INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN EXAMINERS' COMMENTS	
SUBJECT Financial Accounting and Reporting-I	**SESSION** Certificate in Accounting and Finance (CAF) Examination - Autumn 2024

Passing %

Question-wise									Overall
1	2	3	4	5	6	7	8	9	
39%	75%	42%	29%	16%	33%	11%	47%	28%	28%

General

The current pass rate of 28% aligns closely with the previous session's result of 28% and maintains consistency with the rolling average over recent sessions. This session still included 26% examinees who received exemptions from Introduction to Accounting due to the transition to the new scheme, a group that showed a notably lower pass rate of 21% compared to 30% for those who passed Introduction to Accounting prior to attempting this paper.

The answer scripts varied widely in quality. Several examinees attained high scores in the 80s and 90s reflecting strong preparation. However, the trend of selective study was apparent, with many examinees achieving good marks on certain questions while struggling to secure reasonable marks on others, indicating a lack of comprehensive topic coverage. This was most evident in short questions 1, 4, and 5, where 20%, 34%, and 30% respectively, secured zero marks despite many students achieving full marks in these areas.

As this is often the first written paper for many examinees, their work frequently showed a lack of organization, making it difficult to award partial marks for incorrect amounts, as there was no clear trail of calculations.

Question-wise common mistakes observed

Question 1

- Examinees neglected to incorporate a portion of the pavilion contribution within the income. Those who included an amount in income often included Rs. 3 million instead of Rs, 2 million.
- Players' subscriptions written-off were not included in expenditures.
- Payments for school fees were commonly misclassified by examinees as part of expenditures rather than being deducted from the school fee fund.

Question 2

Examinees frequently struggled to recognize that only cash flows are relevant when computing the value in use. Examinees incorrectly included revenues instead of including receipts from customers, and similarly used operating expenses rather than payments for operating expenses. Additionally, examinees often compounded this error by including both revenues and receipts or expenses and payments, leading to further inaccuracies in their calculation of value in use.

Question 3

- For error (i), examinees frequently did not apply the credit effect to the suspense account or recorded it with an incorrect amount.
- For error (ii), examinees incorrectly credited the deferred government grant account instead of recognizing it as grant income.
- For error (iv), examinees commonly overlooked adjusting the depreciation expense to reflect the discount on the machinery purchase.

Question 4

Approximately one-third of the examinees appeared to have no understanding of the area examined and were unable to secure any marks. The remaining examinees demonstrated some awareness of the topic but merely stated conclusions without providing the necessary explanations or justifications for those conclusions.

Question 5

Examinees considered that on completion the warehouse was bifurcated into property, plant, and equipment and investment property, although it should have been classified as an investment property as a whole, leading to numerous errors in their response. While entries required on 1 July 2023 for the correction of errors and changes in accounting policies were generally poorly executed, the subsequent entries were often handled correctly.

Question 6

MCQs at serial (ii), (v) and (vii) presented particular challenges on this exam, as they were the least well-answered questions.

Question 7

- Part (a), examinees frequently used incorrect denominators when calculating return on assets, return on equity, and asset turnover ratios. For the basic EPS calculation, the number of shares was often inaccurate, as examinees mistakenly treated the 21.5 million shares from the year-end balance sheet as the opening number of shares.

- In part (b), performance was notably poor, with many examinees skipping this section altogether. The core requirement was to assess whether each management decision would help or adversely affect the attainment of the specified benchmark ratios. Instead, many responses provided only general interpretations of each ratio, overlooking the question's essential purpose of evaluating the decisions' effects on achieving the benchmark targets.

Question 8

- A significant number of examinees prepared the cash flow statement using the indirect method, despite the requirement for the direct method, leading to lost marks for cash generated from operations.
- When calculating cash received from customers, adjustments for bad and doubtful debts were frequently applied incorrectly.
- In determining payments for other expenses, many examinees failed to exclude non-cash items from operating expenses.
- Rental income was often omitted from the cash flow statement.

Question 9

- With respect to the factory building, examinees did not credit the revaluation gain correctly, with several either missing the entry altogether or recording an incorrect amount. Additionally, many mistakenly calculated the building's remaining useful life as nine years instead of the correct 18 years post-revaluation, leading to errors in the depreciation charged in the following periods.
- For the machinery, depreciation for the four months leading up to the replacement of a significant component was often missed, resulting in an incomplete accumulated depreciation figure. Moreover, after the replacement, several examinees applied a life of 16 years for depreciation rather than calculating the remaining new life of the machine at the time of replacement.

(THE END)