

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

Certificate in Accounting and Finance Stage Examination

Cost and Management Accounting

Examiners' Comments

Autumn 2025

PASSING %

Question-wise									Overall
1	2	3	4	5	6	7	8	9	
10%	5%	8%	12%	48%	53%	52%	54%	61%	37%

GENERAL COMMENTS

The overall performance in this attempt is slightly better than that of the previous attempt (34%). The improvement can be attributed mainly to better performance in long questions.

However, poor performance was observed particularly in the first four questions. It appeared that a number of examinees had memorized the method for solving the question and tried to use that method irrespective of the requirements of the question and the type of information that was available in the question. Many examinees spent unnecessary time calculating figures that were not required and used lengthy methods instead of selecting the most appropriate method based on the question's context.

QUESTION-WISE COMMON MISTAKES OBSERVED

Question 1

- Budgeted overheads were considered as the applied overheads, and the over/under applied amount was computed as the difference between the budgeted and the actual overheads.
- Different overhead rates were computed for each product.
- Applied overheads were computed based on units produced instead of direct labour hours.
- Idle labour hours were altogether ignored.
- Journal entries for the entire process were passed, wasting valuable time.
- Incorrect heads of accounts were used for the entries, such as applied overheads, Actual Overheads, etc.

Question 2

- It was assumed that 6 orders of X and 5 orders of Y would be delayed, instead of every 6th and 5th order, respectively.
- Consumption per day was computed by dividing the annual production by the quantity per order, ignoring the fact that 2 kg of X and 3 kg of Y would be used in each unit of the finished product.
- Two options for X and Y, i.e., maintenance of safety stock for 1 day and 2 days, were evaluated, resulting in wastage of precious time.
- Delay of overlapping orders was ignored in calculations.
- Safety stock was computed by multiplying the consumption by the number of delayed orders.

Question 3

- The fact that production capacity was limited to 264,000 labour hours was ignored. Consequently, it was presumed that the entire production of Alpha would be converted into Beta. It was presumed that one kg of Alpha would be converted into one kg of Beta, whereas, according to the question, 1.1 kg of Beta was to be produced using 1 kg of Alpha. Similarly, it was presumed that 0.2 kg of Zed would be required per kg of Beta, instead of 1.1 kg of Beta.
- Cost of disposal of waste material was treated as sale proceeds from the sale thereof.
- The conclusion was arrived at based on the contribution margin per kg instead of the total contribution margin.

Question 4

- The cost of transportation was added or subtracted directly from the closing stock, instead of revising the annual costs and then computing the revised weighted average costs.
- The revised closing stock was computed using the FIFO method instead of the weighted average.
- The cost of transportation of raw material R was deducted from the purchases, instead of being added.
- As per the question, the labour cost of Product F was required to be reduced by 5%. Since factory overheads were applied at 60% of direct labour, these should also have been reduced by 5%. However, most examinees reduced only the labour cost, ignoring the corresponding adjustment in factory overheads.
- Instead of finding the amount of labour and overheads, the amount of reduction was computed by taking 5% of the entire cost of production, ignoring the fact that it included the cost of raw material also.

Question 5

- The cost of material to be used by semi-skilled labour was not computed correctly.
- Factory overhead rate per hour was used as the rate per direct labour hour.
- The rate per direct labour hour of skilled labour was used as the rate for semi-skilled labour.
- Since variable overheads and wages of supervisors were to be charged based on labour hours, the effect of a reduction in labour hours due to the learning curve should also have been applied to overheads and supervisor costs. This aspect was ignored.
- Incorrect formulae were used to calculate the impact of the learning curve.
- The incorrect supervisor wage rate was applied.
- A lot of time was wasted in computing the costs relating to skilled labour by adding the costs of various components. It could have been done using the total costs per unit, which were given in the question.
- The total cost of producing 50 machines by skilled labour was not computed.

Question 6

- Incorrect formulae were used.
- In many cases, incorrect calculations were performed, resulting in wrong answers despite using the correct formulae.
- The total standard quantity of direct material allowed for actual production was calculated, but the standard direct material usage per unit of Samedi was not computed.
- The total standard cost of variable overheads was calculated, but the standard variable production overhead rate per hour was not determined.

Question 7 (a)

- Cost of wastage of raw material was computed incorrectly by applying the loss percentage on the cost of raw material excluding the loss, instead of applying the percentage of loss on the cost of total input, i.e., inclusive of the loss.
- The contribution margin percentage was computed incorrectly, as the calculation was approached by first determining the contribution margin per unit for each product and then attempting to derive a weighted average using various methods, which resulted in errors. The simpler method of calculating total sales and total variable costs to determine the overall contribution margin was overlooked.

Question 7 (b)

- The required increase in the sales quantity of Green was not computed; instead, only the break-even sales after incorporating the increase in fixed costs and the target profit were calculated.
- While computing the revised sales mix, the increase in the sales quantity of Green should have been offset by an equal proportional reduction in the sales quantities of Black and White; however, this adjustment was not made.

Question 8(a)

- Excessively lengthy methods were applied by first computing the cost per unit and then deriving the cost of goods manufactured and cost of goods sold based on that. This approach resulted in considerable time being wasted and led to significant errors in the calculations.
- The cost of opening stock was calculated incorrectly using various lengthy and inaccurate methods, despite the opening stock for marginal costing being provided in the question and the calculation required for absorption costing being relatively straightforward.
- Indirect labour and other manufacturing costs were omitted from the manufacturing cost computation. Only raw material and direct labour costs were included, while all other expenses were incorrectly treated as period costs.
- Closing work-in-process was largely overlooked both in the computation of equivalent production units and in the preparation of the statement of profit or loss.
- The cost per completed unit was incorrectly applied to value the work-in-process, even though it was only 40% complete with respect to conversion costs.
- A proper statement of profit or loss was not prepared, and the figures were presented in an unstructured manner.

Question 8(b)

- The difference between closing work-in-process was overlooked.
- The change in opening and closing inventories of the same costing method was incorrectly shown as the reconciling item.

Question 9 (a)

- The normal loss was calculated incorrectly because an incorrect number of inspected units was used.
- Incorrect percentages were used in determining the equivalent production units (EPU).
- While determining equivalent production units for department B, the column related to department A was ignored.

Question 9 (b)

- Unnecessary time was spent calculating the cost of work-in-process and abnormal gain or loss, even though the question did not require these computations.
- The cost per unit was determined using the weighted average method instead of the required FIFO method.

(THE END)