

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

SECTION A**Question No. 01**

This is a compulsory question for 25 marks. The question had been designed to cover the entire Syllabus. However, only a very few candidates were able to earn full marks and most of the candidates had earned considerable marks for this question.

Following common weaknesses and mistakes were observed from the answers:

- 1.1** Question tested on basic concepts of accounting. Most of the candidates had answered correctly and some candidates had failed to identify the relevant concept correctly.
- 1.2** Question tested the knowledge on Cost Accounting. Most of the candidates had answered correctly and some candidates had failed to earn the allocated marks.
- 1.3** It was required to calculate the inventory value based on the NRV method. Considerable number of candidates had answered correctly. However, most number of candidates had no idea of the NRV calculation.
- 1.4** Question tested the knowledge about LKAS 10: events after reporting period. Most of the candidates had failed to give correct answer. They had no clear understanding of the content of LKAS 10.
- 1.5** Question tested the knowledge on partnership and most of the candidates have given satisfactory answers.
- 1.6** It was required to calculate VAT Payable by the business and most of the candidates had done it correctly. However, least number of candidates had failed to give the correct answer.
- 1.7** It was required to identify three (03) objectives of Cost Accounting and most of the candidates had identified objectives correctly. Some few candidates have no idea about cost accounting.
- 1.8** It was tested the knowledge of Integrated Accounting System and Non-Integrated Accounting System. Most of the candidates had failed to earn full marks due to less knowledge on Integrated and Non-Integrated Accounting System. Only a very few candidates had identified the difference between the two systems correctly.
- 1.9** It was asked to calculate the optimum number of orders to be placed per year for **Product A** based on the given information and some candidates had failed to substitute the given data to the calculation. Only a few candidates identified correct information to perform the calculation.
- 1.10** It was tested the knowledge on Section 24 of the Partnership Ordinance 1890. Most of the candidates had answered correctly but some candidates had failed to answer on how to do management of Business & Introduction of capital to the business.

Overall performance for this question was at satisfactory level.

SECTION B

Question No. 02

It was required to calculate the Capital Balance and the net profit of the business entity where proper accounting records were not maintained. Some candidates had not calculated the equity balance properly. It was also noted that some candidates had failed to earn marks on this question. Some candidates had not adjusted the pre-payments and accruals in the accounts. Some candidates found it difficult to calculate the net profit with the given information.

Overall performance for this question was at an average level.

Question No. 03

This question 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:

- Membership Subscription Account had not been prepared correctly by some candidates. Further, debit and credit entries relevant to the said account had not been properly entered.
- Some candidates had not attempted to prepare the Membership Fee account.
- Depreciation for swimming pool equipments purchased on 01st June 2022 had not been properly taken into account by some candidates.

Overall performance for this question was at a satisfactory level.

Question No. 04

This question tested basic knowledge on Partnership Accounts. It was required to prepare Partners' Capital account and Current account. Lack of basic knowledge on partnership accounts was observed. Candidates had no clear understanding about entries in the capital accounts and current accounts. Therefore, many students had inter-changed the adjustments.

The following common mistakes were observed:

- (1) Some candidates had adjusted the Goodwill in the Partners' current Account instead of capital accounts.
- (2) Some candidates have recorded interest on capital and salary in Partners' capital account.
- (3) Most of the candidates failed to properly identify the net profit before adjusting the loan interest of **Malaka** and calculate the net profit correctly.

Overall performance for this question was at a satisfactory level.

Question No. 05

- (A) This question tested the basic knowledge about non-integrated accounts. Most of the candidates had not prepared profit reconciliation statement correctly.

The following common mistakes were observed:

- (1) Some candidates had not recognized the difference between Cost Accounting & Financial Accounting with reference to Non-Integrated Accounting.
 - (2) Candidates have mistakenly treated the Opening & Closing Stock balances in financial and control accounts.
 - (3) Many candidates failed to accurately identify the difference in the treatments relating to different items in Financial and Cost Accounts.
- (B) Most of the candidates had scored average marks for this section. But some candidates were unable to correctly calculate the value of the stock issued under the weighted average method. As a result, the balance of the stock ledger was incorrect.

Overall performance for this question was at Poor level.

Question No. 06

- (A) Question was asked to calculate the Economic Order Quantity (EOQ), Re-order Level & Minimum Stock Level of a particular product based on the given information. Many candidates could not answer due to not knowing the correct formula. Also, many candidates failed to accurately calculate the EOQ. However, considerable number of candidates had mentioned the correct answer.
- (B) This question tested on how to calculate the price to be charged on a Job. Many candidates answered correctly. A handful of candidates had failed to calculate profits accurately and had lost full marks due to mathematical errors.

Overall performance for this question was at an average level.

SECTION C

Question No. 07

This question was to test the preparation of financial statements of a Private Limited Company and consists of 2 parts as (a) and (b). Part (a) was to test the preparation of Statement of Comprehensive Income and Part (b) was to test the preparation of Statement of Financial Position. It was expected to prepare Comprehensive Income Statement and Statement of Financial position for the use of the Management of a Private Limited Company. Most of the candidates have attempted this question but was unable to score full marks.

The following weaknesses were observed:

(a) Preparation of Statement of Comprehensive Income:

- (1) Most of the candidates had not made the correct adjustments regarding the right issue of shares.
- (2) Income Tax Adjustment had not been shown by majority of the candidates in their workings and most of them had not calculated correct income tax amount for the year concerned.

- (3) Most of the candidates have not correctly calculated the bank loan interest.
- (4) Most of the candidates have recorded the provision for bad debt of Rs.628,000/- in the income statement, however, this was not calculated correctly.
- (5) Accruals & pre-payments had not been adjusted to respective expense accounts in the ledger.
- (6) Some candidates have not attached the workings and therefore, it was difficult to award marks when the values given in the face of Income Statement are incorrect.
- (7) Most of the candidates have not correctly calculated depreciation.
- (8) Detailed workings for the Administration Expenses and Distribution Expenses had not been attached by some students and therefore, they failed to earn marks.
- (9) Some candidates had shown some figures in thousands and some figures have been taken without rounding off to thousands. Therefore, some candidates had failed to earn marks due to the inaccuracy of the recorded amounts.
- (10) Some candidates have not calculated interest income properly. Even though it's an income, some have recorded it under the finance expenses.

(b) Preparation of Statement of Financial Position:

- (1) Accrued loan Interest, accrued rent & provision for income tax have not been recorded correctly in the Statement of Financial Position.
- (2) Interest receivable, Electricity pre-payment have not been recorded correctly in the statement of financial position.
- (3) Some candidates scored low marks due to not stating correctly the cumulative depreciation figures.
- (4) Most of the candidates have not shown the income tax payable amount correctly.
- (5) Even though, the depreciation on assets had been calculated in the working sheet by some candidates that had not been recorded in the correct places of the Financial Statements.
- (6) Most of the candidates have not shown stated capital amount due to lack of knowledge of right issue adjustment.
- (7) Most of the candidates have not transferred to general reserve from the retained earnings correctly.
- (8) Most of the candidates have not deducted the balance brought forward amount of the trade receivable amount & they only deducted under provision of doubtful debts.

Overall performance for this question was at a satisfactory level.

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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