

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

Passing %

Question-wise								Overall
1	2	3	4	5	6	7	8	
95%	13%	67%	45%	33%	15%	71%	21%	35%

General

An overall passing ratio of 35% is consistent with the previous session's 34%. Examinees performed well in section A comprising of short question; however, their performance in section B (except Q.7) was not satisfactory. The highest score in the paper was 81 marks.

Poor performances were witnessed in Q.2, Q.6 and Q.8. Though the difficulty level of Q.2 was on the higher side, the poor performance in Q.6 and Q.8 was unexpected as similar questions were also examined in the past.

It was observed that examinees spent lot of time to complete the answer especially question based on consolidation. Resultantly, they were not able to complete the paper within the allotted time. Examinees are therefore strongly advised to switch to the next question after they have spent reasonable time on a particular question. This practice will help them to attempt all questions.

Question-wise common mistakes observed

Question 1

- Serial (iv) and (vii) were least well identified.

Question 2

- Examinees directly jumped to the conclusion without providing the reason which resulted in loss of precious marks.
- The last part was related to IAS 20 but was answered in the context of IAS 37.

Question 3

- NRV of samples was not deducted from the cost of manufacturing the samples in determining cost of the product. Some examinees added this NRV in cost of the product.
- Reasons for items not included in cost were not mentioned.
- Salaries and overheads were capitalized for 10 months instead of 7 months.

Question 4

- Examinees either performed well or poorly in this easy question. Those who had studied the topic scored well while others either did not attempt the question or made wild guesses.

Question 5(a)

- Calculations were made using implicit rate though it was mentioned that implicit rate was not known to the lessee.
- Guaranteed residual value was ignored while calculating right of use asset.
- Decommissioning cost was included in right of use asset but the corresponding liability and unwinding of discount was not presented in the extracts from the financial statements.

Question 5(b)

- Maturity analysis was not presented.
- Unguaranteed residual value was not included in gross investment in lease.

Question 6

- Examinees were not careful in identifying relevant line item, presenting headings and putting sub-totals while preparing statement of financial position.
- 'Revaluation surplus' and 'Unpaid dividend' were often merged in 'Reserves' and 'Trade and other payables' instead of presenting them separately on the face of the statement of financial position.
- Examinees did not seem to have any idea of relevant disclosure requirements. Consequently, notes (other than operating segments) were not prepared.

Question 7

- Investments (other than investment in subsidiary and associate) were not presented.
- Unrealized profit in respect of associate was either not adjusted or adjusted with incorrect amount.
- Several adjustments were made for ML's restructuring cost though it had no effect.
- Adjustments related to dividend received from associate were rarely seen in answer scripts.

Question 8

- While calculating taxable income, opening balances were ignored in making adjustment for liabilities outstanding for more than 3 years and unearned commission. Further, donation was not considered for deduction.
- Current tax on interest was calculated on interest income instead of interest received.
- Deferred tax on NRV adjustment was not calculated and/or deferred tax asset on interest receivable was considered as deferred tax liability.
- Effect of deferred tax liability on equity investment was not excluded in calculating current tax.

(THE END)