INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN EXAMINERS' COMMENTS	
SUBJECT Financial Accounting and Reporting-I	**SESSION** Certificate in Accounting and Finance (CAF) Examination - Spring 2025

Passing %

Question-wise									Overall
1	2	3	4	5	6	7	8	9	
39%	28%	25%	40%	28%	55%	51%	13%	46%	30%

General:

The current result of 30% reflects a modest improvement over the previous session's result of 28% and the rolling average of 26% across recent attempts. This improvement appears to be primarily attributable to a decrease in the proportion of examinees who were exempted from Introduction to Accounting under the transitional scheme, a group that has consistently demonstrated a lower pass rate.

Incomplete and selective preparation limited the ability of examinees to attempt the full breadth of the paper. This was particularly evident in the short questions (excluding MCQs), where in each question a significant proportion of examinees (21%, 27%, 40%, 22%, and 28%) secured zero marks, despite numerous examinees achieving full marks on the same questions. A similar pattern was also observed in Q8 (not-for-profit organizations), where 31% of examinees secured only 1 mark, even though higher marks could have been achieved using basic accounting knowledge alone, without requiring familiarity with the specific topic.

Weaknesses in presentation and exam technique were once again evident, with frequent instances of disorganized answers, excessive or unnecessary workings, and ineffective time management.

Question-wise common mistakes observed

Question 1

- Examinees incorrectly calculated interest on the specific loan for 12, 11, or 10.5 months instead of the correct capitalization period of 9.5 months.
- The government grant received was often not applied to reduce the utilization of the running finance facility, despite the information provided in the question.

Question 2

- Performance on part (ii) of this question was particularly weak, with examinees either skipping it entirely or providing incorrect responses. A common misunderstanding involved confusing interest payable with interest paid.
- For the other queries, responses were often limited to single-line answers, lacking the explanation necessary to secure full marks.

Question 3

- In part (a), performance was highly polarized — examinees either answered it correctly or showed little understanding of vertical analysis, often resorting to guesses.
- In part (b), examinees merely explained what each computed ratio represented, instead of addressing the actual requirement of explaining why one entity's return was higher than the other.

Question 4

- For part (i), examinees typically cited fair value recognition for the land but ignored the equally valid option of recording the land at a nominal amount.
- In respect of (ii), examinees only concluded that it is not a government grant.
- In part (iii), while examinees correctly identified the required accounting treatment, they did not mention that it constituted a change in accounting estimate.

Question 5

- Examinees omitted the line item for "Effect of change in accounting policy" from the retained earnings column, despite it being necessary under IAS 8.
- The final dividend for the year 2023 was incorrectly presented in 2023, rather than in 2024 when it was declared.
- Regarding the effect of the correction of the error related to inventory, examinees added the adjustment to the profit of 2023 and reduced it from the profit of 2024, which was the opposite of the correct treatment.

Question 6

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

Question 7(a)

- Adjustment for share split was made using a factor of 3 instead of the correct 2.
- The retrospective adjustment for bonus shares issued after year-end was also omitted from both the year 2024 and 2023.
- The necessary reduction of profit for both types of preference dividends was partially or completely missed.

Question 7(b)

- For share options, an increase in shares was taken as 2.5 million instead of 0.25 million.
- In irredeemable non-cumulative preference shares, the increase in earnings was taken as Rs. 20 million instead of Nil.
- The ranking of potential ordinary shares by dilutive effect, which is crucial for calculating diluted EPS accurately, was often missing or not clearly presented.

Question 8

- Examinees attempted this question towards the end of the paper, often with limited effort, resulting in incomplete or poorly structured answers.
- Income related to restricted funds was included in the statement of income and expenditure.
- A portion of the contribution related to medical equipment was not taken into income.
- Examinees did not properly adjust for the pharmacy inventory using the lower of cost and current replacement cost.
- Examinees could not identify that interest on a loan needs to be accrued.

Question 9

- Many examinees incorrectly assumed the opening accumulated depreciation on the factory building was nil or/and miscalculated its remaining useful life at the start of 2024 as 10 years, rather than the correct 7 years.
- The carrying value of the factory building under the cost model was computed incorrectly.
- Impairment testing of machinery was either omitted altogether or performed incorrectly, with value in use being based on the "repaired condition" rather than the "current condition," as required by IAS 36.
- While calculating depreciation on the opening balance of vehicles not disposed of, the book value of the vehicle disposed of on the date of disposal was subtracted from the opening book value.

(THE END)