

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

Examiners' comments Introduction to Accounting Certificate in Accounting and Finance Autumn 2017 Examinations

Overall General Comments:

The overall result of 34.6% is an improvement from the last two results (26%). Students' scripts were of varying quality and reflected the degree of understanding of the subject matter. There were many strong marks in the 80s and even as high as 93 from some truly impressive students. Performance on question 5 was below average while performance on question 4 was quite bad.

Many students use past papers as a key element of their examination preparation but they should remember that **topics/sub-topics/variations not covered in past papers are also examinable**. Majority of the students lost achievable marks in Question 4 just because such variation had not been examined previously.

Some **examination technique issues** also need to be improved which would have lifted many marginal fails into the pass category. Many students are failing because of technique rather than knowledge or ability. 9.5% students were just short of 5 or fewer marks and could have obtained them had they attempted the paper in a proper manner.

Question-wise Comments:

Question 1

The question required the students to record the given transactions in the relevant books of prime entry in a proper format. It is a usual and recurring area in which the students performed well with 62.8% students securing passing marks. The majority of students displayed a good working knowledge of the area. Although answers to this question were good, they were not as good as are expected from an easier question.

Some of the common mistakes were as follows:

- Sales day book and Purchase day book were prepared in the form of T accounts.
- Discount income and discount expense were neither recorded in cash book nor in general Journal.
- Cash purchases and sales were also recorded in purchases and sales day book respectively.
- Purchase of office furniture was posted in purchase day book.
- Journal entry for adjustment of payables against receivables was ignored.
- Time was wasted in preparing general ledgers and control accounts of receivables and payables which were not required.

Question 2

This question tested journal entries for merchandising business under perpetual system for the first time under the revised syllabus. 36.2% students secured passing marks. However, 40.3% of the students secured less than 30% marks due to non-coverage of the particular topic. Some of the common mistakes were as follows:

- Students had no idea of the perpetual inventory method consequently they:
 - used purchases / carriage in & return outward accounts to accumulate the cost instead of inventory / stock account.
 - did not record cost of sales on every sales / sales return transaction.
- In second last transaction, sales were recorded at gross amount instead of amount net of discount.
- In last transaction, the loss was incorrectly recorded as abnormal loss instead of normal loss or cost of sale as there was no specific reason for the loss.

Question 3

The question required identification of the underlying rules or principles on which the given statements were based, along with examples of each. 58.7% of the students got passing marks. Most of the students pointed out correct concept/principle but were unable to give correct example. Common errors were as follows:

- Students explained the concepts instead of giving example.
- Part (v) was identified as 'True & fair view' instead of 'Materiality'.

Question 4

The question required preparation of trial balance from the given transactions. Only 9.9% students could secure passing marks. Students often struggle to apply their knowledge when questions are presented in a slightly differently way. It would have been an easy question had the requirement included both general ledger and trial balance as had been examined in previous attempts. However, in this question, only trial balance was required to be made directly from the given transactions. About 17.3% of the students did not attempt the question at all. Overall, 59.8% students could not even secure 20% marks which showed their lack of understanding. Most of the students had no idea about solving this type of question. Some students even prepared receipt and payment account or only prepared general ledger. Some of the common errors were as follows:

- Cash at bank was not calculated by majority of the students.
- Significant number of students were unable to calculate the amount of:
 - used and unused supplies.
 - unearned and earned maintenance services.
 - wages and salaries expense and the prepaid amount.
 - utility expense and its payable.
 - rent expense and prepaid office rent.

Question 5

It was a traditional question requiring preparation of financial statements from a trial balance combined with several adjustments. Only 23.1% students secured passing marks. A general weakness amongst most students was that they failed to make a reasonable attempt at the question due to presence of one or two difficult adjustments. There were at least 6 easy marks available in the question which could have been obtained had the students just used the unadjusted amounts in the financial statements but 25.8% of the students could not even secure those marks. It was observed that most of the students left the question halfway if they could not incorporate the effect of some adjustments. Some of the other common mistakes were as follows:

- While computing the value of inventory, the value of goods returned from customer was taken at cost amounting to Rs. 320 instead of net realizable value of Rs. 310.
- Discount was not calculated on settlement of a pending amount as mentioned in adjustment (ii).
- Provision against trade receivable was calculated @ 5% on the amount of trade receivable i.e. Rs. 12.5 million as given in the question instead of the adjusted balance.
- While calculating depreciation, adjustment on account of disposal was either ignored or wrongly incorporated.
- Amount of advance rent was not adjusted in arriving at the net amount receivable against disposal proceeds.

Question 6

The question required distribution of profit among the partners and preparation of current accounts. However, the profit sharing arrangement was revised during the year due to which the profit was required to be distributed in two steps. On the overall, 36.2% of the students secured passing marks in this question. Some of the common mistakes were as follows:

- Students had no idea of Goodwill adjustment in the question. Most of the students were not able to calculate goodwill correctly and distributed goodwill in the new profit sharing ratio instead of distributing it in the old ratio.
- Revised profit sharing ratio was calculated as 3:2:2 instead of 2:1:1.
- Salary of partner S was incorrectly treated. Full 7 months' amount should have been shown as appropriation while 5 months' salary was required to be shown as drawing in the current account. The effects were either ignored or incorrectly recorded.

Question 7

This question tested control account reconciliation for the first time under the revised syllabus. The question was reasonably well attempted and 57.8% of the students obtained passing marks. A large number of students identified the correct amount of corrections but could not identify whether these were to be posted on the debit side or the credit side. Moreover, because of lack of understanding of the topic, items that should have been posted to the payable control account were included in the purchase ledger balances and vice versa. Other common errors were as follows:

- Effect of point (i) was taken to payable control account only although it should have also affected purchase ledger balances (subsidiary ledger).

- In point (iv) the effect was added to the purchase ledger balances instead of being deducted.
- In point (vi) the balance needed to be written off from both payable control account and purchase ledger but both effects were either not recorded or recorded on the wrong side of the control account.
- In point (vii), the set off already recorded was required to be reversed but most of the students could not show the right effect.

Question 8

It was a traditional question requiring adjustments related to bad and doubtful debts. Even then, 32.7% students secured less than 20% marks. Overall, 36.5% of the students achieved passing marks. The question could have been solved in different ways all of which would have resulted in the same final answer. However, students mixed up these alternate ways and lost valuable marks. The common mistakes observed were as follows:

- Credit sales were wrongly calculated as Rs. 432,000 ($540,000 \times 80/100$) instead of Rs. 450,000 ($540,000 \times 100/120$).
- Receivable with specific provision were not excluded from total debtors while calculating general provision for doubtful debts.
- Balance of Ravi Rays was incorrectly deducted from opening balance of trade debtors to calculate opening balance of general provision for doubtful debts.

(THE END)