

<b>INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN</b> <b>EXAMINERS' COMMENTS</b>	
<b>SUBJECT</b> Cost and Management Accounting	<b>SESSION</b> Certificate in Accounting and Finance (CAF) Spring 2025

### Passing %

Question-wise									Overall
1	2	3	4	5	6	7	8	9	
63%	66%	69%	62%	14%	19%	14%	33%	38%	34%

### General comments

The overall performance in this attempt is 34%, which is lower than that of the previous attempt (41%). The decline in results can be attributed to poor performance on the Safety Stock (Q.5) and Decision Making (Q.7) questions, both of which had a success rate of only 14%. Although both topics have been regularly assessed, with similar questions appearing over the past three to four sessions, examinees have consistently failed to attain passing marks. This shows insufficient comprehension and/or inadequate practice.

### Question-wise common mistakes observed

#### Question 1

- Labour used for the production of product X was not treated as a fixed expense.
- Variable factory overheads were taken as 40% instead of 60%.
- Delivery expenses and Commission on sales were treated as fixed expenses, although these were variable expenses.
- Monthly rent paid to the distributor and the administration expenses were not converted into annual expenses.
- The amount of breakeven sales was not computed instead, breakeven sales were only computed in units.
- The amount of breakeven sales was wrongly converted into product-wise quantities.

#### Question 2

- The material component of the opening work-in-process inventory was not included in the calculation of equivalent units for materials.
- The material component of the closing work-in-progress inventory was incorrectly included in the calculation of equivalent units for materials.
- Abnormal loss of material was incorrectly included in the calculation of equivalent units for materials.
- Units transferred from department A were considered as units produced in department B.

### **Question 3**

- Salaries of labour supervisors were allocated based on production units, instead of labour hours.
- Fuel and power were allocated based on a number of machines or total machine hours, or machine hours per unit, instead of energy consumed (kWh).
- Repairs and maintenance of machines were allocated based on the number of machines instead of machine hours.
- Repairs and maintenance of the factory were allocated based on the area occupied by each machine instead of the total area occupied by all machines used for each product.
- The ordering department's costs were allocated based on the value of purchases or the total ordered quantity instead of the number of orders of each product.
- While computing overheads per labour hour, total overheads were divided by labour hours per unit, instead of total labour hours incurred for each product.

### **Question 4**

- Total ordering costs and total holding costs were used in the formula, instead of ordering cost per order and holding cost per unit.
- The annual rent of the warehouse was incorrectly included in the EOQ calculation. Further, the purchase price was used in the EOQ formula.
- The impact of inflation was also applied to insurance and warehouse rent per unit.

### **Question 5**

- The total quantity required for production was not calculated; instead, the calculation was based on a quantity of 365,000 kg.
- The number of orders was wrongly calculated.
- The estimated number of orders to be delayed in each case was not calculated.
- Contribution per unit of Z was not calculated correctly. Either the cost of P or labour and factory overheads was ignored.
- Holding cost was calculated as Rs. 800 and Rs. 1,600 instead of Rs. 800,000 and Rs. 1,600,000.
- The number of times the loss of sale in each case was wrongly calculated.

### **Question 6**

- Computations were made based on a single worker rather than all the workers combined.
- Wastage was taken as 10% and 12% of the good units produced instead of the total quantity produced.
- The raw material used in rejected goods was not included in the cost of raw material consumed.
- The total labour cost (excluding the impact of the incentive plan) and factory overheads were incorrectly revised, even though they should have remained unchanged.

**Question 7(a)**

- The impact of the increase in sales price of Cee was taken for those units as well that were used as raw material for Dee;
- The answer to part b of this question was mistakenly combined with part a, incorporating the effects of cost changes relevant to part b into the response for part a.

**Question 7(b)**

- The following were not taken into account while calculating savings in raw material cost:
  - The value of Cee included in the cost of raw material of Dee
  - Cost of the alternate raw material to be used for Dee
- The incorrect number of labours was calculated.
- The cost of terminating a single labour was used instead of the total termination cost for all labours involved with product Cee. A similar error was made with supervisors as well.
- Either the entire cost of fuel and power, repair and maintenance, and other factory overheads was considered as savings, or the amount calculated as savings was inaccurate.

**Question 8(a)**

- The amount of insurance in transit was deducted from the amount of shipment received.
- The material issued on 12 February was not adjusted for the return of 1,000 kg of excess raw material, and this quantity was also not accounted for when it was reissued on 24 February.
- Shipment received on 18 February was not adjusted for raw material lost during transit.
- The shortage of 100 units was ignored.
- The sale proceeds of the damaged material were treated as a loss

**Question 8(b)**

- The insurance in transit account was debited instead of the raw material.
- In the correcting entry for material returned on 12 February 2025, WIP was incorrectly debited and raw material was credited. Additionally, incorrect account heads, such as warehouse account, production, and material returned, were used.
- While the adjustment for goods lost in transit was recorded, the inventory account was incorrectly credited with the amount of the insurance claim received, instead of crediting the raw material. Moreover, since the other income had already been credited when the claim was received, it should have been debited in the correcting entry. However, it was incorrectly credited again.
- The correcting entry for raw material shifted to another warehouse was not passed. The need for a correction, due to the transfer being recorded as consumption, was ignored.
- The Profit and Loss account was debited with the NRV of the raw material instead of the actual loss, which is the difference between the cost and the NRV.

**Question 9(a)**

- Material usage variance was computed instead of yield variance.
- In material mix variance, actual quantities were not correctly bifurcated according to the standard mix for comparison with actual quantities with actual mix

**Question 9(b)**

- Actual hours were computed wrongly.
- Standard hours for actual production were wrongly calculated.

**Question 9(c)**

While computing variable overhead expenditure variance, the rate based on total overheads was used instead of the rate based on variable overheads.

**Question 9(d)**

- The standard fixed overhead rate per hour or per unit was wrongly calculated.
- Allowable, actual and/or budgeted hours were wrongly calculated.
- In fixed overhead expenditure variance, the actual expenses were compared with standard expenditure instead of budgeted expenditure.

***(THE END)***