

**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN**

**EXAMINERS' COMMENTS**

<b>SUBJECT</b>	<b>SESSION</b>
Financial Reporting and Assurance Professional Competence	Multi Subject Assessment - 1 Examination (MSA-1) - Winter 2020

**Passing %**

<b>Question-wise</b>									<b>Overall</b>
1ai	1aii	1b	1c	2a	2b	2c	3a	3b	
51%	66%	37%	39%	54%	42%	29%	59%	50%	65%

**General comments**

The overall passing ratio of 65% was consistent with 68% of the last attempt. However, it has been observed that examinees often spend extra time on completing Q1 which affect their performance in the other questions. Explanations in Q1 were usually very long and detailed while explanations in Q2 and Q3 were usually brief.

The highest score in the paper was 79 marks.

**Question-wise common mistakes observed**

**Question 1(a)**

- In respect of exchange of development cost, examinees correctly mentioned that exchange of intangible assets is to be measured at fair value. However, they failed to discuss whether the exchange lacks commercial substance.
- In respect of sale agreement involving rebate and revenue of MM, examinees only provided computation and journal entries while the related explanations were often brief and incomplete.
- Most of the mistakes made regarding audit issues and actions to be taken were mainly due to the fact that financial reporting issues were not discussed properly.
- Only a few examinees discussed the need of assessing the materiality of the cumulative impact of adjustments which were individually immaterial.
- Examinees unnecessarily tried to create financial reporting issues out of outsourcing, whereas there was no financial reporting issue in this scenario.

**Question 1(b)**

Examinees directly drew conclusion that the auditor should refuse both requests but did not provide reasonable explanation for the answer.

**Question 1(c)**

About half of the examinees did not secure any mark in this part. The question was attempted half-heartedly by the examinees and generalized points were written without linking to the information given in the question.

**Question 2(a) and (b)**

- Examinees were not aware of the fact that acquirer can adjust provisional information for any new information that becomes available within a maximum period of 1 year after acquisition date. Consequently, examinees failed to mention that the updated valuation would reduce the previously calculated goodwill and the profit or loss for current and prior year would be effected by change in depreciation.
- In respect of consolidation of Spares UK, the calculation part was performed really well. However, adequate explanation for the same was missing.
- Area of Spares UK Loan was the worst performed area of the question. Examinees only discussed that loan receivable and payment should be eliminated. Hardly any examinee mentioned that the loan can be considered as part of net investment.

**Question 2(c)**

Examinees did not link the intragroup sale to the possible manipulation of profit for achieving profit targets.

**Question 3(a)**

- Financial ratios were not computed to support the analysis which were necessary for any meaningful analysis. Those who computed ratios ignored information on property, plant and equipment. Resultantly, risks related to property, plant and equipment were not discussed at all.
- Among the divisional revenues and gross profit, discussion on Sportswear division lacked quality and examinees hardly discussed issues specific to sport division e.g. sale or return, marketing costs, etc.

**Question 3(b)**

Examinees could not correlate the additional information with the risks identified in part (a) and only mentioned general additional information related to each division.

***(THE END)***