

**INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN**

**EXAMINERS' COMMENTS**

<b>SUBJECT</b>	<b>SESSION</b>
Financial Accounting and Reporting-II	Certificate in Accounting and Finance (CAF) Examination - Spring 2023

**Passing rate**

Question-wise									Overall
1	2	3	4	5	6	7	8	9	
54%	46%	45%	33%	27%	51%	43%	57%	34%	42%

**General comments**

The current result of 42% represents a significant improvement compared to both the previous session and the average of the last 5 sessions, which were both at 35%. A large number of examinees attempted all of the questions, which contributed to the overall increase in the passing rate. Additionally, many examinees achieved high scores, with some earning as much as 91 marks.

Although some examinees who did not pass the exam performed well on a few questions, they were unable to achieve satisfactory results on the others. It is important to note that past papers can be helpful in preparing for the exam, but they should not be relied upon exclusively, as the current exam may cover topics or variations that have not been covered in past papers.

**Question-wise common mistakes observed**

**Question 1**

- While calculating the fair value adjustment for the transaction (i), the impact of interest was not taken into account resulting in an incorrect amount of fair value adjustment.
- In transaction (ii), the effect of fair value adjustment was wholly taken to profit or loss.

**Question 2**

Although examinees were able to identify the threats and safeguards in the given scenario, many of them failed to explain how the CFO's actions may have breached fundamental principles, resulting in lower marks. Providing a detailed analysis beyond mere identification is important to demonstrate a deep understanding of the material.

### **Question 3**

- In contract (i), examinees mistakenly believed that the situation involved deferred consideration, even though the consideration had already been received. Further, at year-end, 40% of the revenue was recognized which should not have been recognized.
- In contract (ii), the receivable on 1 November 2022 was recorded with Rs. 96 million instead of Rs. 100 million. Moreover, the adjustment required on 31 December 2022 was omitted.
- In contract (iii), the revenue was allocated to a discount voucher using the standalone price of Rs. 5 million instead of Rs. 4 million.

### **Question 4**

- Examinees did not provide the extracts from the financial statements as required by the question, and instead presented only journal entries and/or workings.
- The effect of the decrease in decommissioning in 2021 was not taken to revaluation surplus, and resultantly the entire revaluation loss in 2022 was taken to profit or loss.

### **Question 5**

About half of the examinees were not able to earn any marks on this question, which suggests that they may not have adequately prepared for this topic. However, it is worth noting that more examinees were able to earn full marks on this question than on any other questions on the exam.

### **Question 6**

MCQs at serial (i) and (viii) presented particular challenges on this exam, as they were the least well-answered questions.

### **Question 7**

- In part (a), the principle of lower of fair value and present value of lease payments was not considered for computing revenue. Further, the residual value was considered as Rs. 5 million or Rs. 3 million instead of Rs. 8 million.
- In (b), a discount rate of 15% was used instead of 10%. Moreover, the current portion of the lease liability was incorrectly computed due to the mid-year lease.

### **Question 8**

- Investments (other than investment in subsidiary and associate) were not presented in the statement of financial position.
- Share premium was not reduced by Rs. 40 million.
- No adjustments were made in liabilities.
- While computing the net assets of SL, the revaluation surplus was not adjusted to make the policies uniform.

**Question 9**

- Overall, the responses provided by examinees were partially correct in terms of the issues discussed, but they did not address all the relevant aspects required to secure high marks in this question.
- In (ii), the discussion on bifurcating the effect of deferred tax liability to profit or loss and other comprehensive income was omitted.
- In (v), examinees only wrote that a deferred tax asset should be recognized without further elaboration or explanation.

***(THE END)***