INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN EXAMINERS' COMMENTS	
SUBJECT Financial Accounting and Reporting II	**SESSION** Certificate in Accounting and Finance (CAF) Autumn 2022

Passing %

Question-wise									Overall
1	2	3	4	5	6	7	8	9	
46%	66%	27%	37%	22%	75%	47%	13%	52%	35%

General comments

The current result of 35% is higher than the previous result of 27%. However, it is fairly consistent with the previous three sessions' results. The element of the selective study was evident from the fact that a number of examinees secured a maximum of 1 mark in Q3, Q4, Q5, and Q8 whereas numerous other examinees secured full marks in these questions.

Many examinees secured marks in the 80s and even as high as 93 marks. Examinees generally secured good marks in two to three questions but failed to obtain reasonable marks in the remaining questions. Lack of practice was evident in answer scripts as many examinees were found struggling to obtain the easy marks available in the paper. Also, workings were mostly haphazard and consequently, partial marks could not be awarded as the trail for the calculations was not available.

Question-wise common mistakes observed

Question 1

Workings were made to calculate the amount on the initial recognition of the lease though the note needed to be made at the end of the first year.

Question 2

- In part (i), life was considered as 10 years instead of 5 years, and resultantly residual was also incorrect.
- In part (ii), website cost was capitalized though the website was made for advertisement purposes only and the cost incurred on it could not be capitalized.

Question 3

Examinees either performed well or poorly in this question. Those who had studied the topic scored well while others either did not attempt the question or reproduced the question's content in one way or another.

Question 4

- On the overall basis, answers were correct to the extent discussed but failed to cover all aspects of the given issues due to which they were not able to secure high marks in this question.
- In part (i), the advance was also treated as a monetary item.
- In (ii), the contract was not identified as an onerous contract and the loss was concluded as a future loss, which should not be recorded. Those who identified the contract as onerous wrongly concluded that a provision of Rs. 150 million should be recognized.

Question 5

- Examinees did not completely attempt the question and presented only the correct entries instead of the correcting entries.
- Examinees tried to make a single correcting entry for each investment which made the question more difficult for them.

Question 6

MCQs at serial (vi) and (viii) were least well answered.

Question 7

- HL's investment property rented to EL was treated as investment property instead of property, plant and equipment in the consolidated financial statement.
- Increase in fair value of contingent consideration was not deducted in consolidated reserves.
- Adjustment for unrealized profit was made from investment in associate instead of inventories.

Question 8

- On the overall basis, examinees seem to have no idea of the areas of IFRS 15 examined in this question. 50% of examinees just made wild guesses and made haphazard entries. Very few examinees displayed the correct approach to solving the question.
- For contract (i), examinees were confused in accounting for modification and did not compute the new transaction price for revenue recognition.
- For contract (ii), examinees could not understand that maintenance is a distinct performance obligation and a part of the transaction price needed to be allocated to it. Further, at year-end, 80% of the revenue was recognized for the software upgrade which should not have been recognized.

Question 9

- Effect of fair value gain was not excluded in determining deferred tax expense charged to profit or loss.
- Effect of the change in rate was shown as a deduction instead of an addition in the reconciliation.
- While calculating taxable income, exchange gain was added instead of deduction while the effect of other taxable items was shown as a deduction instead of addition.
- Deferred tax on equity investment and provision for decommissioning was not calculated.

(THE END)