

INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN	
EXAMINERS' COMMENTS	
SUBJECT Financial Accounting & Reporting II	SESSION Certificate in Accounting and Finance (CAF) Examination - Autumn 2021

Passing %

Question-wise								Overall
1	2	3	4	5	6	7	8	
94%	40%	47%	74%	63%	17%	42%	20%	46%

General:

An overall passing ratio of 46% is higher than the last result of 35%. The examinees performed well in section A comprising of short question but the performance in section B was poor except for Q5. The highest score in the paper was 97 marks.

Poor performance was witnessed in Q6 and Q8. Though the difficulty level of Q.6 was on the higher side, the poor performance in Q8 was unexpected as similar questions had been previously examined.

Question-wise common mistakes observed

Question 1

Good performance was observed in this question.

Question 2

- Examinees incorrectly mentioned figures for 2020 also when presenting effect on statement of profit or loss.
- While presenting the effect on statement of financial positions, examinees presented “for the year” effects instead of “cumulative effect”.
- Examinees did not start extract of retained earnings with “balance as at December 31, 2018” as reported and/or did not show effect of correction of prior year error.

Question 3

Examinees did not mention option (ii) for both investments.

Question 4

- MCQs at serial (iii) and (vii) were not answered well.
- Many examinees wasted valuable time in reproducing the wordings of correct option instead of only mentioning the serial number of the option.

Question 5

- Land granted was not recorded at fair value.
- Shares issued as consideration were recorded at Rs. 23 instead of Rs. 25.
- Impairment of goodwill of KL was not allocated between consolidated retained earnings and non-controlling interest.
- Investment in associate was initially recognised at fair value instead of cost.

Question 6

- In (i), lease rental was required to be calculated by using 10% while the present value of lease rentals (for determining sales) was required to be calculated by using 15%. Several mistakes were observed in those calculations. Further, present value of residual value was not deducted from cost of sales.
- In (ii), revenue was not restricted to the lower of the fair value and present value of lease payments.
- Examinees treated the lease in part (iii) as a finance lease instead of operating lease.

Question 7

- In note of taxation, tax relating to prior year was not presented.
- In calculating current tax, impact of entertainment expense was not considered while the amount of warranty was mostly incorrect.
- Tax rate of 35% was used for calculating deferred tax as on 31 December 2020. Consequently, the effect of change in rate in reconciliation was missed out.
- Deferred tax was not calculated on dividend receivable, right of use asset and /or lease liability.

Question 8

- Examinees had a fair idea of treatment. However, it was generally noted that proper reasoning for the same was not given by examinees due to which they were not able to secure high marks in this question.
- In (i), additional penalty of Rs. 2 million was concluded as an adjusting event.
- In (ii), rework cost of Rs. 15 million was expensed out.
- Part (v) was mostly left un-attempted.
- In (vi), examinees were not able to conclude that modification cost should not be provided as it is avoidable.

(THE END)