THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN EXAMINERS’ COMMENTS	
SUBJECT Advanced Accounting and Financial Reporting	**SESSION** Certified Finance and Accounting Professional (CFAP) Examination - Summer 2024

Passing %

Question-wise						Overall
1	2	3	4	5	6	
48%	39%	54%	35%	41%	22%	35%

General comments

The current passing rate of 35% is a modest improvement over the previous result of 28%, and also higher than the average rate of 27% for the past five sessions. This increase can be attributed to strong performance in Q5a, which covered IAS 34 and was examined after a long period.

Examinees often presented figures without the necessary supporting workings. Although correct figures received full marks, the lack of accompanying calculations results in missed opportunities for partial marks that could be awarded for incorrect figures if the workings were shown.

In nearly every script, examinees engaged in additional work on at least one question, which put time pressure on the remaining questions. Examples of this include journal entries in Q1, the calculation of profit attributable to NCI in Q2, entries for cost of goods sold in Q4a, presenting carrying values of assets in separate tables after each step of allocation in Q4b, and journal entries in Q6 for pensions, bonds, and joint ventures.

Question-wise common mistakes observed

Question 1

- For project-specific revenues, examinees just added Rs. 13 million in assets for the receivable and did not show any impact of the remaining Rs. 63 million.
- In 1a, the liability component was often incorrect due to the exclusion of principal repayment. Further, the effective interest rate of 16.3% was not used for interest accrual and/or accrual was not made.
- In 1b, the amount of right of use asset was incorrect as the effect of prepayment of Rs. 50 million was not taken and depreciation for the building sold was not reversed.

Question 2

- BL's balances needed to be consolidated for only 10 months but were consolidated for the entire year.
- CL's balances should have been translated at Rs. 168 but were translated at Rs. 172 or occasionally at Rs. 164. A significant minority did not apply the exchange rate at all.
- Reversal of contingent consideration was not done or taken to profit or loss.
- Share options were included in the calculation of goodwill for BL but with an incorrect amount.
- Unwinding of interest and retranslation gain on deferred consideration for CL was not done and/or taken to other comprehensive income instead of profit or loss.
- Fair value adjustment for intangible of CL was not made or made with F$ 1.2 million instead of F$ 1.8 million.
- While calculating foreign currency translation differences for CL, profit was not adjusted for 8 months and/or adjustment for amortization of the intangible was not made.

Question 3

Responses to this question were highly polarized: about 43% of students achieved nearly full marks, whereas around 36% scored almost zero.

Question 4(a)

- Often the first incorrect journal entry led to a series of incorrect entries.
- Entry for 1 August was not made and consequently effect of Rs. 7.5 million was not included in the calculation of revenue to be recognized on 15 Nov.

Question 4(b)

- Goodwill was not grossed up for the calculation of impairment loss. Further, goodwill was fully impaired.
- Loss was allocated to pension assets as well and machinery was impaired to Rs. 43 million.

Question 5(a)

- Often examinees reached the correct conclusion but their reasoning was flawed or not provided.
- Examinees often left this question in the last and attempted it incompletely, likely because they had not studied this area thoroughly. Many answers appeared to be guessed, indicating a lack of preparation and understanding of the topic.

Question 5(b)

Examinees often provided general explanations without linking them to the specific situation described in the question. This lack of contextualization suggests a failure to apply theoretical knowledge to practical scenarios.

Question 6

- Many reconciling items were presented, even though there was only one.
- Movement of deferred tax was not provided.
- While calculating current tax, re-measurements of the net defined benefit liability were adjusted, despite having no effect on profit before tax. Additionally, pension payments were deducted instead of contributions to the fund, and dividends from the joint venture were deducted instead of the share of profit in the joint venture.
- While closing deferred tax liability, tax base for bond and joint venture were considered zero. Additionally, the tax rate of 30% was applied to differences arising on joint venture.
- While preparing movement on net pension liability, the effects of re-measurements were either ignored or incorrect.

(THE END)