

<b>THE 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 – Spring 2018

**General:**

The overall result was 46% which is an improvement from the last two results of 35% and 27%. The answer scripts were of varying quality. There were many strong marks in the 80s and even as high as 97 from some truly impressive students. Performance in all questions was very consistent (neither too high nor too low) with the exception of Q2.

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 2 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. 15% students were short of 9 or fewer marks and could have obtained them had they handled the paper in a better way.

Question-wise comments:

**Question 1**

The question required preparation of bank reconciliation statement from the given bank book and bank statement. Generally, the students performed well and 51.2% secured passing marks. However, since the question was a bit different from the previously examined questions on this topic, 23% students could not secure any mark. Majority of the students displayed a good working knowledge of the area. However, barring few, almost all the students made some simple errors which indicated their lack of conceptual understanding. Some students even re-wrote the complete bank book and bank statements which was a sheer wastage of time.

The most common errors were as follows:

- Most of the students ignored the correction required for the error made in opening balance of the bank book. The bank balance of Rs 133,500 was incorrectly mentioned as a debit balance though it was an overdrawn balance.
- Cheque X06 issued in January 2018 was still unrepresented but was not shown in the bank reconciliation statement.
- Transposition error in recording cheque X10 was not corrected in the bank book.

## **Question 2**

This question tested journal entry for disposal of a plant and calculation of WDV of fixed assets. Such variation was examined for the first time under the revised syllabus. The overall performance was below average as only 32.2% students secured passing marks. 38.5% of the students could not secure any mark in the question due to non-coverage of the particular topic. Generally, the correct approach to attempt such type of questions was found missing.

Some of the common mistakes were as follows:

- Sale proceeds were wrongly computed by many students as they used accumulated depreciation instead of written down value in the calculation.
- Cost of factory building was not bifurcated between land and building and consequently depreciation was also charged on land.

## **Question 3**

The question required identification of the effects on accounting equation and explanation of four accounting terms. 56.7% of the students got passing marks. Common errors were as follows:

### **Question 3(a)**

- Majority of the students recorded purchases in case of information (ii) although only a purchase order was issued.
- In information (iii), Rs. 56,000 was shown as increase in cash instead of reduction in advance from customers.
- In information (iv), the effect of 40% of the rent already accrued was incorrectly recorded.

### **Question 3(b)**

Definitions were either not written or were too general in nature. Keywords / accounting terms were missing from the explanations. Students often explained the concept of current and non-current assets and liabilities which was not required and carried no marks.

## **Question 4**

It was a traditional question requiring preparation of financial statements from a trial balance combined with several adjustments. 43.6% 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. However, 27.4% 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. Students also wasted their time in preparing T accounts for all items instead of noting figures +/- against each title of account in statement of profit or loss and balance sheet which showed their lack of practice.

Some of the other common mistakes were as follows:

- Students could not identify the fact that perpetual inventory system was used in the question and consequently adjustments for NRV and purchase return were incorrectly accounted for.
- NRV adjustment was often made with full cost of Rs. 1 million instead of the loss of Rs. 70,000.
- Adjustment for unearned maintenance income was either ignored or wrongly incorporated.
- Depreciation expense was not appearing in the trial balance and was required to be provided but was ignored.
- Students tried to work out the annual interest for 2017 and incorrectly added the cost of interest in financial cost whereas it was specifically mentioned in the question that interest till 1st October 2017 was paid and interest for the last quarter had also been accrued in the Loan account. Therefore, no adjustment was required in P&L whereas a classification adjustment was required to classify the interest payable for the last quarter in accrual and other payables and reduce the amount of long-term loan.

### **Question 5**

The question required preparation of trial balance from the given books of prime entry. 56% students secured passing marks. Students often struggle to apply their knowledge when questions are presented in a slightly differently way. The first step of recording transactions in books of prime entry was already done in the question. It would have been quite a lengthy question had the conventional way of giving transactions been used rather than the books of prime entry. However, instead of benefitting from the situation, the students seemed confused in attempting this question. Some of the common errors were as follows:

- T-accounts were prepared but balances were not incorporated in the trial balance. Some students prepared the T-accounts but did not compute the balances thereof.
- Significant number of students made various types of errors and were unable to calculate the correct amount of:
  - Trade debtors and creditors
  - Discount allowed and received
  - Sales and purchases

**Question 6**

The question required computation of the corrected net profit and distribution of profit among the partners and preparation of current accounts. On the overall, 53.9% of the students secured passing marks in this question.

Some of the common mistakes were as follows:

- Adjustments to the given profit to rectify the errors were mostly ignored. Those who made adjustment mostly used incorrect amounts with regard to depreciation of disposed off vehicle and bonus to fashion designers.
- Corresponding adjustments to the current account in respect of the adjustments to the profit were ignored.

**Question 7**

This question required rectification entries to correct the given errors. Correcting entries were examined for the first time under the revised syllabus. The overall performance was below average as only 37.2% students secured passing marks.

Some of the common mistakes were as follows:

- In point (ii) adjustment for depreciation was ignored.
- In point (iii) wrong entry was passed for adjustment of unearned rent.
- In point (iv) consequential adjustment to provision for doubtful receivables was ignored.

***THE END***