THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN EXAMINERS' COMMENTS	
SUBJECT Financial Reporting and Assurance Professional Competence	**SESSION** Multi-Subject Assessment - 1 Examination (MSA-1) - Winter 2024

Passing %

Question-wise														Overall
1a	1b	1c	1d	1e	1f	2a	2b	2c	2d	3a	3b	3c	3d	
90	45	37	46	62	52	91	43	52	65	33	58	86	29	52%

General comments

The current passing rate of 52% is relatively in line with the five-session average of 55% and reflects a notable improvement from the previous session's rate of 45%, which was the lowest on record. The decline in the previous session was primarily due to the poor performance in the question on consolidated cash flows. In contrast, the performance across all questions in the current session was more balanced, with no single question exhibiting such a significant shortfall.

Examinees frequently omitted calculations or workings for the figures presented in their responses, particularly in Question 2(b). As a result, when figures were incorrect, partial marks could not be awarded. It is crucial for examinees to understand that responses copied from spreadsheets contain only numerical values and text, and any formulas used (if applicable) within the spreadsheets do not appear in the answer area. Providing detailed workings not only supports accuracy but also allows examiners to award marks for partially correct attempts.

Question-wise common mistakes observed

Question 1(a)

There were no significant common mistakes observed in this part of the question, indicating that examinees demonstrated a clear understanding of the concepts tested.

Question 1(b)

- Regarding the forward contract, examinees generally focused on calculations and journal entries, often neglecting the conceptual aspects and underlying accounting treatment required for a comprehensive response.
- Regarding the lease of harvesters, examinees failed to recognize that the lessor was a manufacturer and, as a result, did not identify or account for the selling profit appropriately.
- Regarding inventory, responses were often brief, merely stating that the change should be applied retrospectively. However, examinees did not elaborate on the related effects on the financial statement amounts for the current and previous years, which was necessary to obtain full marks.

Question 1(c)

- Examinees often concluded that GMC is an associate without analyzing the nature of the relationship between UAC and GMC or discussing the factors influencing significant influence assessment. Many examinees demonstrated confusion in distinguishing between control, joint control, and significant influence, leading to incorrect conclusions.
- The accounting treatment of the investment in GMC was frequently incomplete, as examinees did not specify whether it related to UAC's separate or consolidated financial statements. Additionally, calculations for applying the equity method were often omitted, despite sufficient information being available to perform these calculations.

Question 1(d)

Examinees often overlooked the critical aspect that Zaman & Co. should assess the implications of UAC's request on their evaluation of the relevant risks of material misstatement, as well as on the nature, timing, and extent of other audit procedures.

Question 1(e)

Examinees did not specify that if monetary unit sampling is used, the sample size would need to be increased due to the rise in the monetary value of the population unless this increase is offset by a proportional increase in materiality for the financial statements as a whole.

Question 1(f)

Although examinees reached the correct conclusions, they were unable to comprehensively elaborate on the underlying reasons or basis for their conclusions, which prevented them from securing full marks.

Question 2(a)

There were no significant common mistakes observed in this part of the question, indicating that examinees demonstrated a clear understanding of the concepts tested.

Question 2(b)

- Examinees either did not account for or incorrectly included the unrealized markup in the opening and closing inventory with the wrong sign when calculating the cost of sales.
- The calculation of profit and total comprehensive income attributable to the owners of the parent company and non-controlling interest was frequently omitted.

Question 2(c)

Examinees did not recognize that the loan should be considered as part of the net investment in the foreign operation; consequently, the related implications were not addressed.

Question 2(d)

Examinees did not identify that, as per the Code of Ethics, the engagement partner, Rahmat Kashif, may continue in the role for up to two additional years, subject to agreement with those charged with governance at the JCC.

Question 3(a)

- In relation to the bank loan, examinees primarily focused on discussing the accounting treatment without providing the necessary calculations, despite sufficient information being available in the question. Those who attempted calculations often failed to correctly incorporate negotiation and legal fees in the loan measurement.
- In respect of ticket sales, examinees did not identify the critical aspect of whether RTC is acting as a principal or an agent, and instead provided a general discussion on revenue recognition timing without addressing the underlying control considerations.
- In respect of the sale of the office building, responses were polarized, with some examinees providing entirely correct answers while others were completely incorrect.

Question 3(b)

Examinees often provided incomplete procedures, such as stating "obtain redundancy provision working" or "obtain employee-wise breakup of the provision", without specifying the necessary steps to review, verify, or assess the obtained information.

Question 3(c)

There were no significant common mistakes observed in this part of the question, indicating that examinees demonstrated a clear understanding of the concepts tested.

Question 3(d)

Examinees did not recognize that Bashir had personally booked the tour and instead assumed that it was a gift provided by the client. Consequently, their responses included irrelevant discussions that did not address the ethical implications correctly.

(THE END)