing.

Question 4

- Many examinees ignored the option of discontinuing production of BA and did not compute the benefit under that option.
- Examinees did not apply the concept of incremental costs/benefits under option 2 for decision making purposes.
- In decision making of availing the service of delivery and sales returns, the option of continuing with the existing fixed cost was not evaluated.
- In decision making of additional support staff, the impact of increase in variable selling expense under the second option was not considered.

Question 5

- Some examinees attempted to compute variances on the basis of self-assumptions instead of determining the equivalent production units.
- Normal loss was computed incorrectly.
- Opening WIP was taken in the computation of equivalent production units without taking the effect of stage of completion.
- Impact of two different material prices was not taken in computation of material price variance.
- Impact of idle hours was not taken in computation of labour efficiency variance and variable factory overhead variances.
- In computation of factory overhead volume variance, actual hours were taken instead of budgeted hours.
- Budgeted expenditure was not computed for the reconciliation.
- Variances were incorrectly added and subtracted in the reconciliation. It appears that examinees were not clear that adverse variances would be added and favorable variances would be deducted from budgeted expenditure to get the actual expenditure.

Question 6

- Most examinees tried to include sales in the cash flow even though no such information was given in the question. Examinees failed to identify that the question required them to evaluate only the cost side of both proposals.
- Cash flows of three years were calculated instead of five years under proposal 1.
- Impact of inflation and increase in demand were taken from year 2 instead of year 1.
- Most examinees did not compute the gain on disposal of machine under both proposals.
- Impact of overhauling cost on depreciation was not computed correctly.
- In proposal 2, shortfall units were not computed and consequently its impact on variable cost was not included.
- Taxation, add back of depreciation and add back of gain on disposal were not included in the cash flows.

(THE END)