

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN
CERTIFIED FINANCE AND ACCOUNTING PROFESSIONAL (CFAP) EXAMINATION
EXAMINERS' COMMENTS

SUBJECT Advanced Accounting and Financial Reporting	SESSION Winter 2020
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Passing %

Question-wise					Overall
1	2	3	4	5	
7%	51%	16%	41%	63%	32%

General comments

Overall passing ratio in this paper was consistent with last result of 31%. Majority of the examinees displayed inadequate knowledge of IFRS 16 (Q3) which might be due to selective study. Further, in Q1, many examinees directly jumped to the conclusion or just presented computations without providing the reason.

There were many impressive individual performances as well. The highest score in the paper was 85 marks.

Question-wise common mistakes observed

Question 1(a)

- About half of the examinees were clueless about the area examined and scored maximum of 1 mark only.
- Most of the remaining examinees added penalty to the cost of completion instead of deducting it from transaction price. Further, cumulative catch-up adjustment was made but the reasons for making this adjustment were not discussed.

Question 1(b)

Answers were often correct but incomplete. Examinees did not discuss changes to be made in the presentation of financial statements in respect of comparatives and classification. Further, very few examinees discussed the possibility of subsequent sale at Rs. 145 million as an adjusting event.

Question 1(c)

Examinees remained restricted to computation of the gain.

Question 1(d)

- Examinees concluded that the scheme should be accounted for under IFRS 2 instead of IAS 19.
- Where the examinees mentioned that the entity will be required to recognize expense in the profit and loss statement, they did not give details of the items which should be included in the total expense.

Question 2

- Gain on initial recognition of the debenture was taken to other comprehensive income instead of profit or loss.
- Effect of impairment loss was not taken to other comprehensive income.
- Interest income for 2018 was not recognized.
- Cumulative loss previously recognized in other comprehensive income was not reclassified to profit or loss as a classification adjustment upon de-recognition of the debenture.

Question 3

- In transaction (i), the initial right of use asset should have been computed using instalments amount of Rs. 50 million but the examinees adjusted future instalments for CPI. Further, at year end, lease liability was re-assessed using instalment amount of Rs 57 million which was not required.
- Transaction (ii) was accounted for as a lease though the agreement did not contain lease due to the absence of identified asset.
- In transaction (iii), the adjustment for Rs. 100 million (below fair value sale proceeds) was often not accounted for.

Question 4

- The requirement to adjust an existing consolidated statement of financial position rather than to prepare an original statement, seemed to throw a number of examinees clueless and highlighted some fundamental misunderstandings.
- Unrealized gain on printers sold by LC was taken at Rs. 20 million instead of Rs. 18 million.
- Investment property rented to LB was not included in property, plant and equipment. Those who included it in property, plant and equipment did not depreciate it.
- Contingent liability of LB was re-measured at reporting date to Rs. 60 million though it should have been kept at its acquisition date's fair value of Rs. 40 million.
- The entire effect of deferred consideration of LC was taken to goodwill instead of first reversing the bargain purchase already computed and increasing the goodwill by the remaining amount.
- Intangible asset of FD was not included in computation of intangible assets of the group. Further those who included intangible asset of FD, did not adjust it for amortization.

Question 5

- Though 30% examinees scored 10 or more marks in this question, many examinees had no idea of format of the statement.
- Number of units issued and redeemed were not mentioned.
- Breakup of undistributed income into realized and unrealized income was not presented.

(THE END)