

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

MULTI SUBJECT ASSESSMENT EXAMINATION

EXAMINERS' COMMENTS

SUBJECT	SESSION
Financial Reporting and Assurance Professional Competence	Winter 2019

Passing %

Question-wise									Overall
1(a)	1(b)	1(c)	2(a)	2(b)	2(c)	3(a)(i)	3(a)(ii)	3(b)	
53%	79%	51%	42%	67%	40%	72%	39%	53%	68%

General comments

The increased passing ratio of 68% in this attempt as compared to 59% of the last attempt is quite encouraging. It is noted that examinees were well-prepared for the topics examined in this attempt. The overall performance can further be improved if examinees do not restrict the discussion to single aspect rather consider different aspects presented in the case studies.

The highest score in the paper was 81 marks.

Question-wise common mistakes observed

Question 1(a)

- With regard to acquisition of Ghazi Motors, risks related to incorrect valuation of NCI and the need to reassess fair value of contingent consideration at year end were not mentioned.
- Hardly any examinee mentioned that IFRS 16 allows as a practical expedient to not separate lease and non-lease components.
- Bonds purchase were mentioned as hedging instrument instead of hybrid contract and could not identify that the element of payment related to gold prices was an embedded derivative.
- Materiality level of risks was not discussed which was vital to determine the impact of audit risk on financial statements.

Question 1(b)

Discussion on effect of premium on loan note was skipped.

Question 1(c)

Some examinees out-rightly rejected the possibility of performing the special assignment stating that no safeguards were available to mitigate the threats.

Question 2(a)

- In respect of impairment, future restructuring cost was deducted from value-in-use instead of addition. Further, the impairment loss was not adjusted to 80% for making the adjusting entry.
- For investment property, examinees incorrectly assumed that the fair value of property as on 1 October 2019 (date of transfer) was Rs. 650 million, whereas it was the fair value as at 30 April 2019.
- Examinees failed to note that there was no obligation to install safety guards as at 31 October 2019 and the provision already made needed to be reversed.

Question 2(b)

Effect of reversal of provision for bonus was not bifurcated into retained earnings and NCI.

Question 2(c)

Examinees often restricted their answers to the potential for manipulation and intimidation to Izad.

Question 3(a)(i)

Examinees failed to mention that the waiver granted was required to be disclosed in the financial statements as a non-adjusting event.

Question 3(a)(ii)

- For long-term loan, examinees incorrectly concluded that adverse opinion would be given as the effect is pervasive, despite the fact that amount was only 18% of non-current liabilities and could not have pervasive effect.
- In respect of fraud, examinees failed to note that the fraud was only of an immaterial amount and incorrectly stated that qualified opinion would be required if financial statements are not adjusted.

Question 3(b)

It was left un-attempted by many examinees.

(THE END)