

<b>INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN</b>	
<b>EXAMINERS' COMMENTS</b>	
<b>SUBJECT</b> Introduction to Accounting	<b>SESSION</b> Certificate in Accounting and Finance – Autumn 2014

**General:**

The question paper was designed for students of elementary stage and basic understanding of accounting concepts was tested. The passing percentage was exceptionally high mainly because most of the students were those who had also prepared for the Financial Accounting and Reporting Paper I and they scored very high marks in Question Nos. 4, 7 and 8. However, performance in some of the other questions was quite below standard as has been discussed below:

**Question 1**

In this question eight statements were given and the students were required to identify the accounting concept on which each statement was based. Majority of the students performed well. However, some students were totally confused and stated the components of financial statements instead of identifying the accounting concepts. Other common errors were as follows:

- In point (i) correct answer was Completeness but many students wrote Materiality.
- Separate entity concept in point (iii) was not identified.

**Question 2**

The question required preparation of Debtors and Creditors Control Accounts. Overall performance was average but about 5% students were able to obtain full 12 marks.

Some of the common mistakes were as follows:

- Purchase Return of Rs. 315,900 was taken on Credit side instead of Debit side of the Creditors Control Account.
- Suspense account adjustment was recorded on credit side of Creditors Control Account instead of the debit side.
- Sales return overcast by Rs. 22,000 was not recorded in Debtors Control Account.

**Question 3**

In this question on partnership, the requirement was to prepare the accounts for realization, cash and partners' capital. The overall performance was below average. Some of the commonly observed mistakes are as follows:

### Realization Account

- Realization expenses of Rs. 25,900 which were to be borne by Zia were debited.
- Overdrawn balance of Zahid Capital was debited.
- Provision for bad debt amounting to Rs. 108,000 was not credited.
- Loss on Realization was not allocated among the partners.

### Cash Account

Many students did not read the question carefully and assumed that Zahid had deposited the entire overdrawn balance of Rs. 194,000 whereas it was clearly mentioned in the question that Zahid could only deposit Rs. 129,600.

### Capital Account

Zahid's capital deficiency and its distribution to Ali and Zia in profit sharing ratio was not understood by majority of the students.

### **Question 4**

In this question the candidates were required to describe 8 transactions which were displayed in the form of accounting equation. This was the best attempted question as about 50% students succeeded in getting full 8 marks.

Most common error was that Transaction # (iv) was described as Goods sold to creditor instead of Goods returned to supplier. Whereas Transaction (vii) was described as purchase and sales account contra settlement instead of debtor and creditor contra settlement. Some students only wrote contra entry which is not a proper answer.

### **Question 5**

This 4 mark question required definition of Chart of Accounts and its purpose. The performance was quite poor as about 30% of the students did not attempt it altogether. Most of those who attempted did not have a good understanding of a Chart of Accounts and its purpose. Many students confused it with a trial balance. Some of them even considered it as a component of the Financial Statements.

### **Question 6**

This question required the candidates to compute the weighted average cost of inventory under Perpetual as well as Periodic method. Majority of the students did not understand the difference between the two methods. Most of them carried out working under perpetual inventory system only. Even there, many students used the simple average, instead of weighted average.

### **Question 7**

This question required preparation of Statement of Comprehensive Income and Statement of Financial Position. Excellent performance was observed as about 5% students got full

20 marks while 95% of the students scored more than 85% marks. Some of the mistakes observed were as follows:

- Bad debt expenses were deducted from debtors to arrive at net debtors.
- Sales return was not adjusted from sales. Instead, it was treated as an expense.
- Advance insurance premium was ignored. It should have been deducted from the amount of insurance expense in the trial balance, to arrive at actual insurance expense.
- Addition to plant and machinery amounting to Rs. 500 thousand was ignored in the calculation of depreciation expense.
- Carriage inward was not added to purchases and was shown as an expense.

### **Question 8**

This question required preparation of Journal entries, their ledger accounts and trial balance. The performance was excellent as most of the students secured over 85% marks. Some of the errors observed were as follows:

#### Journal Entries

- Land and Building were not recorded separately and clubbed together as Property.
- Purchase of Van was debited to Purchase Account. Similarly, return of van was debited to Purchase Return.

#### Entries in T-Accounts

- Separate entry was passed for Land and Building but posted in one T-Account of Properties.
- Many students made mistake in carry forward of balance.

#### Trial Balance

Many students did not give proper headings.

***THE END***