

EXAMINER'S REPORT**LEVEL II EXAMINATION - JANUARY 2021****(201) ADVANCED FINANCIAL ACCOUNTING & COSTING**

SECTION A**Question No. 01**

This is a compulsory question for 25 marks. The knowledge has been tested covering the Advanced Financial Accounting & Costing under the new syllabus. Only a very few candidates were able to earn full marks and most of the candidates had earned 10 - 25 marks for this question.

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

- 1.1** Question tested about the components of financial statements. Most of the candidates had answered correctly and some candidates had failed to answer.
- 1.2** Question was tested the knowledge on Asset Disposal Process and how to calculate the profit or loss on disposal. Most of the candidates had answered correctly and some candidates had failed to answer.
- 1.3** This question tested the knowledge on private limited company. Most of the candidates had answered correctly and some candidates had failed to answer.
- 1.4** It was required to calculate the Re-Order Level (ROL). Candidates' knowledge of ROL was satisfactory. Knowledge of Mathematics for this level needs to be improved to some extent to perform this kind of computations.
- 1.5** Question was tested that the recording of the double entry of purchasing of raw materials on credit. Considerable candidates had identified the correct double entry but very few candidates had not identified the required double entry.
- 1.6** It was required to state the provisions of section 24 of the Partnership Ordinance 1890. Majority of the candidates had answered correctly.
- 1.7** It was required to state three (03) rights of a partner as per the partnership Ordinance 1890. It was observed that the answers given for the question No 1.6 above had been given for this question as well. But those were two different Questions expecting different answers.
- 1.8** It was required to state the differences between financial accounting and cost accounting. Considerable number of candidates had identified the differences between financial accounting and cost accounting correctly and others had failed to give the expected answers.

1.9 Candidates' knowledge on preparation of value added tax control account method was tested. Most of the candidates had not answered correctly. Some of the candidates had interchanged the Debit and credit entries in the VAT control Account.

1.10 This question tested the knowledge on calculation of total earnings of employees using the piece rate system. Overall performance for this question was poor. Most of the students were unable to score full marks for this question due to the wrong calculations of incentive payment.

Overall performance for this question was at satisfactory level.

SECTION B

Question No. 02

This question was tested basic knowledge about Partnership Accounts. It was required to prepare Partners' Capital account and Current account. Lack of basic knowledge on partnership accounts was observed. Candidates had not clear understanding about entries in the capital accounts and current accounts. Therefore, many students had changed adjustment and made notes. The following common mistakes were observed:

- Some candidates had adjusted the Goodwill and Assets revaluation gain in the Partners' current Account instead of capital accounts.
- Some candidates have recorded interest on capital and salary in Partners' capital account.
- Some candidates have not performed the relevant adjustments relating to partner's retirement, specially closing the current account of her, and transferring it to Capital account, and then transferring the total due to her to a loan account.

Overall performance for this question was at satisfactory level.

Question No. 03

The question was tested to prepare the trial balance based on the incomplete financial information provided for a sole proprietorship. It was observed that most of the candidates were not understand properly about adjustment of drawings, adjustment of purchase, opening stock and closing stock (cost of sales). Further, most of the candidates have failed to identify the opening capital correctly and some candidates have prepared Statement of Financial Position and Income Statement instead of trial balance.

Overall performance for this question was not at satisfactory level.

Question No. 04

This question was tested the knowledge on preparation of income statement for Non-Profit organization. Majority of candidates answered the question successfully and scored full marks. However, it was observed that some of unsuccessful candidates have not done the membership account due to lack of theoretical knowledge. Further, depreciation on sports equipment hasn't been adjusted properly in income & expenditure account and total membership income was not calculated correctly.

Overall performance for this question was at satisfactory level.

Question No. 05

(a) This question was tested the knowledge on total cost calculation. Most of the students have scored full marks out of 5 marks allocated. Some candidates do not have the proper understanding on the concept on total cost.

Overall performance for this question was at satisfactory level.

(b) This question tested the knowledge on Profit reconciliation statement between Cost Accounting and Financial Accounting. Most of the candidates did not attempt this question and did not give the completed answer. It was observed that most of the candidates did not have the proper understanding on the concept on profit reconciliation. Some candidates have shown only the mathematical difference between Cost Accounting and Financial Accounting instead of the reconciliation. Majority had adjusted opening stock and closing stocks erroneously when preparing profit reconciliation statement.

Overall performance for this question was not at satisfactory level.

Question No. 06

This question tested the basic knowledge on allocation of overheads. **Part (a)** required to prepare statement of overhead allocation using the given information. Majority of candidates performed at satisfactory level for **part (a)**. **Part (b)** and **(c)** performance were not at the satisfactory level. Most of candidates failed to calculate the overhead absorption rate per direct labour for packing department correctly and due to that arrived wrong estimated total cost of sanitizer bottle.

Overall performance for this question was not at satisfactory level.

SECTION C

Question No. 07

This question was tested the preparation of financial statements of a Private Limited 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 have attempted to this question and a very few candidates was able to score full marks.

The following weaknesses were observed:

(a) Preparation of Statement of Comprehensive Income:

- (1) Due to lack of understanding on items to be included in Statement of Comprehensive Income, some have stated the items that should be recorded in Statement of Financial Position such as land, Buildings, Motor vehicle and office equipment.
- (2) Generally accepted formats for Income Statement and the Statement of Financial Position had not been followed by some candidates.
- (3) 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.
- (4) Though Debenture interest and sales commission are expenses some have considered those as other income.
- (5) Most of the candidates have not correctly calculated debenture interest. They have not calculated annual interest and considered only paid debenture interest.
- (6) Though the 10% general provision for doubtful debts should be made on balance trade receivables after deducting bad debt of Rs.2,300,000/-, some have ignored it and provided for doubtful debts on total value of trade receivables.
- (7) Accruals and prepayments had not been shown properly in the Financial Statements by some candidates.
- (8) Some candidates have entered Accumulated depreciation in the Income Statement instead of depreciation for the year.
- (9) Some candidates have not attached the workings and were unable to score marks allocated for workings.
- (10) Most of the candidates have not correctly adjusted the closing Inventory adjustment.
- (11) Most of the candidates have not correctly calculated depreciation on furniture. They have considered annual depreciation without considering the date of the furniture purchased.
- (12) Detailed workings for the Administration Expenses and Distribution Expenses had not been shown some students.
- (13) Some candidates had shown some figures in thousands and some figures have been taken without rounding off to thousands.

(b) Preparation of Statement of Financial Position:

- (1) Some candidates have not deducted the land value when calculating the building depreciation.
- (2) Accrued Electricity, and prepaid repair & maintenance have not been recorded correctly in the statement of financial position.
- (3) Bad debts written off and provision for doubtful debts have not been calculated correctly. Some candidates deducted only bad debts written off amount and ignored provision for doubtful amount. Some candidates have not deducted bad debts written off amount and calculated provision for doubtful amount only.
- (4) Some candidates have not shown correctly cumulative depreciation figures of Land & buildings.
- (5) Most of the candidates have not shown the income tax payable amount correctly.
- (6) Most of the candidates has not transferred 10,000,000 from retained earnings to general reserve correctly. They have deducted it from share capital.
- (7) Most of the candidates have not deducted inventory damaged amount from the closing inventory.
- (8) Most of the candidates have not adjusted the paid interim dividend correctly.

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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