

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

EXAMINERS' COMMENTS

SUBJECT	SESSION
Financial Reporting and Assurance Professional Competence	Multi-Subject Assessment - 1 Examination (MSA-1) - Winter 2023

Passing %

1a	1b	1c	1d	1e	2a	2b	2c	3a	3b	3c	3d	Overall
84%	51%	27%	73%	49%	31%	45%	68%	35%	27%	59%	56%	50%

General comments

The present passing rate of 50% is a decline compared to the previous result of 56%. Overall, there is a noticeable decrease in the level of preparation among examinees. It appears that examinees are underestimating the challenges of the paper, possibly influenced by the higher passing rates in previous sessions, and are approaching it with a more relaxed attitude.

Examinees omitted the calculations or workings for the figures provided in their responses. Consequently, in cases where the correct figures were not derived, partial marks could not be granted. Furthermore, it is important for examinees to recognize that answers copied from spreadsheets only contain "text," and any formulas used (if applicable) in the spreadsheets do not appear in the answer area.

Question-wise common mistakes observed

Question 1(a)

Examinees presented risks as single-line statements without accompanying discussion or elaboration. To improve the depth of their responses, examinees are encouraged to augment their risk assessments by incorporating relevant financial ratios or materiality calculations.

Question 1(b)

- Generally, examinees concentrated predominantly on calculations and journal entries, offering only concise explanations.
- In relation to the acquisition of BAL, examinees omitted the inclusion of the share option as a consideration in the computation of goodwill. Moreover, the related adjusting entries were either not provided, or when presented, overlooked the fact that

the asset, liabilities, and equity balances were already reflected in the provided draft consolidated statement of financial position.

- Regarding impairment, examinees failed to allocate the carrying amount of the centralized sales and marketing function to the GT78 division.
- In relation to the transfer of property, all fair value adjustments were taken to the profit or loss.

Question 1(c)

Examinees inaccurately concluded that LEC and RIL are related parties. Furthermore, their responses omitted the necessary reasons and/or disclosures mandated by IAS 24.

Question 1(d)

Examinees omitted the procedures related to ensuring that SL's balances are included in the consolidated statement of profit or loss and not included in the consolidated statement of financial position.

Question 1(e)

Examinees failed to recognize that the engagement to design and implement a new IT system has no impact on the current audit. Consequently, many examinees incorrectly concluded that the engagement should be declined.

Question 2(a)

- Examinees applied average exchange rates to the impairment and associate's OCI though those arose at the year end. Further, a significant majority applied 35% to the impairment and proportionated the associate's OCI for 6 months which was not required.
- An explanation of the resulting exchange differences as required by the question was not provided.

Question 2(b)

- Examinees did not present their workings for operating cost and profit attributable to NCI. As a result, they were unable to earn partial marks even when their amounts were partially correct.
- Goodwill of Rs. 80 million which was included in the net assets of MPL was considered goodwill on acquisition of MPL.

Question 2(c)

In the context of the second job, the common conclusion was a direct assertion that the offer should not be accepted.

Question 3(a)

- Examinees seem to have been confused by "normalized" profit and often did not make any adjustments to the given operating profit.

- Analysis of the change in ROCE based on Appendix 1 was not presented at all.

Question 3(b)

It appears that this question was attempted towards the end but remained incomplete for many examinees. Further, examinees applied the retrospective adoption of the revaluation model, leading to entirely incorrect answers.

Question 3(c)

The aspect pertaining to the review of audit documentation was not identified.

Question 3(d)

Examinees based their answers on ISRS 4400 instead of ISRS 4400 (Revised).

(THE END)