

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

EXAMINERS' COMMENTS

SUBJECT	SESSION
Advanced Accounting and Financial Reporting	Certified Finance and Accounting Professional (CFAP) Examination - Winter 2022

Passing %

Question-wise					Overall
1	2	3	4	5	
34%	27%	46%	20%	9%	28%

General comments

The overall passing percentage in this paper has increased as compared to the previous session's result of 20% but is fairly consistent with the average of previous sessions. The highest score in the paper was 88 marks. However, it was observed that a high proportion of examinees could not even secure the easy marks available in the paper. It seems that they half-heartedly attempted the paper without proper preparation, just to fulfill the requirement to appear in a minimum of two papers.

Poor time management was observed in many copies. Examinees who attempted Q3 or Q4 at the start appeared to have spent too much time on these questions and were found struggling in attempting all questions. Examinees are advised to switch to the next question once they have spent a reasonable time on a question. Another common issue was related to the presentation of the answer. It was sometimes difficult to award partial marks for figures that were partially correct, as it was often challenging to trace the origin of the figures presented in the answer due to the absence of any working reference.

Question-wise common mistakes observed

Question 1

- In part (a), the joint venture part was generally performed well, however, the discussion on the joint operation was either missing or incomplete. Treatment of the receivable from joint operation was almost omitted by all examinees.
- In part (b), examinees provided principles and identified potential threats, however, they did not link those to the scenario outlined in the question.

Question 2

- Examinees presented workings/journal entries but did not fulfill the requirement of determining revised amounts. Basic mistakes were made in showing the dual effects of each correction.

- In respect of pension liability, movement in net liability was computed but the correction in total liabilities and profit was either incorrect or not presented.
- Non-recording of expenses in respect of SARs in 2020 was treated as a prior-year error.
- In respect of investment in bonds, adjustment for interest income and fair value were not incorporated.
- Deferred tax on SARs was calculated as if it was an equity-settled share-based transaction.
- Movement in deferred tax liability/asset was often not prepared
- While calculating the current tax, re-measurement was adjusted and the intrinsic value of SARs was deducted which was not required.

Question 3

- While dealing with the lease transaction, the sub-leased right of use asset was not derecognized, and the gain on the sublease was not calculated or presented in the statement of profit or loss. Further, some examinees calculated gain/loss on re-assessment which was not correct.
- In respect of hedge, calculations were often correct but the cash flow hedge reserve was not disclosed in the statement of financial position and the cash flow hedge was not presented in other comprehensive income.
- In respect of convertible debentures, the fair value of liability repurchased was not determined resulting in an incorrect loss on settlement. Further, the amount of equity component was not presented in the statement of financial position.

Question 4

- While calculating goodwill on the acquisition of GL, debentures given in consideration were recognized at par value instead of fair value. Resultantly, an adjustment for interest on debentures was not made.
- Pension liability of GL was adjusted which was not required.
- While calculating group retained earnings, bargain purchase on the acquisition of CL and share of profit from CL as an associate was not included.
- Profit of CL for 2020-21 was not adjusted for additional depreciation due to the fair value adjustment of the building.
- Remaining investment in CL was not retranslated at the closing rate.

Question 5

- In part (a), errors mentioned in serial (iii) and (iv) were least identified.
- Majority of the examinees were clueless about the area examined in part (b) and did not attempt it. Those who attempted did not discuss about the situation where the sales price is below fair value.

(THE END)