THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

Certificate in Accounting and Finance Stage Examination

Financial Accounting and Reporting

Examiners' Comments **Autumn 2026**

PASSING %

Question-wise									Overall
1	2	3	4	5	6	7	8	9	
57%	61%	77%	26%	26%	43%	59%	12%	45%	35%

GENERAL COMMENTS

FAR results continued to improve, with the pass rate increasing to 35%.

Question 8, which required the preparation of financial statements, again proved to be the weakest area, with a passing rate of only 12%. The recurrence of this weakness underscores the need for examinees to practice preparing complete financial statements, ensuring that each adjustment is reflected in all relevant balances. Questions 4 and 5, covering measurement bases under the Conceptual Framework and changes in accounting policies and estimates, respectively, were also poorly answered. Responses suggested that the majority of examinees had given insufficient attention to these topics during preparation and lacked familiarity with the concepts examined.

Examinees are advised to prepare comprehensively for both numerical and theoretical requirements and give due attention to presentation and examination technique. In several computational questions, final figures were presented without supporting workings. This was particularly evident in the longer questions, where the lack of a clear calculation trail restricted the award of partial marks. A systematic approach to adjustments, together with clearly referenced workings, is essential to demonstrate understanding and enable credit to be given for partially correct calculations.

QUESTION-WISE COMMON MISTAKES OBSERVED

Question 1

- The weakest performance in this question was observed in MCQs (viii) and (ix).

Question 2

- The capitalisation period for the specific loan was incorrectly taken as 12, 11, or 9.5 months rather than 8.5 months.

- Examinees incorrectly extended capitalisation to 31 December 2025 on account of unfinished decorative work. Capitalisation should have ceased on 30 November 2025, when the facility was substantially complete.

Question 3

- Examinees commenced depreciation from the purchase date or the completion of installation. Depreciation should have commenced on 1 April 2023, when the plant became available for use following regulatory inspections.

- The change in remaining useful life was not reflected in the release of the deferred grant to income.

Question 4

- More than half of the examinees (51%) either left the question unattempted or scored zero, suggesting that this topic had received insufficient attention during preparation.

- Among those who attempted the question, explanations often focused solely on assets and omitted liabilities. Other answers addressed only historical cost and fair value, leaving the remaining measurement bases unexplained.

Question 5

- 37% of examinees either did not attempt the question or scored zero, while a further 10% secured only one mark. This suggested inadequate preparation and limited familiarity with the area examined.

- Among those who attempted the question, answers focused on workings rather than presenting the required disclosures. Where disclosures were provided, they were generally limited to identifying the change as an accounting policy or estimate and stating whether it should be applied retrospectively or prospectively.

Question 6

- Incorrect denominators were used in part (a). For payables days, examinees failed to adjust cost of sales for the increase in inventory, while for the receivables collection period, they failed to exclude cash sales from total sales.

- In part (b), examinees did not adequately address the short timeframe specified in the question. Suggestions generally concerned profitability or long-term system improvements, whereas four distinct measures offering a temporary improvement in the cash operating cycle during the final one or two weeks of the year were required.

Question 7

- It appeared that examinees prepared the statement of cash flows in its order of presentation. A more effective approach would have been to first reconcile the relevant balances through ledger accounts and then prepare the statement.

- The depreciation charge was incorrectly derived due to the omission of certain movements from the reconciliation of property, plant and equipment.

- In working capital changes, examinees failed to exclude the Rs. 58 million payable for property, plant and equipment. Further, the increase in operating accrued expenses was incorrectly taken as Rs. 26 million instead of Rs. 32 million because the Rs. 6 million reduction in interest payable was overlooked.

- Items under operating activities were not separately presented under "Adjustments for" and "Changes in working capital."

- Examinees incorrectly presented the Rs. 137 million transfer from capital work-in-progress as a cash outflow instead of the actual expenditure of Rs. 217 million.

- Interest and/or dividends paid were classified as operating activities, contrary to the question's policy requiring their classification as financing activities.

Question 8

- Question 8 recorded the lowest passing rate at 12%. The scripts suggested that examinees often left this question until the end of the examination. Financial statements were frequently incomplete, while many responses comprised only some workings or journal entries. A lack of understanding of double entry was evident, as adjustments were not consistently reflected in all affected accounts.

- Examinees treated the recorded interest expense of Rs. 110 million as the full-year charge, overlooking that it represented only eleven monthly payments. A further Rs. 10 million should have been accrued.

- The write-down of damaged inventory was deducted from inventory in the statement of financial position but was not included in cost of sales.

- Examinees failed to reconcile the suspense account and identify supplies purchased for Rs. 20 million. Consequently, they omitted the allocation of Rs. 12 million to distribution costs, Rs. 6 million to capital work-in-progress, and Rs. 2 million to current assets as unused supplies.

Question 9

- Examinees focused on calculations and omitted basic disclosures, such as the measurement basis, useful life, and carrying amount under the cost model, thereby losing readily available marks.

- Adjustment of the revaluation of the production facility was not properly presented and/or incorrectly bifurcated into revaluation surplus and profit or loss.

- The land element was not excluded when calculating depreciation on the commercial complex building.

- The note on investment property was omitted.

(THE END)