

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

EXAMINERS' COMMENTS

SUBJECT	SESSION
Introduction to Accounting	Certificate in Accounting and Finance – Autumn 2018

General:

The overall result was 47.9% which is quite consistent with the previous attempt's result of 46.8%. The answer scripts were of varying quality. There were many strong marks in the 90s and even as high as 99 from some truly impressive students.

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 6 just because such variation had not been examined previously.

Some **examination techniques** 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. Students should also note that no marks are awarded for incorrect figures unless supported by workings.

It was observed that students spend too much time on completing the question even though they have no idea of the difficult part of the question. Students are strongly advised to switch to the next question after they have spent reasonable time on a question. This will ensure that they attempt all questions. 15% students were just short of 9 or less marks and could have easily obtained them had they covered all areas of the syllabus and/or attempted all questions in the paper.

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 62.4% students securing passing marks. Majority of the students displayed good working knowledge of the area.

Some of the common mistakes were as follows:

- The least performed area in the question was the treatment of discounts. Trade discount which is not recorded in the books was presented in the discount columns of cash book. Whereas, discount received which should have been recorded in the books was neither recorded in cash book nor in general journal.
- Only those transactions / effects which are not recorded in any other book should be recorded in general journal. However, students often made journal entries for transactions already recorded in other books.
- Receipt against disposal of office furniture was recorded in cash book but the remaining part of the entry was ignored whereas it should have been recorded in general journal

Question 2:

This question required description of transactions from the given table. The overall performance was above average as 76.6% students secured passing marks. This was an easy scoring question but few students made key mistakes and lost very easy marks. Most of the mistakes were observed in the description of transaction (iii), (viii) and (ix).

Question 3:

The question required identification and description of the accounting concepts which had been applied or needed to be considered in the given situations. Answers to this question varied a lot. A significant number of students did not even attempt this question whereas many students achieved full marks. Only 27.5% of the students got passing marks. Students often identified the wrong concept and consequently lost marks for definitions as well. Definitions were either not written or keywords were missed. Common errors were as follows:

- In situation (ii) students kept on discussing the cost and revaluation model instead of matching concept.
- Situation (iv) was mostly not attempted.
- In situation (v) most of the students identified substance over form correctly but could not provide its correct description.

Question 4:

The question required distribution of profit among the partners and preparation of partners' current and capital accounts. The profit sharing arrangement was revised during the year due to which profit was required to be distributed in two steps. On the overall, 62.8% of the students secured passing marks in this question. Some of the common mistakes were as follows:

- Commission to B was wrongly calculated.
- Interest on capital for the subsequent 9 months was calculated on the opening capital instead of adjusted / updated capital.
- Goodwill adjustment was the least performed area of the question. Most of the students either calculated incorrect goodwill or distributed goodwill in the new profit sharing ratio instead of distributing it in the old ratio.
- Capital withdrawn and further investments made were taken to current account instead of capital account.

Question 5:

It was a traditional question requiring preparation of financial statements from a trial balance combined with several adjustments. Only 32% 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 7 easy marks available in the question which could have been obtained had the students just used the unadjusted amounts in the financial statements but 34.1% 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. It was noted that even simple adjustments were worked out by preparing ledger accounts which was a waste of time and showed lack of practice on the part of the students. Some of the other common mistakes were as follows:

- Amount in suspense account was not taken to Return outward.
- Various types of errors were made in adjusting dishonored cheque of customer.
- Depreciation expense was not appearing in the trial balance and was required to be provided but was ignored. Those who calculated depreciation either ignored or wrongly incorporated the effect of disposal.
- Gain on disposal was calculated using the book value as on 01 July 2017 i.e. depreciation on the equipment during the year till the date of disposal, was ignored.

Question 6:

This question required computation of corrected gross profit and net profit. Usually correcting entries are examined in the topic of correction of errors while in this paper, the question required computation of corrected gross profit and net profit. Though similar question is available in ICAP's question bank but this question proved to be the least well answered question of the paper and only 17.3% students could secure passing marks. 29.9% of the student could not secure any mark in this question. However, there were some excellent attempts and students even secured full marks. Some of the common mistakes were as follows:

- Many students did not read the requirements carefully and unnecessarily prepared correcting entries or income statement and subjected themselves to time pressure. Students who **only** made correcting entries lost all marks.
- Amounts were added instead of subtracting or subtracted instead of adding to gross profit or net profit.
- Students failed to realise that items causing change in gross profit affect net profit also and presented the effects in gross profit only.

Question 7:

This question comprised of 3 short questions to increase the coverage of the syllabus. The overall performance was average as 43.4% students secured passing marks.

Part (a) required accounts for provision for doubtful receivables and bad debt expense. 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. Most of the students ignored specific provision while calculating opening balance of provision.

Part (b) required accounting entries for normal and abnormal loss of stock. Those who had studied the topic scored well thus answers tended to be very polarised, either very good or very poor.

Part (c) required rent expense account for 2 years. Again the answers tended to be very polarised, either very good or very poor. A large number of students did not attempt this part.

THE END