

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

EXAMINERS' COMMENTS

SUBJECT	SESSION
Financial Reporting and Assurance Professional Competence	Multi-Subject Assessment - 1 Examination (MSA-1) - Summer 2024

Passing %

Question-wise													Overall
1a	1b	1c	1d	1e	1f	2a	2b	2c	2d	3a	3b	3c	
63	53	59	50	78	40	56	2	21	78	45	41	72	45%

General comments

The present passing rate of 45% is a decline compared to the previous result of 50%. Overall, there is a noticeable decrease in the level of preparation among examinees.

A significant factor contributing to the decline in results is the poor performance in Q2b, which pertains to consolidated cash flows. Only 2% of examinees achieved passing marks on this question. This area was assessed at this level for the first time, and it was evident that examinees had not sufficiently prepared for it.

Question-wise common mistakes observed

Question 1(a)

- Examinees often listed risks as single-line statements without any discussion or elaboration. To improve the quality of their responses, examinees should support their risk assessments with relevant financial ratios or materiality calculations. This would demonstrate the significance and potential impact of the identified risks on the financial statements.
- Risks related to the completeness of trade payables and fraud were frequently overlooked and not discussed.

Question 1(b)

Examinees concentrated on calculating various materiality levels but often failed to select an appropriate materiality level and did not provide a rationale for their choice.

Question 1(c)

- Regarding bonds, few examinees failed to classify them as FVTOCI, leading to subsequent discussions that were entirely misdirected.
- Concerning customer claims, the provision was calculated using the expected value method instead of the most likely method. Additionally, legal costs were incorrectly included in the provision calculation.
- Examinees appeared to have no understanding of breakage related to gift cards and provided only general discussions.

Question 1(d)

Examinees omitted the discussion on the matrix structure and its impact on determining operating segments. Additionally, only a few applied the 75% threshold.

Question 1(e)

There were no significant common mistake in this part of the question.

Question 1(f)

- Regarding recruiting services, examinees identified threats but did not provide any explanations.
- In relation to the compilation engagement, examinees focused on whether the engagement should be accepted or not, rather than discussing how the offer raises doubts about the integrity of management and its implications for the current audit.

Question 2(a)

- Examinees concentrated more on calculations in this question, with related explanations either omitted or incomplete.
- Discussion on the reclassification of amounts previously taken to OCI was entirely missing.

Question 2(b)

- Examinees appeared to lack understanding of how to prepare a consolidated statement of cash flows. Since this area was examined for the first time at this level, it seems that examinees had completely overlooked it during their preparation.
- Answers to this question were incomplete, likely because it was attempted at the end. Examinees typically only included the operating activities section, which was already provided in the question.
- In most of the workings, RC's balances at the acquisition date were not adjusted, leading to incorrect balancing figures for the cash flow.

Question 2(c)

Answers were often single-line statements listing different classification options for interest and dividends

Question 2(d)

There were no significant common mistake in this part of the question.

Question 3(a)

- Regarding the construction contract, the modification related to the fitness center was treated as a separate contract, leading to entirely incorrect answers for the remaining part. Additionally, the discussion on amortization of the contract cost and the practical expedient to expense it out was omitted.
- Regarding leased property, examinees primarily focused on the accounting for the head lease and either omitted or provided only a brief discussion on the sublease.

Question 3(b)

Examinees discussed only the matters related to the competence, capability, and objectivity of MVC.

Question 3(c)

There were no significant common mistake in this part of the question.

(THE END)