

**INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN**

**EXAMINERS' COMMENTS**

<b>SUBJECT</b>	<b>SESSION</b>
Financial Accounting & Reporting II	Certificate in Accounting and Finance (CAF) Examination - Autumn 2020

**Passing %**

Question-wise								Overall
1	2	3	4	5	6	7	8	Overall
54%	60%	35%	84%	35%	17%	23%	51%	34%

**General comments**

An overall passing ratio of 34% is consistent with the last result of 30%. Examinees performed well in section A comprising of short questions but the performance in section B particularly in Q6 and Q7 was disappointing. Poor performance in these questions were mainly due to the fact that such variations had not been examined previously. Although examinees are using past papers as a key element for their examination preparation, they should remember that topics/sub-topics/variations not covered in past papers are also examinable.

Examinees generally secured good marks in two to three questions but failed to obtain reasonable marks in the remaining questions. There were 23% examinees who were just short of 9 or lower marks and could have easily obtained them if they had covered all areas of the syllabus.

**Question-wise common mistakes observed**

**Question 1**

- Many examinees had no idea of the entries to be made in the books of JL. Specially, transaction cost was wrongly charged to Profit and Loss account instead of netting off with financial liability.
- In the books of KL, the investment was recognized at par value rather than fair value.

**Question 2**

- Examinees directly jumped to the conclusion without providing the reason which resulted in loss of precious marks.
- Examinees could not identify that Aircraft lease had become an onerous contract.

**Question 3**

- “75% revenue threshold” was not checked.
- Omission of disclosure on “information about geographical area” in respect of exports and disclosure on “information about major customers” in respect of sales to HL were not mentioned.

**Question 4**

- MCQs at serial (ii) and (v) were least well-answered.
- Many examinees wasted valuable time in reproducing the whole wordings of correct option instead of only mentioning the correct serial number of the option.

**Question 5**

- Transfer of ML’s building was accounted for at carrying value instead of fair value.
- While determining retained earnings of HL at acquisition, dividend was not considered and/or post acquisition profits of HL were not adjusted for 8 months.
- Contingent asset was recognized at fair value on acquisition date.
- Loss on re-measurement of investment of KL was taken in full instead of prorating the same.
- Total comprehensive income attributable to Parent and NCI was either not presented or presented with incorrect amounts.

**Question 6**

- Schedule of intangible assets was incomplete in terms of presentation.
- Amortization of product design and existing ERP were calculated by using original useful life instead of revised life.
- License was capitalized at present value of future payments instead of the given cash price equivalent.
- Borrowing cost to be capitalized was calculated using very long methods (though correct) which consumed precious examination time.
- Value in use was calculated using post-tax discount rate.

**Question 7**

- The statement was started from January 01, 2017 instead of December 31, 2017.
- The word ‘restated’ was not mentioned for each line item which was different from the previously reported amount.
- Revaluation surplus arising during the year was not presented as other comprehensive income.
- Change in accounting policy of investment property was applied prospectively instead of retrospectively.

**Question 8**

- The effect of low rate on dividend was not included or included with incorrect amount in the reconciliation.
- While calculating current tax, effects of bad debt recovered, rent and dividend income were incorrect.
- Deferred tax on unused tax losses was not calculated and/or deferred tax asset on research cost was considered deferred tax liability.

***(THE END)***