THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN EXAMINERS' COMMENTS	
SUBJECT Advanced Accounting and Financial Reporting	**SESSION** Certified Finance and Accounting Professional (CFAP) Examination - Winter 2024

Passing %

Question-wise						Overall
1	2	3	4	5	6	
50%	18%	31%	58%	6%	52%	32%

General comments

The current passing rate of 32% aligns closely with the previous result of 35% and shows a modest improvement compared to the five-session average of 28%.

Examinees frequently presented figures without providing the necessary supporting workings. While correct figures were awarded full marks, the lack of supporting calculations resulted in missed opportunities to earn partial marks for incorrect figures, which could have been granted if appropriate workings had been shown.

Many answer scripts indicated flawed time management, with examinees spending disproportionate time on Q1 and Q4, leaving insufficient time for the remaining questions. Examinees are strongly encouraged to allocate their time strategically and move on to the next question after a reasonable duration to ensure all questions are attempted adequately.

Question-wise common mistakes observed

Question 1

- The movement of deferred tax was not provided, as many examinees only computed the opening and closing balances, resulting in incomplete disclosure.
- The amounts for the right-of-use asset and lease liability for the plant were incorrectly calculated, primarily due to the mistreatment of Rs. 50 million, which represented consideration lower than the fair value.
- Deferred tax on the receivable from the customer was not calculated.

Question 2

- The performance in this question did not align with its difficulty level. It appears that examinees were unprepared for a question on the statement of cash flows, possibly due to the assumption that it would not be examined in this session following its inclusion in Winter 2023. As a result, approximately 25% of the examinees failed to secure any marks in this question.
- Examinees failed to recognize that the amount of profit needed to be determined as a balancing figure in the accounts of "other reserves" and "non-controlling interest".
- The loss on disposal of RL and the proceeds from its disposal were incorrectly calculated due to the incorrect treatment of the overdrawn cash balance of Rs. 40 million.
- Changes in working capital were calculated merely as the difference between opening and closing balances, without considering necessary adjustments.
- The amount for investment in the associate during the year was often incorrect due to at least one error in reconciling the opening and closing balances of the investment in associate.
- Items related to investing activities were incorrectly classified under financing activities and vice versa.

Question 3

- Examinees did not fully understand the requirements of the question, with several providing either only a discussion or only entries/workings, instead of both as required.
- For deferred consideration, the necessary correction related to the corresponding unwinding of interest was often overlooked.
- For the fair value adjustment of the building, the entire impact of the increase in fair value was incorrectly allocated to goodwill, without apportioning a part to the non-controlling interest (NCI). Additionally, the necessary correction related to depreciation was often ignored.
- In the consolidation of DL, examinees primarily focused on the calculation of goodwill and translation gain, while the required discussion and correcting entries were often omitted.

Question 4

- The comparative figures for 2022 were not provided, despite being explicitly required by the question.
- The right-of-use asset as of January 1, 2022, was incorrectly calculated using variable lease payments that increased each year instead of the fixed amount of Rs. 42 million per year.
- While calculating the effect of reassessment, the discount rate of 11% was incorrectly used instead of 13%.
- For employee share options, amounts for 2023 were incorrectly computed using a fair value of Rs. 175, instead of separately applying Rs. 100 for the original grant and an additional Rs. 40 for the effect of modification.

Question 5(a)

- 36% of examinees did not secure any marks in this question and failed to identify the correct treatment of the equity investment, which was a fundamental and relatively straightforward aspect of the question.
- The treatment of the equity investment was often oversimplified, with many examinees restricting their responses to "all changes to be taken to other comprehensive income", without considering other aspects.
- Most examinees lacked an understanding of hedge accounting for equity instruments in the given scenario and provided generic responses, hoping that one or two points might align with the requirements of the question.

Question 5(b)

One-third of the examinees did not secure any marks in this question and failed to identify the compound financial instrument arising from the additional feature (i), even though it was a fundamental aspect. Those who attempted the question mostly provided conclusions without explaining the underlying reasoning. The "fixed-for-fixed" test, which was crucial for the correct treatment, was hardly mentioned by examinees.

Question 6(a)

Examinees wrote the principles but did not relate them to the situation given in the question.

Question 6(b)

Instead of addressing the specific requirements of Financial Reporting under the Cash Basis of Accounting, examinees commonly mentioned the general components of financial statements.

(THE END)