

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

EXAMINERS' COMMENTS

SUBJECT	SESSION
Advanced Accounting and Financial Reporting	Certified Finance and Accounting Professional (CFAP) Examination - Summer 2023

Passing %

Question-wise					Overall
1	2	3	4	5	
34%	3%	41%	36%	31%	28%

General comments

Overall, the passing ratio in this session aligns with the results of the previous sessions. The highest score obtained was 82 marks. However, it is concerning that a significant number of examinees were unable to secure even the readily available easy marks on the paper. It appears that some examinees approached the paper half-heartedly, without adequate preparation.

Examinees seem to face difficulties in applying their knowledge when questions are presented differently. This was particularly noticeable in Q2, where many examinees skipped the question or provided irrelevant discussion. Another recurring problem was related to the presentation of answers. It has become challenging to assign partial marks for only partially correct figures, as there was often no clear audit trail to trace the origin of these figures. Improving the ability to adapt knowledge to various question formats and enhancing the presentation of answers would greatly benefit the examinees in achieving better results.

Question-wise common mistakes observed

Question 1

- The number of shares issued upon the acquisition of JL was inaccurately calculated. Additionally, contingently issuable shares were updated for fair value as of 31 December 2022 which was not required.
- The adjustment for the purchase order backlog was completely disregarded.
- The working for retained earnings of LL upon acquisition was not carried out.
- While preparing the consolidated retained earnings, two recurrent adjustments were overlooked. Firstly, the revaluation surplus of LL was not transferred. Secondly, the consideration received during the acquisition was not reversed.

Question 2

- Regarding matter (i), examinees demonstrated the understanding that the loan to employees should be recorded at fair value using amortized cost. However, a common omission observed was the lack of discussion on how the fair value should have been calculated and how any difference between the cash paid and fair value should have been treated.
- Regarding matter (ii), examinees overlooked the fact that the convertible bond should have been treated as an asset/investment rather than a liability. The majority of the focus was on bifurcating the bond into liability and equity components, which was not required in this situation.
- Regarding matter (iii), it seems that examinees overlooked the fact that SL had the intention to eliminate the backlog orders. Despite this intention, they still considered the segment as "held for sale" and concluded that it should be presented as a discontinued operation.

Question 3

- Regarding a(i), examinees accounted for the additional expense for the amendment incorrectly by using the fair value of Rs. 22 per option instead of recognizing the increase in fair value, which should have been Rs. 10 per option.
- Regarding a(ii), examinees made the error of accounting for the full 30,000 options as one scheme instead of correctly separating them into two distinct schemes of 10,000 and 20,000 options.
- In respect of amendment (iii), examinees reversed the expense already recorded in the years 2021 and 2022.
- In response to part (b), examinees' answers fell into two categories. Firstly, 36% of examinees seemed unfamiliar with the concept of put options for customers and did not secure any mark. On the other hand, the remaining examinees attempted to prepare the diagram, but they commonly omitted the crucial aspect of "customer having a significant economic incentive to exercise the put option".

Question 4

- Regarding issue (i), examinees faced difficulty in understanding that OL's balances had been mistakenly consolidated and needed to be removed from the consolidated financial statements. Some either failed to deduct OL's balances or added OL's balance to the given consolidated financial statements. Others also overlooked to retranslate OL's balance as associated with using the closing exchange rate.
- Regarding issue (ii), many examinees omitted the reversal for depreciation already charged on the remaining balance of the building account, and neglected to make adjustments for depreciation to be charged on the right-of-use asset.
- Regarding issue (iii), the examinees incorrectly recognized the modified loan at Rs. 570 million instead of Rs. 457 million, and they recorded interest thereon @11% instead of 15%.

Question 5

- In part (a), errors or omissions mentioned in serial (ii), (iv), and (v) were least identified by the examinees.
- In part (b), examinees were simply required to identify which items needed to be restated, and even a random selection of "restated" or "not restated" for each item could have earned them passing marks. However, it is concerning that 38% of examinees were unable to secure any marks in this part. Many examinees merely mentioned that non-monetary items would be restated for the current and previous year without providing specific identification of the items.

(THE END)