

**EXAMINER'S REPORT****LEVEL II EXAMINATION - JANUARY 2023****(201) ADVANCED FINANCIAL ACCOUNTING & COSTING**

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**SECTION A****Question No. 01**

This is a compulsory question for 25 marks. The knowledge has been tested covering **Advanced Financial Accounting & Costing** under the 2020 curriculum. Only a very few candidates were able to earn full marks and most of the candidates had earned 10-20 marks for this question. Also, very few candidates had earned less than 05 marks.

Common weaknesses observed during the evaluation of answers are as follows:

- (1.1) Question tested an example for a Cost Centre. Most of the candidates had answered correctly and some candidates had failed to identify the Cost Centre correctly. The correct answer should be (2).
- (1.2) Question tested the knowledge on pre-payments, accruals and charge for a particular year of an expense. Most of the candidates had answered correctly and some candidates had failed to earn the allocated marks.
- (1.3) Question was tested about the Input and Output VAT calculations. most of the candidates had not answered correctly
- (1.4) Question was tested on the Specific Order Costing method/s. Most of the candidates had earned the full 02 marks and very few candidates had failed to identify the Specific Order Costing method/s
- (1.5) Question was tested the Section 24 of Partnership Ordinance 1890 and most of candidates' answer was satisfactory. The correct answer is (3).
- (1.6) It was tested the knowledge of Sacrificing Ratio and most of the candidates had failed to earn full marks due to less knowledge in mathematics subject. But some candidates had calculated the Sacrificing Ratio as 1/6 and answered correctly.
- (1.7) It was asked to identify three (03) components of financial statements and most of candidates had failed to identify the components of financial statements and few candidates were able to answer. Statement of Financial Position, Statement of Comprehensive Income, Statement of Cash Flows, Notes comprising with Accounting Policies and Statement of Changes in Equity and earned full marks.

- (1.8) It was required to calculate the earning per day of a worker. Most of the candidates had failed to calculate the time saved and therefore the total figure of the earning per day was not correct due to incorrect calculation of bonus amount.
- (1.9) It was required to prepare the basic journal entries relating to a share issuing of a PLC and some candidates had omitted to prepare the required journal entries. Even though the question was asked to prepare the journal entries, some candidates had prepared "T" accounts which were not asked.
- (1.10) Question was asked to calculate the Economic Order Quantity (EOQ) of a particular product based on the given information and formula and some candidates had failed to substitute the given data to the formula.

Answering for the question number 01 had been done in the question paper without following the instructions given clearly. Also noted that some candidates had attached the question paper to the answer booklet and some were forgotten to do so.

**Overall performance for this question was at satisfactory level.**

## **SECTION B**

### **Question No. 02**

The question was requested to prepare the Trade debtors' / Trade creditors' control accounts and the equity of a Sole Proprietorship based on the Information given. Some candidates had not entered the opening balances of control accounts and some candidates had not calculated the equity of the enterprise. Also, some candidates had failed to calculate the sales figure correctly.

**Overall performance for this question was at a satisfactory level.**

### **Question No. 03**

This question was tested the basic knowledge about Partnership Accounts. It was required to prepare the Profit or Loss Appropriation Account and Partners' Current Accounts.

Common mistakes observed were as follows:

- (1) Some candidates had not adjusted the partners' salaries charged as administration expenses at the time of arriving the profit of the partnership.
- (2) Even though the loan interest applicable for six months for the year concerned, most of candidates had calculated the loan interest for twelve months period

**Overall performance for this question was at a satisfactory level.**

#### **Question No. 04**

This question was tested the knowledge on preparation of Income and Expenditure account and membership subscription account of a non-profit organization.

Common mistakes observed were as follows:

- (1) Membership Subscription account had not been prepared correctly by some candidates and debit and credit entries relevant to the said account had not been properly entered.
- (2) Some candidates had not attempted to prepare the Membership Fee account
- (3) Very few candidates had entered the opening balance of the Receipt and Payment account to Income and Expenditure Account which is totally incorrect.

**Overall performance for this question was at satisfactory level.**

#### **Question No. 05**

(A) It was asked to prepare the Stores Ledger under the Weighted Average Cost (AVCO) method and most of the candidates had answered satisfactory. Very few candidates had failed to enter the opening stock balance of 800 units to the Stores Ledger and lost few marks.

(B) The question was tested to calculate the net salary of an employee mentioned in the question, very few candidates had deducted employer's contribution together with the employee's contribution for EPF.

Further, a very few candidates have mistakenly considered the weekly food allowance of Rs.2,500/- as monthly allowance.

Some candidates had not taken the overtime income to the calculation of Gross Salary.

**Overall performance for this question was at satisfactory level.**

#### **Question No. 06**

(a) It was required to prepare a statement showing the Apportionment of given overhead and most of the candidates had prepared the required statement satisfactory and very few candidates had not mentioned the basis of Overhead allocation.

Some candidates had failed the re apportionment of Service Department's cost among Production Departments,

(b) Question was asked to calculate the Overhead Absorption Rate of each Production Departments and most of the candidates had calculated the Overhead Absorption Rate properly.

Very few candidates had not calculated the Overhead Absorption Rate per Direct Labour Hour.

**Overall performance for this question was at satisfactory level.**

## SECTION C

### **Question No. 07**

This question was tested the preparation of Financial Statements of a private limited liability company and consists of 2 parts as **(a)** and **(b)**. **Part (a)** had tested the preparation of Statement of Comprehensive Income and **part (b)** was tested the preparation of Statement of Financial Position.

Most of the candidates had attempted this question and some candidates were able to score full marks.

The following weaknesses were observed:

#### **(a) Preparation of Statement of Comprehensive Income:**

- (1) Generally accepted formats for Income Statement and the Statement of Financial Position had not been followed by some candidates.
- (2) Some candidates had not correctly calculated the Profit on disposal of motor vehicle. Also, the depreciation of motor vehicles had not been correctly calculated.
- (3) Accrued electricity had not been shown properly.
- (4) Income tax adjustment had not been done correctly by some candidates.
- (5) Some candidates had not attached the workings and therefore, they couldn't to score some more marks allocated for workings.
- (6) Most of candidates had not correctly adjusted the closing inventory adjustment.
- (7) Some candidates had adjusted the stock loss in the Trading Account and some candidates had correctly adjusted same in the Profit or Loss Account.

#### **(b) Preparation of Statement of Financial Position:**

- (1) Some candidates had not taken the Net Realizable Value (NRV) of inventory in the Statement of Financial Position.
- (2) Some candidates had not deducted the provision for bad debts from the Trade Receivables.
- (3) Some candidates had shown expenses in the Statement of Financial Position.

**Overall performance for this question was at satisfactory level.**

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**Suggestions to enhance the Competency Level of Candidates in order to Improve the Performance at the Examination:**

- (1) Candidates must study the study text and understand its contents.
- (2) Understand the definition of action verbs and practise to answer the questions based on the action verb list given at the end of the question paper.
- (3) Study the contents of the past papers and practise at least last 2 - 3 examination papers and try to understand the way in which the questions are being set.
- (4) The candidates should work out the past paper questions on timely basis before the examination, it will improve the time management at the examination.
- (5) Candidates should write legible hand writing at the examination.
- (6) The candidates should carefully read the instructions given in the examination paper prior to start answering the questions in the paper.
- (7) The candidates should have a clear and balance mind set at the examination in order to understand the question and provide with appropriate and accurate answers required in the question.
- (8) The candidates should allocate the time for the questions based on the marks given and accordingly, the candidate should be able to answer all the questions given in the paper effectively.
- (9) Check twice whether all required questions were answered and appropriately numbered prior to hand over the answer scripts.

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