

INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN	
EXAMINERS' COMMENTS	
SUBJECT Cost and Management Accounting	SESSION Certificate in Accounting and Finance (CAF) Autumn 2022

Passing %

Question-wise									
1	2	3	4	5	6	7	8	9	Overall
29%	39%	20%	35%	69%	30%	52%	32%	17%	36%

General comments

The overall performance in this attempt has declined (36%) in comparison to the previous attempt (40%). A lack of grip on basic concepts was observed due to which examinees spent excessive time on easy and straightforward questions as well. This leads to a wastage of time due to which examinees are unable to complete the paper.

Question-wise common mistakes observed

Question 1

- The existing conversion cost was not computed for comparison purpose.
- Hourly wages were computed along with piece wages under option 1.
- Labour hours were not correctly computed under both options.

Question 2(a)

- Some examinees explained the lead time incorrectly by saying that it is the time when a new order is placed or the time period between the placement of consecutive orders.
- Stock-out cost was not correctly explained. Some examinees explained the meaning of stock out instead of stock out cost.

Question 2(b)

The different levels of inventory were computed but no explanation was given about why it is important to maintain them.

Question 3

- Impact of individual events on actual overheads was explained instead of clearly mentioning whether they will result in over or under absorbed overheads.
- Budgeted overheads figure of prior year was computed but incorrectly shown as applied overheads.

- Under-absorbed overheads of the prior year were deducted from the applied overheads instead of adding them.
- The impact of each event was computed but no adjustment was made in the budgeted overheads or the applied overheads to derive the actual overheads.

Question 4(a)

- Cost allocation bases were explained instead of bases for absorption of factory overheads.
- Activity-based costing was discussed instead of discussing the selection of a base for the absorption of factory overheads.

Question 4(b)

- Overheads and machine hours of the two existing machines were not included in the total overheads and total machine hours of the department.
- In the computation of the overhead absorption rate, overheads and machine hours of only the new machine were used. Therefore, the OAR for the production department could not be correctly derived.
- Electricity consumption of the new machine was incorrectly used for the computation of the electricity cost of the existing two machines as well.

Question 5

- Transit loss was not considered in the computation of annual requirement. Some examinees made adjustments for transit loss in the order size instead of the annual demand.
- Purchase cost was computed by multiplying order size with the purchase cost instead of the annual requirement.
- Safety stock was not included in the computation of holding cost.

Question 6

- The question required the existing break-even sales and margin of safety, however some examinees computed break-even sales and margin of safety after implementation of finance director's suggestion.
- Break even units were computed by dividing fixed cost with only one product's contribution margin.
- Margin of safety units were not computed separately for product X1 and Y1.
- Advertisement cost was not considered in the evaluation of whether to go ahead with finance director's suggestion.

Question 7

- Normal loss was computed without deducting closing work in process from the total input.
- Abnormal gain was added instead of being deducted in the equivalent production schedule.
- Opening work in process and by-product units were added in the equivalent production schedule.

- Proceeds from sale of by-product were not deducted from the joint cost.
- Conversion cost incurred in process B was not deducted while computing NRV of Gravity at split-off point. Further it was not added in the per unit cost of Gravity.
- Joint cost was allocated on the basis of per unit NRV or number of units.
- Credit entry for abnormal gain in scrap inventory account and profit and loss account was missed.

Question 8(a)

- Actual profit was computed instead of budgeted profit. Some examinees computed profit using absorption costing instead of marginal costing.
- Variable overheads per unit was incorrectly computed.

Question 8(b)

- Sales volume variance was computed using the selling price.
- Adjustment for actual and budgeted material loss was not made correctly for computing the actual material usage.
- Labour rate variance was computed using allowable labour hours instead of actual labour hours.
- Standard variable overhead per hour was incorrectly computed for variable overhead expenditure variance and variable overhead efficiency variance.
- Actual overheads were computed by adjusting the over-absorbed overheads in the budgeted fixed overheads instead of the applied overheads. Consequently, examinees mistook the over-absorbed overheads as the fixed overhead expenditure variance.
- Variances were not correctly shown as adverse or favourable.

Question 9(a)

- Full capacity and shortfall of machine hours were not computed. Some examinees incorrectly computed a full capacity of 80,000 hours.
- Incremental contribution per unit on in-house production was not computed and the ranking was computed on the basis of contribution per unit.
- Priority was not given to the production of local orders and production units of both local orders and export orders were computed according to the ranking.

Question 9(b)

Financial factors were discussed instead of non-financial factors.

(THE END)