



**Pakistan Institute of  
Public Finance Accountants**

---

**EXAMINERS'  
COMMENTS**

---

Winter Exam-2014



**Pakistan Institute of  
Public Finance Accountants**

---

# **FINANCIAL ACCOUNTING**

---

**(Intermediate Level)**

Examiner's Comments  
Winter Exam - 2014  
Financial Accounting

**General Comments on Examinees Performance**

- The overall performances of the examinees were very poor.
- Their write up depicts their non-seriousness with their studies.
- Concepts are not clear.
- Selected study of the topic is another major reason of failure which must be avoided by the examinees.
- Inadequate practice.
- Poor reading habits.
- Poor presentation and lacking clarity of presentation.

**Question Wise Comments**

Q. No.	Comments
1	<p><b>a) COMPLETE SET OF FINANCIAL STATEMENT:</b></p> <p>In this question, the examinees were required to list down the users of Financial Statement. The question was simple and majority of the examinees attempted this question and their performance was quite good. However, some students presented the formats of Income Statement and Balance Sheet instead of mentioning the users of Financial Statements namely Investors, Employees, Lenders, Suppliers Creditors, Customer and Government Agencies.</p> <p><b>b) DEFINITIONS AS PER IAS:</b></p> <p>In this question, examinees were required to define with reference to International Accounting Standards (i). When a Liability is classified as Current Liability (ii). When an Asset is classified as Current Asset. Majority of examinees provided incomplete answers or tried to explain the concept with their self-invented definitions rather than those from the said IAS. Some of them gave examples of the above terms only rather than defining them. The answer left a lot to be desired and exposed the examinees "Lack of Interest towards relevant IAS".</p>
2	<p><b>CASH FLOW STATEMENT:</b></p> <p>In this question, examinees were required to prepare Cash Flow Statement. Majority of the examinees attempted this question but overall performance was not satisfactory.</p> <p>Some of the examinees attempted the question without separating the activities into operating, investing and financing activities, which was the essence of the question. Following are the common mistakes, given under each statement;</p>

	<p><b>a) CASH FLOWS FROM OPERATING ACTIVITIES:</b></p> <ul style="list-style-type: none"> <li>While calculating cash flows from operating activities a majority of examinees not calculated Net Profit for the year as they did not take into account the amount of Cash Withdrawals of Rs. 180,000 (i.e. 15,000 X 12) and Additional Capital injected Rs. 12,000 for payment of Long Term Loan.</li> </ul> <p><b>b) CASH FLOWS FROM INVESTING ACTIVITIES:</b></p> <ul style="list-style-type: none"> <li>While calculating cash flows from investing activities a majority of examinees not taken into account the receipt of Insurance Claim on Loss of Furniture due to fire.</li> </ul> <p><b>c) CASH FLOWS FROM FINANCING ACTIVITIES:</b></p> <ul style="list-style-type: none"> <li>A majority of the examinees ignored the repayment of Long Term Loan, Injection of Additional Capital and Drawings while calculating the Cash Flows from Financing Activities.</li> </ul>
<p><b>3</b></p>	<p><b><u>FINANCIAL RATIOS</u></b></p> <p>In this question, examinees were provided with the extract of Income Statement and Financial Statement of two Stores and they were required to comment and calculate Financial Ratios for (i) Net Profit as % of Sales (ii) Inventory Turnover (iii) Account Receivable / Sales Ratio (iv) Account Payable / Purchase Ratio (v) Return on Capital Employed on average Capital Basis. Overall performance of the examinees was very poor in response to this question and those who attempted correctly were unable to comment. Following short coming were noticed;</p> <ul style="list-style-type: none"> <li>They did not apply the correct formula.</li> <li>Some candidates applied the correct formula but could not write the answer correctly i.e., the answer for Accounts Receivable and Accounts Payable Ratio was in Months instead they wrote the answers in % terms.</li> <li>Due to poor reading habit, they completely ignored the instructions for calculating the Return on Capital Employed on Average Capital Basis as they have calculated the same on closing basis.</li> </ul>
<p><b>4</b></p>	<p><b><u>ACCOUNTING FOR NON-CURRENT ASSETS:</u></b></p> <p>In this question, the examinees were required to calculate the (i) Depreciation Expenses for the year 2012, 2013 and 2014 (ii) Exchange Gain / Loss on Disposal, if any even though the requirements of the question were very easy but the performance of the examinees was very poor due to lack of studies. The following shortcomings, nevertheless, came under observations:</p> <ul style="list-style-type: none"> <li>Wrong calculation of Cost of Equipment as they have taken into account Income Tax amount of Rs. 276,000 adjustable against company's income tax liability while calculating the cost of equipment.</li> <li>Similarly Fire Insurance amount of Rs. 10,000 added to cost of Equipment as this amount was not part of the Cost of Equipment.</li> <li>Some of them made mistakes in calculating the Depreciation for the year 2013 and 2014 as they had no idea of subtracting depreciation for 2012 when the life of asset again increased to 5 years.</li> </ul>

	<ul style="list-style-type: none"> <li>• Due to wrong calculation of Cost and Depreciation majority of students failed to calculate the correct amount of Gain / Loss on Disposal.</li> </ul>
<b>5</b>	<p><b><u>COST OF INVENTORY DESTROYED DURING FLOOD:</u></b></p> <p>In this question, the examinees were required to calculate the cost of inventory destroyed during flood. This question appeared difficult for the examinees and their performance was very poor. The following shortcomings, nevertheless, came under observations;</p> <ul style="list-style-type: none"> <li>• They did not use the word cost of goods sold, although they correctly computed the amount.</li> <li>• Some of them made mistakes in calculating the amount of Sales and Purchases.</li> </ul>
<b>6</b>	<p><b><u>ACCOUNTING OF INCOMPLETE RECORDS:</u></b></p> <p>In this question, the examinees were required to compute (a) Cash Account (b) Bank Account (c) Sales for the year (d) Purchase for the year (e) Ending Inventory. This was worst attempted question by majority of examinees. Even they were not able to prepare Cash and Bank Accounts from given data. Some examinees posted data to wrong side of these accounts. Following common lapses were observed;</p> <ul style="list-style-type: none"> <li>• Most of the examinees could not calculate the correct figure of Credit Sales. Collection of Rs. 2,873,000, had to be calculated from Cash Account as balancing figure. This collection was to be posted to credit side of debtors account to ascertain credit sale as balancing figure. Drawing was the main problem. Average of drawing was to be multiplied by 52 weeks to arrive at drawing figure and same was to be credited to cash account. Unfortunately examinees were unable to trace this point to arrive at credit sale.</li> <li>• Accounts payable was made incorrectly, which was to be calculated on figure for purchases i.e. Rs.2,270,000.</li> <li>• Some examinees balanced debtors account without taking cash collection from debtors.</li> </ul>
<b>7</b>	<p><b><u>FINANCIAL STATEMENTS:</u></b></p> <p>In this question, examinees were required to prepare:-</p> <ul style="list-style-type: none"> <li>• Statement of Comprehensive Income</li> <li>• Statement of Financial Position</li> <li>• Statement of Changes in Equity</li> </ul> <p>Majority of the examinees attempted this question but the overall performance in this question was not satisfactory. Following mistakes were observed.</p> <p><b>a) <u>STATEMENT OF COMPREHENSIVE INCOME:</u></b></p> <ul style="list-style-type: none"> <li>• A good number of examinees could not calculate the correct figure of Cost of Sales due to the following reasons:- <ul style="list-style-type: none"> <li>○ Due to poor knowledge, the correct amount of opening inventory was not taken while calculating the Cost of Sales.</li> <li>○ Depreciation on Plant and Equipment not charged to Cost of Sales as clearly mentioned in the notes.</li> </ul> </li> </ul>

	<ul style="list-style-type: none"><li>• A good number of examinees could not calculate the correct figure of “Administrative Expenses” as they failed to calculate the Allowance for Bad Debt. They calculated Allowance for Bad Debts as <math>1,314,000 \times 5\%</math> instead of <math>(1,314,000 \text{ Less Bad Debt Expenses of Rs. } 114,000 = 1,200,000 \times 5\% = 60,000)</math>.</li></ul> <p><b>b) <u>STATEMENT OF FINANCIAL POSITION:</u></b></p> <p>Almost, all of the examinees attempted this question but the overall performance in this question was not satisfactory. The following mistakes were observed;</p> <p>A good number of examinees did not present the assets and liabilities i.e., examinees should have given heading for non-current assets first followed by current assets. Similarly under equity and liabilities category, examinees should have given heading in the sequence of equity, non-current liabilities and current liabilities. That shows inadequate practice.</p> <p><b><u>ASSETS:</u></b></p> <p>The good number of examinees could not calculate the correct amount of Sundry Debtors as they failed to calculate the correct amount of Allowance for Bad Debts.</p> <p><b><u>EQUITY AND LIABILITIES:</u></b></p> <p>The good number of students failed to take into account the amount of issue of 150,000 shares of Rs. 10 each, issued at Rs. 15 each and the amount of this issue was already credited to Suspense Account.</p> <p><b>c) <u>STATEMENT OF CHANGES IN EQUITY:</u></b></p> <p>In this part of the question examinees did not perform well. Some common mistakes noted were:-</p> <ul style="list-style-type: none"><li>○ Due to wrong calculation of Profit, examinees could not prepare statement properly.</li><li>○ Most of the examinees even did not incorporate the amount of shares issued during the period.</li></ul>
<b>8</b>	<p><b><u>DEFINITIONS:</u></b></p> <p>In this question, examinees were required to define Cost and Net Realizable Value. Majority of examinees provided incomplete answers or tried to explain the concept with their self-invented definitions. The answer left a lot to be desired and exposed the examinees expression skills.</p>



**Pakistan Institute of  
Public Finance Accountants**

---

# PERFORMANCE MEASUREMENT

---

(Intermediate Level)

Examiner's Comments  
Winter Exam - 2014  
Performance Measurement

**General Comments on Examinees Performance**

Overall performance of candidates was not satisfactory. Though the question paper was very easy but students were not well prepared for the exam. They lack the basic conceptual knowledge of the subject, which is very necessary to pass the exam. The concepts checked in the exam are very important and all students must have good grip on all topics. Students did not have grip even on the core topics of Performance Measurement like calculation of variances, costing methods and ratios. Questions from the theoretical portions were also badly attempted by the students.

Other weaknesses observed were spelling mistakes, use of correction fluids, wrong reference of question number and split answers of the same question on different pages. Students did not read the requirement of the question carefully and gave irrelevant answers unnecessarily long or short. Proper working notes were also missing.

On the basis of performance of the students it is advised to students that prepare the subject well by having in depth understanding of the concepts of the subject. Basic concepts of the subject from the previous level may also be got refreshed. Moreover, it is strongly advised to students that solve at least three previous session question papers before the exam for practice purpose.

**Question Wise Comments**

Q. No.	Comments
1	This question was attempted by majority of students who got average marks. The portion of question relating to possible causes of variance was not properly attempted by the students. In part 'c' two possible causes were to be written. Students defined/explained the various variances. Very few students wrote the causes of variances which shows their lack of knowledge.
2	This question was well attempted by the students. Examiner asked the unit cost of products. Material cost per unit and direct labor cost per unit was given and overhead per unit i.e. setup cost, purchasing and labor supervision per unit was to be calculated first and then Total cost of material, Direct labor and allocated over-head cost and by dividing units calculated, unit cost was to be produced. In this process some mistakes regarding allocation of overhead to both products were made due to which the students lost the marks. Another weak area of students in this question was that they did not show the proper working notes.
3	This question was related to the breakeven analysis. Majority of the students attempted the question and obtained good marks. Few of the students were confused in calculating the margin of safety. Some mixed it with "Margin of safety Ratio". Weakness observed in the answer was that the students while calculating the contribution did it through sales less variable cost instead of calculating through units multiplied by the contribution per pair.

<b>4</b>	The question No. 4 was the poorly attempted question by the students. The question was related to "Process costing" Very few students attempted the question and obtained zero marks or low marks. The study of the students was not upto the mark. Students did not have the proper concept of the process costing. It is advised to students that while preparing for the exam they should cover the whole course instead of selective study.
<b>5</b>	Most of the students calculated; (i) Excess cost per machine hour (ii) Excess cost per labor hour correctly but decision of showing cost was wrong. The decision was to be made on the basis of "Lowest cost" where as the students decided in the form of "Excess cost". The performance of the students in this question was average. Students did not have the proper concept of the topic and they did not apply the concept of lowest excess cost per limiting factor properly.
<b>6</b>	This question was related to Ratio Analysis; majority of the students attempted the question and got good marks. The weakness observed in this question was that students did not calculate the ratios for the both years.
<b>7</b>	The performance of students in this question was average. Students failed to define the concept of abnormal gain properly. Almost all the students explained the terms in a wrong way. The major weakness observed in this question was lack of concepts and poor written expression.



**Pakistan Institute of  
Public Finance Accountants**

---

**BUS. COMM.  
& BEH. STUDIES**

---

(Intermediate Level)

Examiner's Comments  
Winter Exam – 2014  
Bus. Communication & Beh. Studies

**General Comments on Examinees Performance**

Majority of the students who could not score good marks, had not attempted all questions. Students must know that they will never be able to pass the exam by attempting half of the paper.

**Question Wise Comments**

Q. No.	Comments
1	Students generally scored average marks in this question. However, majority of students were not aware of paraphrasing. They even did not know the difference between paraphrasing and essay writing.
2	Larger section of students scored below average marks because either the content was not correct or the memo writing was not known to them. Students even replied in letter and report formats which was not required.
3	Students generally scored good marks. However many students also drafted minutes along with notice and agenda which were not required.
4	Students scored good marks.
5	A well attempted question hence students scored good marks in this question.
6	Some of the essays were very good whereas majority of the essays lacked clarity of thought, originality and direction. Most of the essays were limited to political scenario of Pakistan whereas the topic had room for inclusion of issues and solutions which could have been linked to the title. Few students included schooling system, curriculum, media and role of society in developing ethical civic sense in Pakistan.
7	Generally students scored good marks. Some of the students did not know anything about MBO.
8	(a) A majority of students scored average marks. (b) This was the well attempted question and majority of the students scored average marks.
9	The rational decision making process as given in the book was not available in the answer scripts. Students generally lost marks due to this reason.



**Pakistan Institute of  
Public Finance Accountants**

---

# **BUSINESS LAWS**

---

**(Intermediate Level)**

Examiner's Comments  
Winter Exam - 2014  
Business Law

**Question Wise Comments**

Q. No.	Comments
1	<p>a) The question was attempted very well and a large number of students could score full marks. However, in some cases students discussed in detail the legal sources of law which was not required.</p> <p>b) This question was again attempted better and a large number of students could score good marks however it appears that the student write an irrelevant stuff also, which if avoided, could result in time saving.</p>
2	<p>a) The performance remained poor. The students did not seem to be aware of the legal position and mentioned either the definition of an object or consideration and or gave examples or explained void agreements.</p> <p>b) This question was attempted very well. This was a situation of counter offer which terminates original offer.</p>
3	<p>a) The performance remained average. Students in some cases explained right of lien, stoppage in transit and filing a suit however, did not explain the requirements attached thereto.</p> <p>b) The performance remained average. Students hardly mentioned that in the given situation Mr. Adeel can demand refund of an advance as the contract was not timely fulfilled.</p> <p>c) The performance remained mixed. Some of the conditions were mentioned and no student could score full marks.</p>
4	<p>a) This question was hardly attempted correctly. It clearly reflected that the students did not fully cover all the topics of syllabus. The question required explaining the voting procedures for election of directors and some of the students could score 1 or 2 Marks only.</p> <p>b) The performance remained average. Students mainly compared the sole proprietorship with the status of a company whereas the question was about a single member company.</p> <p>c) The question was attempted very badly and very few students could score 1 or 2 Marks.</p>
5	<p>a) The performance remained poor. The students did not seem to cover this topic of syllabus properly.</p> <p>b) This was attempted better however students did not give proper reasons in all the cases.</p>
6	<p>a) This was about ineligibilities of a person for becoming a director and the performance remained average. Students in some of the situations knew few points however could not list down all ineligibilities.</p> <p>b) The question was very badly attempted. Students mentioned requirements of appointing first Chief Executive Officer and not subsequent CFO which arises upon election of directors or in case of casual vacancy. Students also mentioned holding AGM, voting procedures etc which was totally wrong.</p>



**Pakistan Institute of  
Public Finance Accountants**

---

# TAXATION

---

(Intermediate Level)

Examiner's Comments  
Winter Exam - 2014  
Taxation

**General Comments on Examinees Performance**

The overall performance in this subject was below average although the paper was very easy and simple, basic concepts were tested in theory and case studies. It was observed that the basic concepts of the students were not cleared and majority of the students answered the questions using guess work even in the practical questions. In theory questions, basic concepts and definitions were given and students produced irrelevant and wrong answers. Overall the students were seemed very casual and ignorant of the basic concepts.

**Question Wise Comments**

Q. No.	Comments
1	<p>This question required to answer the very basic definitions i.e Assessment &amp; Business. The overall performance in this question was very disappointing. Only few students answered the question correctly. Majority of the students produced the irrelevant answers and used guess work and lost valuable marks.</p>
2	<p>This question required the students to calculate Tax Liability. It seems that students did not know the basic rules and completely ignored the information given in the question. Common mistakes made by majority of the students were as follows.</p> <ol style="list-style-type: none"><li>1. Calculation of tax @ 5% on the total amount of 750,000 instead of calculating on 350,000. It was clearly mentioned in the paper that tax on income up to 400,000 is NIL.</li><li>2. Students did not add back the amount of tax paid by the employer in the total salary of Mr. Ahmed.</li><li>3. Many students applied the straight rate @ 10% on the total amount of 1,200,000.</li></ol> <p>The overall performance in this question was below average.</p>
3	<p>The question required the students to calculate the amount to be included in the taxable salary paid as consideration for acquiring shares. Majority of the students failed to attempt the question correctly. Many students computed the amount based on face value of shares and ignored the fair market value of the shares. Many students also ignored the amount of consideration paid. This was a very simple question aimed to test the basic knowledge of the students. Some of the students did not attempt the question. Overall performance in the question was very disappointing</p>
4	<p>This question required the students to define the terms with reference to Sales Tax Ordinance. Students were not expected to explain the terms exactly as defined in Sales Tax Act but were expected to cover all the points of the term as per the Act. Majority of the students were not able even to define the basic term of Registered Person. Only few students covered all the points of the terms as per Act. The overall performance in this question was below average.</p>

<b>5</b>	This question required the students to calculate Input & Output tax for the month. Many students attempted it well. However some of the students added purchase against commercial invoices while calculating input tax. Many students calculated output tax @ 18% on sales to un-registered person while calculating output tax hence lost valuable marks. Overall performance of the students in the question was satisfactory.
<b>6</b>	This question required the students to explain the rules relating to excess tax. Majority of the students mixed up Excess Tax with Tax Refund and many of the students used guess work and produced irrelevant answers while few of the students did not attempt the question. Overall performance of the students in this question was very disappointing.



**Pakistan Institute of  
Public Finance Accountants**

---

# **FINANCIAL REPORTING**

---

(Final Level)

Examiner's Comments  
Winter Exam - 2014  
Financial Reporting

**General Comments on Examinees Performance**

- The question number is not properly marked in the answer sheets. Students start numbering in the sequence of their attempt of questions.
- The students did not start the next question on the new page.
- The presentation skills are poor i.e. currency sign and proper headings have not been marked / provided.
- The overall performance of the students was good in Question Number 1, 3 and 5 and most of the students secured good marks. However, Question Number 2, 4 and 6 proved very difficult for them and hardly few students responded well in these questions.

**Question Wise Comments**

Q. No.	Comments
1	This question was based on IAS 7 (Statement of Cash Flows). Most of the students provided good answer to this question however; many students failed to calculate the profit before tax. The overall performance in this question was satisfactory.
2	This question was based on IAS 12 (Income Tax) and most poorly attempted by the students. The students failed to calculate taxable profit and current tax as well as not able to identify tax base correctly and failed to calculate deferred tax.
3	The overall performance in this question was good and most of the students scored well in this question. This question was based on IAS 18 (Revenue Recognition) involving four parts; however, the answer to part (d) was poor.
4	This question was requiring the consolidation of statement of Financial Position. The overall response to this question was good. The common mistakes made were as follows: - <ul style="list-style-type: none"> <li>• The students failed to calculate correct value of goodwill. Many students ignored the calculation of goodwill of NCI.</li> <li>• The students also failed to eliminate intra group balances.</li> </ul>
5	This question was based on Partnership conversion to a limited liability company. The common mistakes made are as under: - <ul style="list-style-type: none"> <li>• The students failed to calculate the purchase consideration and resultant value of goodwill in the company balance sheet.</li> <li>• Many of the students failed to prepare proper realization account and could not calculate the gain or loss arising on conversion into company.</li> <li>• Most of the students did not know how to close the capital accounts of the partners.</li> </ul>
6	Being the last question most of the students did not attempt at all, those who attempted left incomplete. The students failed to incorporate the concept of stage of completion in solving the question, not aware of the difference between the application of formulas like cost to cost basis and work certified method.



**Pakistan Institute of  
Public Finance Accountants**

---

# AUDITING

---

(Final Level)

Examiner's Comments  
Winter Exam - 2014  
Auditing

**General Comments on Examinees Performance**

The overall performance was below expectations. Primary reasons were insufficient preparation, lack of presentation skills, and limited grasp on standards. The candidates continued to repeat the mistake of writing all they know about Auditing Standards and topic instead of specific requirement of the question for which marks are awarded.

**Question Wise Comments**

Q. No.	Comments
1	<p>a) The requirement in this question was to specify the steps that an auditor needs to take to ensure that all events occurring between the date of the financial statements and the date of the auditor's report, which affect the Financial Statements, are identified and appropriately reflected in the financial statements. The performance was good but it was not as well answered as it should have been keeping in view the level of experience possessed by the candidates at this stage of their careers. They repeated points hence missing out other important ones.</p> <p>b) Most of the examinees attempted in a manner that they held auditor responsible for subsequent events without actually mentioning the specific procedures to be carried out as per ISA 560 i.e., reviewing management procedures for identifying events, reviewing minutes of meetings, reviewing latest financial information etc.</p>
2	<p>This question intended to test the students on rights, power and responsibilities of statutory auditor of company in terms of the provisions of the Companies Ordinance, 1984. This part was straightforward and the students performed well.</p>
3	<p>This was an easy question in which the candidates were asked to identify key controls relating to receipts and payments under the given scenario pertaining to a charity based organization. However, very few could take full advantage of this easy question because they stated general control measures with hardly any emphasis on specific areas like donations, fee income and petty cash etc.</p> <p>Here the candidates were required to state the matters to be included while documenting the risk identification and risk assessment procedures. Only few candidates seemed to have studied the relevant part of the Auditing Standard. Most of them relied on guesswork. All sorts of irrelevant issues were deliberated like the difference between control and substantive procedures, extent of audit procedures and the effect of risk. Many candidates narrated the audit procedures for obtaining evidence.</p>
4	<p>The performance of majority of the candidates was far below the expected level. Most of them were able to identify the apparent risks only. The second requirement i.e. the audit procedures to address the identified risks, was managed in better way.</p>

	<p>a) Due to lack of grip over Auditing Standards many students not well defined the requirements in the context of ISAE 3400. A fairly large number of candidates gave incorrect examples also.</p> <p>b) This was an easy question requiring the candidates to list down the requirements. Mostly, candidates were able to answer correctly.</p>
6	<p>It was a very poorly attempted question. Very general answers were given. Hardly any student analyzed the question in its right context. The students were supposed to give their views on various ratios given in the question and were to identify the prospective audit risks which the auditor should consider while planning the audit. Students generally lacked the ability to properly frame and compartmentalize their responses. While they did mention about possibility of bad debts and obsolete inventories, they hardly mentioned about improper valuation, overstatement of income or understatement of expenses.</p>
7	<p>This part was attempted by all students. Few of them were confused and provided answers by mixing up the role and function of Audit Committee. Over all the performance of the students in this part of the question was far from satisfactory level. It is recommended that the examinees should refer the text book as well as other reading material to prepare them for the professional examination</p>
8	<p>This was a conceptual question. Students were able to differentiate between emphasis of matter and other matter paragraph but could not differentiate clearly between applicable financial reporting framework and general purpose framework. The examples warranting inclusion of emphasis of matter paragraph were reasonably presented. However, the examples of situations requiring inclusion of other matter paragraph were not extended in a convincing manner.</p>