

EXAMINER'S REPORT**LEVEL II EXAMINATION - JULY 2021****(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. Only a very few candidates were able to earn full marks.

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

- 1.1** Question tested the correct statement with reference to Cost Accounting. Most of the candidates had answered correctly.
- 1.2** Question tested the knowledge on LKAS 10. Most of the candidates had answered correctly.
- 1.3** Question tested about the knowledge on calculating sales figure of a particular month using the given data. Most of candidates had answered correctly and only a few candidates were not able to answer.
- 1.4** It was required to calculate the carrying value of a Motor Vehicle at the end of 5th year considering the given data. Most of the candidates had calculated the carrying value as at 31st March 2021 correctly but some candidates had failed to calculate the carrying value as at given date.
- 1.5** Question tested to calculate the Economic Order Quantity (EOQ) using the given data and formula. Some candidates had calculated the EOQ correctly and some were not. It was observed that the mathematical knowledge of some candidates was very poor.
- 1.6** It was required to list two (02) laws/regulations applicable for a Partnership Business in Sri Lanka. Most of the candidates had failed to list two (02) laws/regulations applicable to a Partnership Business and most of the candidates had mentioned the information relevant to the Partnership Agreement.
- 1.7** It was required to state two (02) advantages of an Integrated Accounting System and most of candidates had failed to answer and only a very few candidates were able to answer.
- 1.8** It was required to state minimum number of shareholders and maximum number of directors of a Private Limited Company. Most of the candidates had mentioned the minimum number of shareholders correctly. However, most of them had failed to state the maximum number of directors of a Private Limited Company as per the Companies Act No 07 of 2007.

1.9 Question required to calculate the total earnings of a particular employee using the given data. Most of the candidates had calculated the incentive instead of total earnings.

1.10 It was required to prepare the VAT Control Account with the given data. Some candidates had prepared VAT Control Account and very few candidates had interchanged the Debit and Credit entries in the VAT Control Account.

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

SECTION B

Question No. 02

It was required 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 adjustments related to purchases and sales. Further, some candidates had failed to identify the opening capital correctly and had prepared statement of financial position and income statement instead of preparing the Trial Balance. Bank loan interest had not been calculated correctly.

Also, some candidates had prepared ledger accounts instead of preparing Trial Balance.

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

Question No. 03

It was tested the 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 no clear understanding about entries in the Capital Accounts and Current Accounts.

Common mistakes observed were as follows:

- Some candidates had adjusted the Goodwill and Asset Revaluation gain in the Partners' Current account instead of Capital Accounts.
- Very few candidates had recorded interest on capital in Partners' Capital Account.
- Interest on capital had not been calculated to the newly admitted partner "Meena" by very few candidates.
- Some candidates had adjusted the Revaluation Gain to the newly admitted partner too.

Overall performance for this question was at a satisfactory level.

Question No. 04

This question was tested the knowledge on preparation of Income Statement for a Non-Profit organization.

Common mistakes observed were as follows.

- Some candidates had added closing stock to the purchases instead of opening stock.
- Incorrect debit and credit entries were seen in the creditors' control account and therefore, the correct amount of purchases had not been shown.
- Membership Subscription account had not been prepared correctly and debit and credit entries had not been properly identified.
- Membership Subscriptions shown in the receipt and payments account had been identified as Membership Subscriptions for the year in the Income and Expenditure account.
- Some candidates had prepared a Statement of Financial Position instead of Income and Expenditure account and the Restaurant Trading Account.
- Sports Equipments purchased had been taken into the Income and Expenditure account by some candidates.

Overall performance for this question was at a satisfactory level.

Question No. 05

- (A) (a) Most of the candidates had calculated the cost per T-shirt correctly. However, fewer number of candidates have arrived with wrong answers due to mathematical errors.
- (b) Most of the candidates had calculated the profit of T-shirt order and some candidates had calculated different answers which were not correct.
- (B) (a) Some candidates had prepared the Raw Material Stock Control Account correctly and some candidates had not attempted the question. Some candidates have recorded transactions in the wrong side of the account.
- (b) Some candidates had prepared the Work –In-Progress Control Account to a satisfactory level and some candidates had failed to prepare the WIP Control Account correctly due to recording certain entries in the wrong side or completely omitted to record some entries.

Overall performance for this question was at a satisfactory level.

Question No. 06

This question tested the basic knowledge on allocation of overheads. **Part (a)** required to prepare a statement of overhead allocation using the given information. Majority of the candidates had performed **Part (a)** of this question at a satisfactory level. Performance for **Part (b)** and **(c)** were not at a satisfactory level. Most of the candidates had failed to calculate the Overhead Absorption Rate for Manufacturing and Packing divisions' correctly and therefore incorrect figures have been calculated for the estimated total cost of an Antitheft Device was observed.

Overall performance for this question was at a satisfactory level.

SECTION C

Question No. 07

This question tested the preparation of Financial Statements of a Private Limited Company and consisted 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 very few 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 debenture interest. Debenture interest paid had been taken into the Comprehensive Income Statement by some others.
- (3) Accruals and Prepayments had not been shown properly.
- (4) Provision for depreciation had not been provided by some candidates.
- (5) Some candidates had not attached the workings and therefore, they couldn't score marks allocated for workings, when the calculations are incorrect.
- (6) Most of candidates had not correctly adjusted the closing inventory adjustment.
- (7) Most of candidates had not properly calculated the profit on disposal of Motor Vehicle and required entries had not been made in Motor Vehicle Account, Accumulated Depreciation Account and the Motor Vehicle Disposal Account.
- (8) Some candidates had shown some figures in thousands and some figures had been taken without rounding off to thousands.
- (9) Detailed workings for Administration Expenses and Distribution Expenses had not been shown by some candidates.

(b) Preparation of Statement of Financial Position:

- (1) Some candidates had not taken the Net Realizable Value (NRV) in the Statement of Financial Position.
- (2) Insurance claim receivable had not been shown under the current assets by some candidates.
- (3) Prepaid advertising, Audit Fees payable and accrued interests on debenture had not been shown in the Statement of Financial Position by some candidates.
- (4) 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.

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