THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

Certified Finance and Accounting Professional Stage Examination

Advanced Corporate Reporting

Examiners' Comments **Summer 2026**

PASSING %

Question-wise					Overall
1	2	3	4	5	
27%	41%	36%	4%	73%	30%

GENERAL COMMENTS

The overall passing rate stood at 30%, showing broad consistency with the 30% recorded in the previous session.

A recurring weakness among unsuccessful examinees was failing to respond comprehensively to the stated requirements. In Questions 1 and 2, examinees presented standalone calculations without reflecting the resulting amounts in the required financial statements or extracts, while the comparative figures required in Question 2 were often omitted. In Question 4, discussion-based answers were limited to broad principles or unsupported conclusions and did not analyse the specific contractual provisions and circumstances of the scenario. CFAP-level responses require more than the identification of an applicable standard or a simple correct or incorrect conclusion; the underlying reasoning and its application to the given facts must be clearly demonstrated.

Examinees are reminded that formulas used in the spreadsheet are not visible in the RTF answer area. Relevant workings should therefore be copied into the main answer in a clear and traceable manner rather than presenting only the final numerical amounts. Time allocation was another concern, especially in Question 4, where several answers were brief, fragmented, or left incomplete. This pattern suggested that many examinees had used an excessive proportion of the available time on Questions 1 and 2.

QUESTION-WISE COMMON MISTAKES OBSERVED

Question 1

- In respect of Bosporus Limited:
  - ✓ The acquisition-related costs of Rs. 15 million were excluded from the purchase consideration in the calculation of goodwill. Still, they were not recognised as an expense in the consolidated statement of profit or loss while the contingent consideration was either omitted entirely from purchase consideration as BL ultimately failed to achieve the revenue target or included at its maximum amount of Rs. 50 million instead of Rs. 30 million.

  - ✓ The fair value adjustment for the website was amortised over HL's own three-year amortisation period instead of five years.

  - ✓ Examinees attempted to reclassify BL's listed equity investments from FVOCI to FVTPL merely because HL normally classified its own listed equity investments at FVTPL. The irrevocable FVOCI election made by BL for those particular investments remained valid in the consolidated financial statements.

- In respect of Gibraltar Limited:

  - ✓ GL's results were often consolidated for all 12 months, even though control ceased on 30 September 2025. Examinees frequently translated the entire year's results using the annual average rate of Rs. 284 per dollar. The correct approach was to translate the nine-month's amount for the subsidiary at Rs. 283 and the three-month post-disposal share of profit as an associate at Rs. 286.

  - ✓ The workings relating to GL were often incomplete. In particular, examinees frequently omitted the effects of the disposal, including the reclassification of the cumulative exchange reserve to profit or loss, the subsequent application of the equity method and the exchange difference arising on the investment in the associate.

Question 2

- In respect of the share-based payment scheme:

  - ✓ Examinees often classified the arrangement as either a cash-settled or an equity-settled award in its entirety. However, the employees' settlement choice meant that the scheme contained separate liability and equity components and had to be treated as a compound share-based payment. This misclassification was a major reason for the weak performance in this part.

  - ✓ Where the compound classification was correctly identified, the initial equity component was nevertheless frequently re-measured using the year-end share prices, contrary to the requirement to retain its grant-date measurement.

  - ✓ The modification was usually accounted for only as an acceleration of vesting. The incremental fair value arising from the reduction in the post-vesting transfer restriction was commonly ignored.

- In respect of the investment in debentures:

  - ✓ The effective interest income was commonly calculated by applying the effective interest rate to the investment's fair value, whereas the rate should have been applied to the gross carrying amount derived under the effective interest method.

  - ✓ Examinees also used the investment's fair value or nominal value as the exposure at default when measuring expected credit losses, instead of the specified gross carrying amount. Furthermore, the full year-end allowance was charged to profit or loss in 2025 rather than recognising only the increase over the amount already provided in 2024.

- In respect of the lease and restoration obligation:

- ✓ In accounting for the lease modification, examinees frequently used the original discount rate of 12% instead of the revised incremental borrowing rate of 14%. They also recognised a gain or loss on modification in profit or loss whereas the full increase in the lease liability should have been added to the right-of-use asset.

- ✓ The increase in the restoration obligation was often recognised entirely in profit or loss rather than as an adjustment to the right-of-use asset. In addition, the revised provision was commonly measured using either the lease rate of 14% or the original restoration rate of 10%, instead of the revised rate of 11%.

Question 3

- In respect of the preference dividend, examinees failed to disclose that the related current tax benefit was recognised directly in equity.

- In respect of deferred tax, examinees often calculated only the closing deferred tax balance without presenting the movement for the year. Even where the movement was shown, the tax effects of items recognised in other comprehensive income were frequently omitted, resulting in the entire deferred tax movement being incorrectly presented in profit or loss.

- Examinees assigned a nil tax base to the investment and/or measured the resulting deferred tax using the 35% corporate tax rate rather than the relevant 20% rate.

- Examinees appeared to be unclear about the IFRS 15 treatment of contract acquisition costs, refund liabilities and the related right to recover inventory. As a result, adjustments made in the current tax and deferred tax computations were often missing or appeared arbitrary and were frequently incorrect.

- The contribution to the gratuity fund was incorrectly treated as deductible for tax purposes in the current year, despite the question clearly stating that the actuarially recognised amounts would become deductible or taxable in the following year.

- Examinees treated the utilisation of minimum-tax credit as a deduction in arriving at taxable income, whereas it should have been set off against the calculated current-tax liability. In addition, examinees failed to reflect its utilisation in the deferred tax movement.

Question 4

- With a passing rate of only 4%, this was by far the most poorly attempted question on the paper. The extent of the underperformance appeared disproportionate to the nature and expected level of difficulty of the areas examined. Approximately 29% of examinees either did not attempt or secure any mark in this question while many responses were incomplete, fragmented or limited to brief statements. It was evident that this question was often attempted towards the end of the examination after excessive time had been devoted to other questions.

- In respect of part (a):

- ✓ responses for arrangement (I) were often centered on assessing compliance with the 10% threshold, while insufficient attention was given to the correct recognition of the shares and warrants at their fair value.

- ✓ examinees frequently classified the preference shares in arrangement (II) as liabilities solely because the dividends were cumulative, without considering the absence of any redemption obligation and the fact that dividends were payable only when declared by the board. A significant number also incorrectly treated the preference shares as compound financial instruments.

- In respect of part (b):

  - ✓ examinees treated the repurchased shares in arrangement (III) as an asset rather than as a reduction in equity. In addition, they also recognised a gain or loss by comparing the repurchase price with the nominal value despite the requirement that transactions in an entity's own equity instruments do not give rise to gains or losses in profit or loss.

  - ✓ examinees appeared to have little understanding of the accounting treatment for arrangement (iv), and many did not attempt it at all. Others accepted the CEO's view that no accounting was required until physical settlement and therefore treated the contract merely as a commitment or executory contract, without recognising the present obligation to deliver cash.

- Performance in part (c) was significantly affected by the weak responses to parts (a) and (b), as examinees who did not determine the correct accounting treatment were consequently unable to identify the appropriate EPS implications. Even where some effect on EPS was discussed, examinees often failed to distinguish between the impact on basic EPS and diluted EPS, as specifically required.

Question 5

With 73% of examinees securing passing marks, this was the best-performing question. Most responses correctly highlighted the main concerns arising from management's impairment assessment and showed an adequate grasp of the applicable IAS 36 requirements. Below-average performance in this question was mainly attributable to examinees stating conclusions without providing the supporting reasons. In matter (ii), many failed to identify that KL should have been treated as a single CGU based on the information provided. While in matter (iv), the inclusion of the deferred tax asset in the carrying amount was often not discussed.

(THE END)