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

Passing %

Question-wise									Overall
1	2	3	4	5	6	7	8	9	
61%	70%	71%	20%	64%	64%	23%	14%	63%	45%

General

The pass rate for this session stands at 45%, closely aligning with the previous result of 46%. This rate exceeds the rolling average of recent sessions, reflecting the recent policy change allowing only students who have passed FAR-I to attempt the FAR-II exam.

The quality of responses varied widely. While several examinees achieved scores in the 80s and even 90s, selective study was apparent, with only 14% of examinees passing Q8. Examinees should remember that building a well-rounded grasp of the syllabus is essential for better overall performance.

Question-wise common mistakes observed

Question 1

- Software was amortized for a full year instead of 9 months.
- The fair value attributable to the research component of product NEO was not included in the fair value of net assets at the acquisition date.
- The training cost which was not included in the cost of product NEO was not presented in the statement of profit or loss as an expense.
- A significant minority overlooked the requirement to present extracts and provided only workings, resulting in the loss of easy marks.

Question 2

Examinees either did not attempt matter (v) or reached an entirely incorrect conclusion. For the other matters, while examinees generally arrived at the correct conclusions, they often failed to provide explanations or justify their reasoning.

Question 3

- Fair value gain on shares was shown as Rs. 2.1 million instead of Rs. 1.8 million.
- Dividend income on shares was not presented in profit or loss or presented with incorrect amount.

Question 4

55% of examinees did not secure any marks on this question, either leaving it unattempted or providing entirely incorrect answers. The remaining examinees primarily focused on calculations and did not indicate whether the corresponding effect should be recorded in 'profit or loss' or in items presented 'outside profit or loss,' as was expressly required by the question.

Question 5

- Examinees treated the lease term as 5 years instead of 3 years, and as a result, they failed to include the penalty for return in the present value of lease payments.
- The discount rate was incorrectly increased by 1% for each subsequent year, whereas a rate of 14% should have been applied consistently to discount all payments.
- Depreciation on the right-of-use asset was calculated using a life of 5, or 6 years, instead of the correct period of 3 years.

Question 6

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

Question 7

- For matter (i), examinees based their discussion on IAS 37 rather than IFRS 3, where contingent consideration should be recorded at fair value.
- For matter (ii), examinees concluded that there was no present obligation at year-end, leading them to incorrectly assume that no action was required.
- For matter (iv), examinees primarily focused on calculations, providing only brief explanations to accompany them.

Question 8

- It appears that examinees were unprepared for this topic and were caught off guard by the inclusion of this question in the paper. It was often attempted last and in a half-hearted manner. 37% of examinees scored no more than 3 marks, although higher marks could have been achieved with even a basic understanding of accounting principles at this level.
- The entire cost of the imported machinery was translated at an exchange rate of Rs. 68, instead of translating part of the cost at Rs. 60 and the remaining portion at Rs. 68.

- The effects on assets and liabilities were often presented; however, the corresponding impact on unappropriated profit was frequently omitted. A significant number of examinees provided an unappropriated profit figure that did not precisely match the correct answer and lacked supporting calculations, making it challenging to award partial marks for adjustments that may have been partially accurate.
- The deferred tax liability was incorrectly reported as Rs. 28 million, rather than reducing the existing balance by Rs. 28 million as required.
- The majority of examinees did not prepare notes to the financial statements to disclose the required information provided in the question.

Question 9

- For both contracts, examinees frequently provided only the journal entries without the accompanying explanations, despite this being a requirement of the question.
- In Contract 1, revenue from installation was incorrectly recognized on 30 June 2024 instead of the correct date, 1 April 2024.
- In Contract 2, performance was highly polarized, with examinees either providing all correct entries or all incorrect entries.

(THE END)