

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN	
EXAMINERS' COMMENTS	
SUBJECT Advanced Accounting and Financial Reporting	SESSION Certified Finance and Accounting Professional (CFAP) Examination - Winter 2021

Passing %

Question-wise					
1	2	3	4	5	Overall
55%	39%	44%	28%	44%	36%

General comments

Overall passing ratio in this paper was consistent with the last result of 32%. The highest marks scored in the paper was 84. It was observed that many examinees secured good marks in two to three questions but failed to obtain reasonable marks in the remaining questions. Second, examinees appear to struggle in applying their knowledge when questions are examined in different way. This was particularly witnessed in Q.4 where examinees just haphazardly attempted the question and could not figure out the right approach to attempt that question. Third, examinees who attempted Q.3 at the start, appeared to spend too much time on this question and were found struggling in attempting all questions. Examinees are therefore, advised to switch to the next question once they have spent a reasonable time on a particular question.

Question-wise common mistakes observed

Question 1(a)

- In (i) & (ii), the calculations were correctly performed; however, the explanations were either missing or incomplete resulting in loss of precious marks.
- In (iii), the bond was considered compound financial instrument instead of being treated as only equity instrument.
- In (iv), examinees did not realize the fact that ML has no obligation to redeem and the preference shares were treated as liability instead of equity.

Question 1(b)

Mandatory convertible bonds were not included in calculation of basic EPS.

Question 2

- While computing current tax, adjustments for license, plant and investment property were often correctly added or subtracted but with incorrect amount.
- Decrease in other taxable differences was not included in computing current tax.
- Tax rate of 30% was used, instead of 32% for calculating opening deferred tax and resultantly effect of change of rate was not presented in the reconciliation.
- Effect of deferred tax to be recognised in other comprehensive income was not computed / presented.

Question 3

- While consolidating EL:
 - fair value adjustment for investment in Pinwheel Limited was not incorporated on acquisition date.
 - assets held for sale were adjusted to the fair value though they should have been kept at fair value less cost to sell.
- In respect of disposal of shares of SL in two stages, the following were noted:
 - In first disposal, examinees did not adjust the remaining investment in SL at fair value.
 - Gain on second disposal was not calculated on the basis that SL still remained an associate.
 - Examinees often treated both disposal as one disposal transaction resulting in altogether incorrect workings.

Question 4

- In general, examinees could not grasp the approach that they needed to calculate revised amount of assets, liabilities, profit and equity. Basic mistakes were made in showing dual effects of each transaction.
- In part (a), loss on acquisition of investment was not recognised in profit or loss. Further, interest and depreciation were either calculated for 12 months instead of 6 months or not calculated.
- In part (b), share of associate was taken for full year instead of restricting to 9 months.
- Part (c) was left un-attempted. A significant number of examinees who attempted this part wasted their time in explaining the reason for selecting the best combination which was not required.

Question 5

- Examinees prepared statement in general format instead of the applicable format for a retirement benefit plan.
- Notes to the financial statements were either ignored or not completely prepared although they were specifically mentioned in the requirement of the question.

(THE END)