

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

EXAMINERS' COMMENTS

SUBJECT	SESSION
Financial Accounting and Reporting-I	Certificate in Accounting and Finance – Autumn 2018

General

The overall performance was significantly better this time. The passing ratio was 56.6% which was much better than the last result of 43.2%. In fact it is the highest for this paper since introduction of new education scheme. The highest score in the paper was 93 marks which indicated that the paper was very doable. A significant number of students secured 80 or more marks in the paper.

Performances in all questions were quite good except for Q3 and Q8. Poor performances in both the questions were mainly because such variations had not been examined previously.

Although many students performed well but too often illogical mistakes were noted in easy areas as well. The persisting issue appears to be lack of practice and poor presentation in many cases.

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 questions. 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. 17.5% students were just short of 9 or less marks and could have easily obtained them had they covered all areas on the syllabus and/or attempted all questions in the paper.

Question-wise comments:

Question 1

The question required statement of profit or loss from the given information. The overall performance in this question was average and 54.3% of the students secured passing marks. Many students made errors on the easier aspects of the question which deprived them of some precious marks. Some common errors were as follows:

- Students failed to notice that sales should have been calculated by applying profit margin on cost of sales. Students often prepared cash account and assumed the balancing figure to be sales.
- All effects of adjustment for damaged stock were not incorporated.

Question 2

The question required computation of value of stock as at year end. The crux of the question was that all physical movements after the year end needed to be reversed. The performance in this question was above average as 77.1% of the students secured passing marks. However, various errors were also observed. Most students ignored the fact that 40% of the goods were damaged after the year end in July 2018 so NRV adjustment was required to be made in respect of 60% of the damaged goods only.

Question 3

The question was based on IFRS 15 which is a new area of the syllabus. Only 16.1% of the students secured passing marks in this question. 18.2% of the students could not score any mark which shows that they had not studied this area of the syllabus.

In theory based part (a), majority of the students were successful in listing down the five steps involved in recognizing revenue as per IFRS 15. However, a significant minority could not even list down these steps.

In part (b), only few students were able to secure good or even passing marks. The crux of the question was the timing of revenue recognition in each case. In case (i) 95% of the revenue should have been recognized on 1 June and remaining on 30 June while in case (ii) whole revenue should have been recognized on 30 June. Answers to this part of the question were generally poor as most of the students failed to pick the underlying concept which was being tested. The performance in case (i) was generally better than case (ii).

Question 4

The question required effects of amalgamation on partners' capital accounts in old and new firm. The performance in this question was good and 68.6% of the students secured passing marks. Many students unnecessarily prepared realization account and subjected themselves to time pressure. Some common errors were as follows:

- Provision for doubtful debts was calculated as 5% or 3% of the given balance without realizing that the given balance was already net of 2% provision.
- Cash was not excluded for calculating goodwill.

Question 5

The question required preparation of ledger accounts related to fixed assets (Machines). 70.7% of the students secured passing marks. Some common errors were as follows:

- The new machine was recorded at the list price, instead of the sum of the fair value of old machine (which was exchanged) and the amount paid.
- Various types of errors were made in calculating depreciation for the year.
- Cost of disposal was altogether ignored.

Question 6

The question required statement of financial position and statement of profit or loss in accordance with IFRSs. The overall performance in this question was average as 51.2% of the students secured passing marks. A general weakness amongst most students was that they failed to incorporate the double effect of each adjustment / correction. Many students seemed to waste time in tallying the statement of financial position which was totally unnecessary. Some common errors were as follows:

- Stock held under 'Bill and Hold arrangement' was correctly excluded from the closing stock; however, the corresponding adjustment for revenue was not made.
- In respect of disposal of land and building, incorrect amounts were used to record disposal. Moreover, the adjustment to transfer the remaining revaluation surplus of the disposed of item was hardly seen.
- Amount written off was not excluded from balances due for more than one year for calculating specific provision.

Question 7

The question required computation of ratios and comments on the profitability and liquidity, based on the given financial statements. The performance in this question was below average and only 43.7% of the students could secure passing marks. The computational part was easy but still some students missed those easy marks. Majority of the students performed badly while commenting on the profitability and liquidity. The main reason for such a performance was that the students did not understand the requirement and did not relate the reasoning to the additional information given in the question.

Question 8

The question comprised of two parts. The performance in this question was well below average and only 29.1% of the students could secure passing marks.

Part (a) asked for four differences between financial accounting and cost accounting system. This was answered in an average manner, with students at times repeating the same point in different words. The students who were able to clearly identify the differences secured full marks.

Part (b) required graphical presentation of different types of costs. Most of the students were unable to present the correct graph of machine rental cost.

THE END