

EXAMINER'S REPORT**LEVEL II EXAMINATION - JANUARY 2022****(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 very few candidates were able to earn full marks.

Following common weaknesses and mistakes were found from the answers:

- 1.1** Question tested the knowledge about elements of financial statements and majority of the candidates had answered correctly.
- 1.2** Question was tested the knowledge on asset disposal and how to calculate the profit or loss on disposal. Significant number of candidates had answered correctly. However, some candidates had failed to answer.
- 1.3** Question was tested the knowledge about debenture holders and most of the candidates had answered correctly, however some candidates had failed to answer.
- 1.4** Question 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.
- 1.5** Question tested the knowledge about overhead absorption and considerable number of candidates had failed to give correct answer.
- 1.6** It was required to state the two criteria to be met to classify an asset as a current asset and most of the candidates had failed to state two criteria.
- 1.7** It was required to state three advantage of piece rate system and most of the candidates had not given correct answer. They have no proper knowledge about the piece rate system.
- 1.8** Question was required to calculate sacrificing ratio of Partnership business and most of the candidates had done it correctly. However, considerable number of candidates had failed to give the correct answer.
- 1.9** It was required to briefly explain the difference between a provision and a contingent liability. Most of the candidates had failed to answer the question and only a very few candidates able to answer.
- 1.10** The question was required to calculate the inventory value based on the FIFO method. Considerable number of candidates had answered correctly. However, certain number of candidates have no idea about the format of Stores Ledger.

Overall performance for this question was at satisfactory level.

SECTION B

Question No. 02

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 have not understood 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 a satisfactory level.

Question No. 03

This question tested the basic knowledge on partnership accounts expected to prepare Capital Account and the Current Account. Only few candidates performed well and collected full marks. Majority of the candidates have no clear knowledge on preparation of Capital Account and the Current Account, as couldn't recognize the relevant entries required for each account.

The following weaknesses were observed:

- (1) Goodwill and the revaluation reserves adjusted in the current account.
- (2) Lack of knowledge on calculation of goodwill at retirement of the partner.

Overall performance for this question was not at a satisfactory level.

Question No. 04

This question tested the knowledge on Income and Expenditure Account and Income Statement of the Non-Profit organization. Most of the candidates had answered this question and not scored full marks. Also some candidates had failed to answer this question.

Observed common mistakes are noted below:

- (a) Entries need to be posted in the Income Statement had been entered to the Income and Expenditure Account and vice versa
- (b) Some candidates have mixed up debit and credit entries.
- (c) Many candidates were unable to calculate membership subscription correctly
- (d) Depreciation on Sports Equipment and Furniture haven't been adjusted properly in income & expenditure account and Income statement.
- (e) Restaurant expenses and sports club expenses had not been properly apportioned by some candidates
- (f) Some candidates had not apportioned the Salaries and Wages, Electricity, Water and Rent on Building as instructed in the question.

Overall performance for this question was at a satisfactory level.

Question No. 05

- (A) This question was tested how to calculate the weekly earnings for the employee. The whole answer was wrong because the time and the relevant quantity are often misunderstood in answering this question. Also, many applicants failed to calculate the correct earnings.
- (B) (a) This question was tested how to calculate Economic Order Quantity (EOQ) and Re-order level. Many candidates could not answer due to not knowing the correct formula. Also, many candidates failed to accurately calculate the annual holding cost.
- (b) Majority of the candidates had calculated the Re-Order Level and very few candidates had failed to answer.

Overall performance for this question was not at a satisfactory level.

Question No. 06

- (A) This question was tested the basic knowledge on overheads absorption among various departments in a manufacturing entity. Although many applicants had prepared the overhead absorption table correctly, the cost of the service department had not been properly apportioned between the production departments. Here some candidates tried to get the answer by in thousands and some figures had been taken without rounding off to thousands.
- (B) This question was tested how to calculate the price to be charged on a Job. Many applicants answered correctly. A small number of candidates had failed to calculate profits accurately and had lost full marks due to mathematical errors.

Overall performance for this question was at a satisfactory 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 and only five candidates were able to score full marks.

Some common mistakes observed are given below:

(a) Preparation of Statement of Comprehensive Income:

- (1) Generally accepted format for Income Statement had not been followed by some candidates.
- (2) Most of the candidates have not correctly adjusted the closing inventory adjustment. They have not considered new accounting standards for inventory for the inventory loss. Only few candidates were done it correctly.
- (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 concerned.
- (4) Most of the candidates had not correctly adjusted the closing inventory adjustment that inventory destroyed due to flood and also insurance claim approved had not been properly adjusted.
- (5) Though sales commission is an expense some have considered it as other income and recorded in the income statement.
- (6) Most of the candidates have not correctly calculated debenture interest. They have not calculated annual interest & accounted only paid debenture interest.
- (7) Most of the candidates have shown bad debt of Rs.3,310,000/- in the income statement, Under provision of bad debts has not calculated correctly.
- (8) Accruals and prepayments had not been shown properly in the Financial Statements by some candidates.
- (9) Some candidates have no idea about the depreciation is chargeable to the Income Statement. They have entered accumulated depreciation to the P & L and missing five marks.
- (10) Detailed workings for the Administration Expenses and Distribution Expenses had not been attached by some students and therefore, they failed to earn some marks.
- (11) Some candidates have not identified the amount of income tax for the year.
- (12) 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.

(b) Preparation of Statement of Financial Position:

- (1) Accrued EPF & ETF & Pre paid rent have not been recorded correctly in the statement of financial position.
- (2) Some candidates scored low marks due to not stating correct cumulative depreciation figures.
- (3) Most of the candidates have not shown the income tax payable amount correctly.
- (4) Even though 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.
- (5) Some candidates added debenture interest payable amount to debenture amount and presented this under long term liabilities.
- (6) Most of the candidates have not deducted inventory damage from the closing inventory.
- (7) Insurance claim approved for damaged inventory had not been shown under the current assets.
- (8) Some candidates had not deducted the provision for bad debts from the Trade Receivables.

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.

- * * * -