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

Passing rate

Question-wise									Overall
1	2	3	4	5	6	7	8	9	
26%	34%	56%	79%	46%	46%	65%	51%	12%	46%

General

The current pass rate of 46% exceeds the previous rate of 41%. This improvement is due to the policy of allowing only those students who passed the FAR-1 exam to sit for the FAR-II exam in this session. In the previous session, the pass rate for students attempting FAR-II after passing FAR-1 was 46%, so the increase in pass rate is in line with expectations.

It's worth highlighting that while some examinees who did not pass the exam performed well on certain questions, they struggled to attain satisfactory results on others. It is imperative to emphasize that while past papers can serve as a useful tool in exam preparation, exclusive reliance on them is not advisable. Secondly, comprehensive coverage of the syllabus is key to achieving success.

Question-wise common mistakes observed

Question 1

- Examinees provided correct entries instead of correcting entries as required by the question.
- The share of profit was reversed for 12 months instead of 8 months.
- Examinees attempted to consolidate multiple entries into one compound journal entry, leading to errors. A step-by-step approach to correcting each entry individually would have simplified the correction process for them.

Question 2

- 30% and 70% of examinees did not secure any marks in parts (a) and (b) respectively. These examinees appeared to have skipped the topics examined.
- Examinees failed to separately disclose the remuneration of both auditors in part (a).

Question 3

- Wrong conclusions were drawn in respect of term (ii) and term (iii).
- Examinees frequently presented conclusions without providing corresponding reasons or explanations.

Question 4

- The cost of "capturing digital photographs of the products" was also included in the cost of the web site.
- Web site's useful life was taken as 8 years instead of 4 years.

Question 5

- In respect of (i), the shares received were recognized at the fair value of the contract date. Further, decrease in the fair value of shares at year-end was recorded as an adjustment to revenue.
- In (ii), revenue was recognized as Rs. 6 million instead of the correct amount of Rs. 5.4 million.

Question 6

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

Question 7

- While making a reconciliation between tax expense and accounting profit, the effects of "tax loss on which deferred tax was not recognized" and "prior year tax" were not included, and the impact of "exempt interest income" was computed on Rs. 60 million instead of Rs. 45 million.
- Excess "tax WDV on disposal" was added instead of being deducted in computing the current tax.
- The amount of deferred tax liability on property, plant and equipment was incorrect, while deferred tax on stores and spares was not computed.

Question 8

- Adjustment for unwinding of interest on deferred consideration was not made and some made it for 12 months instead of 9 months.
- In other investments, the costs of investment in SL and CL were not deducted.
- Examinees failed to recognize that the amount of NCI on the acquisition of SL needed to be calculated as a balancing figure in the computation of goodwill.
- In investment in associate, only the share of profit was included instead of the share of total comprehensive income.

Question 9

- Overall, examinees attempted this as the last question, often with a half-hearted effort, resulting in brief and incomplete answers.
- In (ii), examinees concluded that the provision should be made for engine replacement.
- In (iv), examinees could not identify that the provision should be based on correspondence of 29 February 2024.

(THE END)