THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN EXAMINERS’ COMMENTS	
SUBJECT Advanced Accounting and Financial Reporting	**SESSION** Certified Finance and Accounting Professional (CFAP) Examination - Winter 2023

Passing %

Question-wise					Overall
1	2	3	4	5	
53%	21%	44%	15%	23%	28%

General comments

The overall passing ratio in this particular paper stood at 28%, which is consistent with the outcomes of the preceding session as well as the average across previous sessions. The paper saw an attainment of the highest score at 96 marks, which shows the exemplary performance of the top scorer. Nevertheless, it is disconcerting that 18% of examinees failed to secure even 20 marks, a level achievable through basic preparation in the subject. This suggests a half-hearted approach to the paper, possibly undertaken solely to meet the minimum requirement of appearing in at least two papers

Many answer scripts revealed poor time management, with examinees dedicating excessive time to Q1 and Q2. As a result, they struggled to attempt the remaining questions. Examinees are strongly advised to shift to the next question after investing a reasonable amount of time in addressing one question.

Many examinees present figures without accompanying workings. While correct figures receive full marks, the absence of supporting workings leads to a missed opportunity for valuable partial marks for incorrect figures that could have been awarded based on the supporting calculations.

Question-wise common mistakes observed

Question 1

- Regarding point (i) related to the lease, examinees failed to bifurcate the impact of the modification into proportionate reduction and change of rate. As a consequence, the gain on the modification was also incorrect.
- Concerning point (ii), examinees lacked the understanding that the difference between fair value and transaction amount should have been incorporated into the "Investment in subsidiary" line item on the statement of financial position. Additionally, the allowance for impairment was incorrectly reported in liabilities instead of being deducted from the asset on the statement of financial position.
- Concerning point (iii), examinees applied the principles of share-based payment transactions, where the counterparty has the choice of settlement, whereas, in this

question, the choice of settlement rested with the entity. Those examinees who correctly applied the appropriate treatment only reflected the expense amount in their extracts.

Question 2

- Cash flow was started with a profit of Rs. 289 million instead of Rs. 322 million.
- While computing depreciation, examinees incorporated extra depreciation on fair value adjustment for AL which was not required as depreciation was to be computed as a balancing amount in property, plant and equipment account.
- Examinees consistently identified all the necessary amounts to compute working capital changes. However, errors arose frequently as they mistakenly added instead of subtracted, or vice versa, leading to inaccurate final amounts.
- The cash balance of VL on the disposal date was not calculated.
- Examinees overlooked the fact that the dividend should have been calculated from the movement of NCI and retained earnings as the balancing figure.

Question 3

- In part (a), examinees instead of preparing specialized profit and loss accounts of the bank prepared a general statement of profit or loss. Further, credit loss allowance and write-offs were added to "non-markup expenses" instead of showing separate line items.
- In part (b), the instruction was to discuss the key differences between the requirements of IFRS for SMEs and full IFRS specifically related to "Business Combinations". However, a majority of students focused on differences in areas other than Business Combinations.

Question 4

- On the overall basis, examinees often made adjustments to assets and liabilities but the corresponding adjustments to retained earnings were either not made or were incorrectly made. This led to zero performance in making related tax adjustments. Those who made tax adjustments often incorporated the tax effect in the current tax instead of in deferred tax.
- In respect of issue (i), impairment was reversed on the basis of Rs. 240 million (i.e., fair value less cost to sell on 1 May 2022) instead of Rs. 220 million (i.e., fair value less cost to sell on 31 December 2022).
- In respect of issue (ii), dividend to preference shareholders of GL was not considered in computing share of GL's profit. Further, the deferred tax arising on the share of GL's OCI was not charged to OCI.
- In respect of (iii), the interest was not accrued on bonds at year-end while others accrued the interest at 15% instead of 12%.
- In respect of (iv), the lease liability was not retranslated using the closing exchange rate. Depreciation on ROU and interest on lease liability was calculated for 12 months instead of 6 months.

Question 5

- In transaction (i), the additional consideration of Rs. 54 million was omitted from the transaction price of the contract. Additionally, the amortization of commission to employees was not addressed, and the practical expedient available to immediately expense out the cost was not mentioned.
- In transaction (ii), the present value of the new arrangement was calculated using a discount rate of 12% instead of 14%. Further, fees on restructuring were not excluded while calculating gain, and the increase in effective interest rate was not discussed.

(THE END)