THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN EXAMINERS' COMMENTS	
SUBJECT Financial Accounting & Reporting II	**SESSION** Certificate in Accounting and Finance (CAF) Examination - Spring 2020

Passing %

Question-wise								Overall
1	2	3	4	5	6	7	8	
42%	83%	44%	42%	19%	57%	23%	12%	30%

General:

An overall passing ratio of 30% is lower than the last two results of 50% and 39%. 25% examinees were - short of 9 or lower marks that could have easily obtained them if they had covered all areas of the syllabus. The highest score of 93 marks showed that the paper could manage well.

The importance of the coverage of the syllabus has further increased due to the inclusion of the short questions and MCQs in the paper. Almost, all areas of the syllabus were examined in some way.

Performances in all questions of section B were poor except for Q6. Poor performance in Q5 and Q8 was mainly due to the fact that such variations had not been examined previously. Although examinees are using past papers as a key element of their examination preparation, they need to remember that topics/sub-topics/variations not covered in past papers are also examinable.

Question-wise common mistakes observed

Question 1

- Cows purchased on 1 May 2019 were initially recognised at purchase price.
- Custom duty was not included in the cost of the cattle feed.
- Gain on re-measurement of biological assets was not calculated in respect of opening stock of cows.

Question 2

The performance in this question was exceptionally well.

Question 3

- For calculating PV of change in decommissioning liability, examinees often used long calculations though it could have been calculated by discounting the change in liability at 12% for 4.5 years. Further, examinees often used 4 years or 5 years in their calculations.
- In part (b), majority of the examinees scored average marks by correctly identifying the threats and safeguards but only those examinees earned full or nearly full marks who were able to explain that how the fundamental principles were breached by the CFO.

Question 4

MCQs at serial (iv) and (v) were least well answered.

Question 5

- Examinees could not identify that lease should have been classified as operating in the books of FVLL (lessor).
- Adjustment for accrued rental income at 31 December 2019 was either not made or made with incorrect amount.
- Present value of the lease payments was often calculated incorrectly due to quarterly payments and rent free period.
- Depreciation on right of use assets for 2019 was calculated for 9 months.

Question 6

- Contingent consideration was discounted though it was payable within one year. Further, at reporting date, amount of contingent consideration was not updated to Rs. 115 million.
- Fair value adjustment on inventory of ML at 31 December 2019 was not taken.
- Unrealised profit in closing inventory of JL was deducted from inventories.
- Impairment of goodwill was fully charged to consolidated retained earnings.

Question 7

- Other income was included in other comprehensive income.
- Examinees could not calculate the figure for doubtful debts correctly.
- Examinees did not present the impact of related deferred tax on revaluation surplus.
- While calculating current tax, effect of investment income deducted from borrowing cost and additional accounting depreciation on office building were not incorporated.
- The effect of low rate on dividend was not included or included with incorrect amount in the reconciliation.
- Deferred tax was not computed on borrowing cost capitalised and dividend receivable.

Question 8

- Examinees just quoted text from the standards without reference to the question and/or did not form their own opinion. Instead they relied on statement such as "if it is an adjusting event, this should be the accounting treatment or otherwise this will be the treatment".
- In part (i), examinees had a fair idea of treatment. However, it was generally noted that proper reasoning for the same was not given by most of the examinees due to which they were not able to secure high marks in this question.
- Discussion on potential NRV adjustment in respect of cost of replacement chargers and decrease is selling prices of laptop was often missing in the answers.
- In part (ii), examinees did not mention treatment for remaining amount of claims which have not yet been received, and the fact that they would be disclosed as contingent liability along with proper description that the amount is not reasonably measurable due to the circumstances.

The End