

**INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN**

**EXAMINERS' COMMENTS**

<b>SUBJECT</b>	<b>SESSION</b>
Cost and Management Accounting	Certificate in Accounting and Finance (CAF) Spring 2023

**Passing %**

Question-wise									
1	2	3	4	5	6	7	8	9	Overall
51%	6%	1%	22%	58%	40%	15%	81%	72%	55%

**General comments**

The overall performance in this attempt has improved significantly (55%) compared to the previous attempt (36%), which can be attributed to better performance in Q.8 and Q.9. However, the performance in Questions Numbers 2 and 3 reflected a lack of study as the majority of examinees performed poorly on EOQ and variance analysis questions. It is generally observed that examinees tend to attempt answers without strategizing the approach and format for the answer, leading to the oversight of important information given in the questions, unnecessary long workings, and a waste of time.

**Question-wise common mistakes observed**

**Question 1**

- The wastage of raw material for the first batch was wrongly calculated by multiplying it by 0.95 or 1.05.
- The reduction in wastage was computed by applying 10% to the total material consumption instead of just the wastage amount.
- While computing total labor hours, the learning curve effect factor was applied to the incorrect number of hours for respective batches.
- Variable overheads were computed by applying the overhead rate to the hours of the first batch instead of the total labor hours used.
- The profit margin was computed incorrectly.

**Question 2**

- Many examinees left this question unattempted, and those who attempted it could not secure any marks. Furthermore, those who attempted this question and managed to score some marks were only able to compute either the stock-out cost or the holding cost.
- While calculating the stock-out cost or holding cost, only the safety stock units were considered instead of the units that would be short in the delay period.
- The holding cost per unit was computed incorrectly.

### **Question 3**

Many examinees failed to meet the question's requirement by focusing on the factors that led to the emergence of favorable variances given in the question, rather than conducting a critical analysis of those favorable variances.

### **Question 4**

Many examinees focused solely on discussing the loss of customers and goodwill, neglecting to address other non-financial consequences such as reduced operational efficiency, increased supply chain risk, and heightened stress on employees.

### **Question 5**

- The limiting factor, i.e., the hours required for each product, was calculated incorrectly.
- The ranking for unit production of each product was determined by the contribution margin per unit instead of the contribution margin per hour.
- Instead of calculating product-wise profit, the contribution margin was calculated.

### **Question 6**

- The difference in contribution margin between products produced internally or purchased from outside was either ignored or calculated incorrectly.
- The ranking for unit production of each product was determined by the difference in contribution margin per unit instead of the difference in contribution margin per hour.

### **Question 7**

- An incorrect basis was used for allocating freight-in and transit insurance among different raw materials.
- While computing the cost per unit, units sold were considered instead of units produced.
- The computation of factory overhead per unit was either ignored or carried out incorrectly.
- The principle of 'lower of cost or net realizable value' was disregarded when dealing with damaged units in inventory. Some examinees incorrectly included the rework cost in the cost of those units instead of deducting it from the selling price as required when calculating the net realizable value.
- The calculation of raw material cost failed to account for the specific quantity of kilograms of different raw materials required for each respective product.

### **Question 8(a)**

- The normal loss percentage was applied to input units instead of output units.
- The accounting for abnormal loss was incorrect in the calculation of equivalent production units.

**Question 8(b)**

- FIFO method was ignored while computing the cost of transferred out units.
- The amount recovered from the sale of normal loss units was either ignored or computed incorrectly when calculating the cost of raw material.
- The cost transferred from department A was ignored while calculating the cost of material in department B.

**Question 9**

- Other insurance costs were allocated on an incorrect basis.
- Incorrect equations were used for apportioning the service departments' costs to the production departments.
- The costs of raw material and direct labor were ignored when calculating the production cost of respective products.
- The opening and closing units in the process were incorrectly accounted for in computing the units produced during the month.

***(THE END)***