

EXAMINER'S REPORT**LEVEL II EXAMINATION - JULY 2022****(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 curriculum. Most of the candidates were able to earn full marks and earned significant marks for this question.

Some general weaknesses and mistakes were observed during the evaluation of answers are as follows:

- 1.1** Tested students' knowledge on the carrying value of a particular Asset. A significant number of candidates had correctly answered the question and very few had failed to calculate the required carrying value and had not taken the depreciation rate correctly.
- 1.2** Question tested the knowledge on LKAS 02 - Inventories and the majority of the candidates had answered this question correctly.
- 1.3** Tested students' knowledge on the depreciable value of an asset based on the given information. A significant number of candidates had correctly attempted the question and answered correctly. Some candidates had incorrectly provided the amount of depreciation instead of depreciable value of an asset.
- 1.4** Question was tested the objectives of cost accounting. Generally, considerable number of candidates had correctly identified the idea of cost accounting and others had failed to give the expected answers.
- 1.5** Question tested the knowledge on the Re-order level of **material A** and majority of the candidates answered this question correctly.
- 1.6** It was tested the candidate's knowledge on the provisions of the Partnership Ordinance 1890 in relation to the partner's rights such as Interest on Loans, Partnership agreements, and salaries to the Partners, etc. The majority of the candidates answered correctly.
- 1.7** It was required to differentiate Cost Accounting and Financial Accounting based on the given criteria. The majority of candidates had failed to give the correct answer.
- 1.8** It was required to state 3 contents included in a partnership agreement. Most of the candidate had given answers as mentioned in section 24 of the Partnership Ordinance 1890.

1.9 It was required to calculate the Value Added Tax (VAT) payable account. Candidates' knowledge on VAT was satisfactory. Knowledge of Mathematics for this level needs to be improved to some extent to perform this kind of computations.

1.10 It was required to calculate the price to be charged on a job. Some were unable to compute the 20% profit on cost. Further, some were unable to compute 75% of the overhead cost.

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. Most of the candidates answered the question successfully and achieved full marks. Other candidates couldn't solve the given adjustments due to lack of theoretical knowledge.

Further, some candidates had failed to identify the opening capital correctly and also, had prepared a Statement of Financial Position and Income Statement instead of a Trial Balance. Depreciation had not been taken into accounts by some candidates. Rent paid in advance had not been properly shown in the Trial Balance. One particular asset which had been purchased for the use of the business out of proprietor's own money had been identified as drawings by very few candidates.

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

Question No. 03

This question was tested the 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 not 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.
- All dues payable to the retired partner had not been properly calculated and shown in the Capital Account.
- Drawings had been entered in the Capital Account by some candidates.
- Final balances of current accounts of existing partners had been transferred to their Capital Accounts by some candidates.
- Interest on capital had been recorded in Capital Account.

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 Not for-Profit Organizations.

Observed common mistakes are noted below:

- (1) Some candidates had prepared the Membership Subscription Account correctly and some candidates had not attempted the question. Some candidates have recorded transactions in the wrong side of the account.
- (2) Membership Subscription account had not been prepared correctly and debit and credit entries had not been properly identified.
- (3) Some candidates had not deducted the write off for bad debts from the Membership Subscription Account and some candidates had not shown the entire amount in the Income & Expenditure account.
- (4) Some candidates had no idea as to which side the respective opening & closing Balance to be recorded in the Membership Subscription account and some candidates had not identified how to calculated membership fees.
- (5) Some candidates have not recognized that Depreciation was related to the purchases of laptop. As a result, some candidates had not shown the entire amount in the Income & Expenditure account.

Overall performance for this question was at a satisfactory level.

Question No. 05

PART (A)

This Question was tested how to identify production cost centers and the service cost centers of the company. Many students answered this question correctly. But the students who could not identify it correctly had lost all the marks.

PART (B)

This Question was tested how to prepare the Raw Materials Control Account & WIP Control Account. Many candidates did not answer this section correctly and many candidates did not even attempt to answer this part. Also, instead of presenting an account, they prepared a statement and some students used only mathematical methods. Accordingly, it was observed that candidates' knowledge regarding this part of cost accounting is insufficient.

Overall performance for this question was at an average level.

Question No. 06

PART (A)

This question examines the annual demand and Economic Order Quantity of a raw material of a manufacturing company. Many candidates had calculated the annual demand correctly but the Economic Order Quantity had not been calculated correctly. Here some candidates had obtained the answer in grams and had taken it without converting to kilograms. It was also seen that the annual demand obtained at the beginning was not correctly applied into the equation.

PART (B)

This question examines the calculation of an employee's earnings comprises with salary and incentive. Most of the candidates had failed to give correct answers and many of them had only calculated the number of units for the time when the incentives should be calculated. Therefore, the rest of the calculations were incorrect and marks were lost.

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 Liability 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. Most of the candidates have attempted this question and only few candidates were able to score full marks.

Some common mistakes observed are given below:

(a) Preparation of Statement of Comprehensive Income:

- (1) 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.
- (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 debenture interest. They have not calculated annual interest and considered only the paid debenture interest.
- (4) Most of the candidates have considered bad debt of Rs.17,970/- to the income statement, Under provision of bad debts is not calculated correctly.

- (5) Accruals had not been shown properly in the Financial Statements by some candidates.
- (6) Some candidates have not attached the workings and missing few marks.
- (7) Most of the candidates have not correctly calculated the depreciation charge.
- (8) Detailed workings for the Administration Expenses and Distribution Expenses had not been attached by some students and therefore, they failed to earn some 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) Most of the candidates have lost few marks for net profit. Most of them have at least one mistake therefore net profit figure is wrong.

(b) Preparation of Statement of financial position

- (1) Accrued Debenture Interest, Accrued Electricity and Provision of Income tax 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 accounted this under long term liabilities.
- (6) Most of the candidates have not deducted inventory damage from the closing inventory.
- (7) Most of the candidates have not deducted bad debts from the trade receivable amount and they only deducted provision for doubtful debtors.

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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