THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN EXAMINERS' COMMENTS	
SUBJECT Advanced Accounting and Financial Reporting	**SESSION** Certified Finance and Accounting Professional (CFAP) Examination Summer 2025

Passing %

Question-wise					Overall
1	2	3	4	5	
49%	20%	14%	59%	44%	33%

General comments

The current passing rate of 33% aligns closely with the previous result of 32% and shows a modest improvement compared to the five-session average of 30%. This upward trend indicates a gradual return to the mid-30% range, which was common prior to the implementation of the one-year attempt policy.

It was frequently noted that examinees omitted detailed workings for the figures presented in their answers. Consequently, when figures were incorrect, no partial marks could be awarded. Examinees must understand that responses copied from spreadsheets reflect only values and static text; formulas used within the spreadsheet are not visible in the answer area.

As this was the first instance of computer-based examination for this paper, it was observed that many examinees made unnecessary use of the spreadsheet functionality for theoretical and narrative responses. Examinees are reminded that the spreadsheet tool is intended solely for numerical workings and supporting calculations. When using the spreadsheet, examinees should integrate relevant workings into the main answer body, preferably in manageable, step-by-step segments rather than pasting large sections of spreadsheet content in bulk. This will not only improve the readability of responses but will also ensure that critical calculations are not missed during marking.

Question-wise common mistakes observed

Question 1

- Examinees failed to re-measure the previously held 25% interest in BL to fair value upon gaining control. Among those who did perform the re-measurement, a common error was to incorrectly recognize the resulting gain in other comprehensive income instead of profit or loss.

- In the case of convertible debentures issued as part of the consideration, examinees ignored the equity component. Even when the equity and liability components were correctly identified, examinees incorrectly included the liability component in the calculation of goodwill instead of including the full fair value of the debenture.

- Regarding the contingent consideration, examinees used incorrect amounts, Rs. 75 million or Rs. 55 million, instead of the initial fair value of Rs. 40 million. Those who correctly used Rs. 40 million at acquisition frequently failed to re-measure the contingent consideration to Rs. 55 million at year-end and recognize the corresponding adjustment.

- In respect of partial disposal of SL, examinees overlooked the fact that the full proceeds had already been credited to retained earnings, and therefore, the adjustment was required for the difference between the gain and proceeds.

Question 2

- As the question required both accounting entries and explanation, it was disappointing to note that examinees focused solely on the numerical aspects. Minimal or no explanation was provided in several cases, which significantly restricted the scope for awarding marks.

- In part (i), examinees erroneously presented the foreign exchange loss in other comprehensive income. Examinees are reminded that such retranslation differences on monetary items must be recognized in profit or loss.

- In part (ii), examinees acknowledged the need to compare the present value of the revised cash flows with the carrying amount of the liability to assess whether the modification was substantial. However, they did not perform the required calculation, despite being provided with sufficient information in the question. Among those who attempted the calculation, a common error was the incorrect treatment of modification fees, which were either ignored or inappropriately deducted from the present value.

- In part (iii), the loan was usually recorded at fair value, but examinees incorrectly recognized the difference between the loan proceeds and the fair value as income in profit or loss. This reflected a failure to apply IAS 20, which requires such differences to be treated as a government grant.

- In part (iv), examinees provided accurate calculations but failed to include the required explanation. Among those who made errors in calculation, the most common issue was the incorrect treatment of the difference between the proceeds and the fair value of the building.

Question 3

- This question was often the last attempted question, being the most challenging question on the paper. As a result, responses were incomplete, underdeveloped, or lacked focus, suggesting a half-hearted attempt rather than a genuine reflection of examinees' technical competence. While a lower pass rate was anticipated due to the higher difficulty level of the question, the actual outcome of 14% appears to have been further depressed by the widespread pattern of incomplete or half-hearted attempts, compounding the effect of the question's complexity.

- In relation to the plant, examinees incorrectly adjusted the impairment loss against the existing revaluation surplus, rather than recognizing the full loss directly in profit or loss as required under IFRS. Additionally, depreciation for the final three months of 2025, following the asset's reclassification from held-for-sale back to property, plant and equipment, was often omitted. A further oversight was the failure to recognize grant income during the period in which the asset remained classified as held for sale.

- With respect to the contract with FL, a common error was the recognition of license revenue over time, even though the nature of the software indicated a point-in-time transfer of control. Furthermore, when accounting for the bonus and penalty, examinees incorrectly adjusted the transaction price upfront and allocated it to all three performance obligations. This contradicts IFRS 15 guidance, which requires variable consideration to be allocated selectively, based on whether it relates specifically to one or more performance obligations.

Question 4

While examinees correctly identified the ethical concerns, their explanations were often generic and lacked reference to the specific principles outlined in the Code of Ethics. Additionally, a significant number of responses shifted focus to discussing what actions Rehan should have taken, which was not required by the question.

Question 5

- In respect of matter (i), examinees incorrectly recognized the entire impairment loss in profit or loss, overlooking the fact that Rs. 1 million relating to the revalued building should have been charged to the revaluation surplus, with only the remaining loss taken to profit or loss. Additionally, several responses failed to restrict the allocation of the impairment loss between the building and machinery, contrary to the requirements of IAS 36.

- In relation to matter (ii), examinees mistakenly adjusted the payments made by RL, although these had already been appropriately recorded in the books. This led to double-counting of the payments. Additionally, the closing balance, which represented a net liability, was often incorrectly presented as an asset, indicating a lack of understanding of the underlying accounting treatment.

- In matter (iii), examinees did not realize that the initial misstatement of Alpha's share had a direct impact on the reported gain or loss on land disposal, which should have been adjusted through profit or loss but was often left unchanged.

- In matter (iv), examinees used an incorrect fair value, typically Rs. 50 or Rs. 65, instead of the correct Rs. 57, leading to errors in the measurement and recognition of the related amounts.

(THE END)