



**Pakistan Institute of  
Public Finance Accountants**

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# **Examiners' Comments**

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**Summer Exam-2016**

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# Business Economics

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<b>Business Economics</b>	
<b>General Comments on Examinees Performance</b>	
The overall performance of examinees was not up to the mark and below the expectations.	
<b>Question Wise Comments</b>	
<b>Q.1</b>	Majority of students attempted this question but a few examinees could relate the PPC to households, firms and Govt.
<b>Q.2</b>	It was simple numerical question but only few students could substitute the values in formula to calculate XED.
<b>Q.3</b>	This question was a basic concept of consumer behavior but most of students could not attempt.
<b>Q.4</b>	In part (a) examinees did not understand the term PD and in part (b) two or three students tried to show the abnormal profit of a perfect competitor firm through a diagram.
<b>Q.5</b>	Part (a) of this question was attempted by students but they were unable to attempt part (b).
<b>Q.6</b>	Most of the students attempted this question with coherent answer.
<b>Q.7</b>	It was numerical question based on the concept of Net Income. But a smaller number of students could attempt it.
<b>Q.8</b>	Majority of students attempted this question but a few could give correct answer.
<b>Q.9</b>	Majority of students did not know the role of reserve ratio in the process of credit creation. The answers of part (a) were found logical.
<b>Q.10</b>	Most of the students attempted this question. Quality of answers were comparatively rational and reasonable.

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# Business Laws

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<b>Business Laws</b>	
<b>General Comments on Examinees Performance</b>	
Overall the result was not up to the mark. Company Law portion is a little bit better than Mercantile law.	
<b>Question Wise Comments</b>	
<b>Q.1</b>	This question had been avoided by most of the students.
<b>Q.2</b>	No student has rightly quoted the reason of the case study.
<b>Q.3</b>	Part 'a' has been attempted by majority of students, part 'b' is wrongly attempted.
<b>Q.4</b>	Part 'a' & 'b' correctly attempted. Part 'c' was not attempted by most students wrongly.
<b>Q.5</b>	Correctly attempted by most of the examinees.
<b>Q.6</b>	Correctly attempted.
<b>Q.7</b>	Below average performance in this question.
<b>Q.8</b>	Better performed.
<b>Q.9</b>	Good performance.

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# Cost Accounting

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<b>Cost Accounting</b>	
<b>General Comments on Examinees Performance</b>	
Questions were little bit conceptual and Examinees tried hard to attempt the paper.	
<b>Question Wise Comments</b>	
<b>Q.1</b>	Almost all the students failed to attempt the question.
<b>Q.2</b>	Simple C.P.R concept question. Most of the students attempted it.
<b>Q.3</b>	A little bit tricky question. Concept was to evaluate the student how to calculate absorption rate.
<b>Q.4</b>	Simple various analysis questions.
<b>Q.5</b>	A little bit tricky but simple question and most of the students failed to attempt it.
<b>Q.6</b>	Most of the examinees knew CGMS concept and attempted it correctly.
<b>Q.7</b>	Most of the students mixed the concept of Absorption Costing and Direct Costing.
<b>Q.8</b>	Simple Inventory Card Concept. Most of the students attempted it correctly.

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# Financial Accounting

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<b>Financial Accounting</b>	
<b>General Comments on Examinees Performance</b>	
<ul style="list-style-type: none"> <li>• The overall performance of the examinees was not up to the mark.</li> <li>• Un-cleared concepts, non-seriousness with studies and lack of practice were among the reasons of failure.</li> <li>• A selected study of the topic is another major reason of failure which must be avoided by the examinees.</li> <li>• Examinees' lack presentation.</li> </ul>	
<b>Question Wise Comments</b>	
<b>Q.1</b>	<p><b><u>Conditions Regarding Recognition of Revenue</u></b></p> <p>Majority of the examinees avoided attempting this question and those who attempted failed to provide complete answer. As they tried to self invented answers rather those from the IAS. The answer left a lot to be desired and exposed and also seems that examinees did not study the IAS and IFRS and that's why they producing wrong replies to the question.</p>
<b>Q.2</b>	<p>In this question, examinees were required to prepare Statement of Profit or Loss and Statement of Financial Position.</p> <p>Majority of the examinees attempted this question but the overall performance in this question was not good. However following mistakes were observed;</p> <p><b><u>i). Statement of Profit or Loss</u></b></p> <p>A good number of examinees could not calculate the correct figure of "Administrative Expenses" as they fail to calculate the adjusted figure of Insurance, Salaries Expenses and Bad Debt Expenses.</p> <p>A good number of examinees could not calculate the correct figure of "Finance Cost" Rs. 80,000. Due to poor reading habits and lack of practice they have fail to taken into account the Accrued Mark-up for 06 Months outstanding on Debentures.</p> <p><b><u>ii). Statement of Financial Position</u></b></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.</p>

	<p><b><u>Assets</u></b> The good number of examinees ignores the unexpired portion of Preliminary Expenses. Good number of examinees failed to calculate the correct amount of trade receivables.</p> <p><b><u>Equity and Liabilities</u></b> Due to wrong calculation of Profit, examinees could not prepare statement properly.</p>
<p><b>Q.3</b></p>	<p><b><u>Cash Flow Statement</u></b></p> <p>In this part of the question, examinees were required to prepare Cash Flow Statement using Indirect Method as per IAS 7. Majority of the examinees attempted this question but overall performance was satisfactory. Following are the common mistakes as given under each statement were noted:</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.</p> <p><b>a. Cash Flows From Operating Activities</b> While calculating cash flows from operating activities a majority of examinees not calculated the correct amount of Accounts Receivable and Accrued Liabilities.</p> <p><b>b. Cash Flows From Investing Activities</b> While calculating cash flows from investing activities a majority of examinees were not able to calculate the amount of Cash Outflow for Purchase of Fixed Assets mainly due to wrong adjustment for the disposal amounts.</p> <p><b>c. Cash Flows From Financing Activities</b> A majority of the examinees treated the Long Term Note issued for Purchase of Building as Cash Inflow from Financing Activity.</p>
<p><b>Q.4</b></p>	<p><b><u>Inventory Valuation</u></b></p> <p>In this part of the question, the examinees were required to calculate revised Profit and Loss Account based on FIFO Method or Net Realizable Value whichever is lower. This question was very simple but the performance of the examinees was below standard and majority of the examinees even avoided to attempting this question.</p> <ul style="list-style-type: none"> <li>• Few of the examinees prepared material / store ledger card only and did not find the cost of closing stocks. It appeared that examinees had no idea that this question related to periodic inventory system.</li> <li>• Due to lack of practice and poor reading habits majority of the examinees while preparing revised Profit and Loss Account taken Rs. 826,500/= as Operating and Selling Expenses instead of Rs. 1,525,900/= which was actual expenses for the period.</li> <li>• Majority of the examinees did not calculated the cost of inventory on Net Realizable Value Method for comparison purposes with FIFO Inventory Method.</li> </ul>

<b>Q.5</b>	<b><u>Admission of New Partner</u></b> <p>In this part of the question, the examinees were required to prepare Revaluation Account, Partners Capital Account and Balance Sheet after admission of new partner. Majority of the examinees did not attempt the question and those who attempted showed lack of knowledge about the topic. However following common mistakes were observed:</p> <ul style="list-style-type: none"><li>• Those who attempted this question were unable to prepare correct revaluation account.</li><li>• Due to lack of practice and lack of knowledge of the topic the reserve amount of Rs. 10,000 was not distributed among the old partners while preparing the partners capital account.</li><li>• Students completely ignored the instructions for treating the new partner capital as a base for the total capital of the firm.</li></ul>
<b>Q.6</b>	<b><u>Accounting for Non-Current Assets</u></b> <p>In this part of the question, the examinees were required to:</p> <ol style="list-style-type: none"><li>a) To Calculate the Cost of New Asset and Journal Entry to Record the Purchase of the Assets.</li><li>b) Calculation of Annual Depreciation using Written Down Value Method.</li><li>c) Calculation of Gain and Loss on Disposal of Assets and Journal Entry to Record the Disposal.</li></ol> <ul style="list-style-type: none"><li>• It was very basic and easy question. The question was attempted by majority of examinees but overall performance of examinees remained below par. Following mistakes were made by the examinees:</li><li>• A good number of examinees did not calculate the correct amount of asset which shows lack of knowledge about the relevant IAS / IFRS.</li><li>• Due to lack of practice some of the examinees deducted the Salvage Value from the Cost while calculating the Depreciation under Written Down Value Method.</li><li>• Majority of the examinees lacked clarity of presentation while preparing the workings to support their answers.</li></ul>
<b>Q.7</b>	<b><u>Branch Accounting</u></b> <p>In this part of the question, the examinees were required to prepare Branch Stock Account, Branch Adjustment Account, Branch Debtors Account and Branch Profit and Loss Accounts in the books of Head Office. Majority of the examinees did not attempt the question. Those who attempted the question committed following mistakes:</p> <ul style="list-style-type: none"><li>• Those who attempted prepared the account but they recorded debit balances on credit side and vice versa.</li><li>• Those who attempted prepared the branch adjustment account on invoice so they fail to correct amount of branch profit and loss for the period.</li></ul>

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Business  
Communication  
&  
Report Writing

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**Business Communication & Report Writing****General Comments on Examinees Performance**

Overall performance of students was average.

Majority of students did not perform well. However, they could have scored very good marks in these questions.

**Question Wise Comments**

<b>Q.1</b>	It was a well attempted question specially Part- b.
<b>Q.2</b>	Students scored very good marks in this question.
<b>Q.3</b>	A well attempted question.
<b>Q.4</b>	Majority of students scored above average marks.
<b>Q.5</b>	A large number of students who attempted this question did not include details of bank accounts, not even the accounts number.
<b>Q.6</b>	Students in general were not clear about the format of Notice & Agenda.
<b>Q.7</b>	Only few students attempted this question correctly, which displayed lacking in writing skills.
<b>Q.8</b>	A large section of students was unable to differentiate between a CV and a Job Application Letter. The format of CVs and content of CVs were also not appropriate.
<b>Q.9</b>	A well attempted question. Students scored very good marks.
<b>Q.10</b>	An easy question. Students scored good marks.

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# Taxation

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**Taxation****General Comments on Examinees Performance**

The performance of the examinees was not up to the mark. It looks that the examinees attempted the paper without preparation. Most of the students were writing irrelevant material and they have no in depth knowledge of the subject.

Although, question paper was prepared according to the syllabus, it seemed that most of the students did not have knowledge about the relevant ISAs.

**Question Wise Comments**

<b>Q.1</b>	The question of definition was easy but answers were inadequate.
<b>Q.2</b>	It was Constitutional question but students have very rare knowledge about it.
<b>Q.3</b>	It was common question of concealment of Income Tax but reply was irrelevant.
<b>Q.4</b>	It was Tax Numerical question, very few students were able to attempt completely.
<b>Q.5</b>	It was question from Central Excise Act. Exmainees lacked in the Excise knowledge.
<b>Q.6</b>	It was Income Tax Order question, but most of the replies were irrelevant and without knowledge.
<b>Q.7</b>	It was common and practical question of Income Tax but the examinees avoided to attempt.
<b>Q.8</b>	It was easy question of Sales Tax assessment but the examinees have written irrelevant material.
<b>Q.9</b>	It was a numerical Sales Tax question, very easy and simple question but the students were very low at knowledge of working and computing of Sales Tax.

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# Financial Reporting

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## Financial Reporting

### General Comments on Examinees Performance

The overall performances of the students were below average. The major cause for such low grade performance seemed to be lack of practice and selective studies. Moreover, a number of students made errors in topics which are frequently tested in almost every attempt. Generally, candidates were able to secure good marks in two or three questions.

### Question Wise Comments

**Q.1**

Due to its importance, topic of consolidation is covered in every attempt. Still, the overall performance in this question was not much satisfactory. It was observed that students were lacking basic consolidation adjustments such as elimination of inter-company transaction, goodwill impairment adjustment etc. The commonly observed errors were as follows:

- Candidates failed to eliminate the inter-company sales and profit mark-up thereon. Majority of students calculated profit figure by applying wrong factor to goods sold.
- Although majority of the candidates were able to determine the correct amount of profit they were unable to make necessary adjustment in the statement of consolidated profit or loss account.
- Extra depreciation charged to cost of sale should be eliminated by adding it to cost of sales figures. Students failed to calculate the amount of extra depreciation and thereby failed to make appropriate adjustment in the consolidated profit or loss account.
- Adjustment for dividend paid by subsidiary and interest on loan provided to subsidiary were missed while calculating the investment income and finance cost figure.
- Impairment of goodwill and amortization charge on intangible assets should have been adjusted through cost of sales. Many students adjusted depreciation and impairment in operating profit.
- Following errors were made in the computation of share of profit attributable to non-controlling interest:
  - Impairment of goodwill
  - Amortization of intangible
  - Extra depreciation on asset sold by subsidiary
- Working on profit allocation between parent and NCI were restricted to profit after tax. Allocations of Other comprehensive Income were missing in majority of the cases by students.

<b>Q.2</b>	<p>It was a simple question on IAS-10, “Events after the reporting date”. Majority of the candidates were able to secure good marks in this question. However, quite a few numbers of candidates were not able to answer well. The following common mistakes were observed:</p> <ul style="list-style-type: none"><li>• A claim of law suit has been established by the court subsequent to reporting date, and therefore a provision should have been recognized in the financial statements. Few candidates were not able to judge whether the recognition criteria have been met and that a provision should have been recognized.</li><li>• Declaration of dividend subsequent to reporting date was non-adjusting event. Many students implied that since the dividend relates to financial statements under review, dividend should be recognized in the financial statements. Para 12 of IAS-10 specifically discusses the accounting treatment of dividends declared subsequent of reporting period. Students were unable to secure easy marks considering the fact that they were allowed to take handbook on IFRS in the examination.</li><li>• This part was well attempted by students. Majority of the students were able to determine the amount to be recognized as development cost and the amount chargeable to profit or loss account. Whereas some students were unable to judge the capitalization conditions and treated the entire cost as period expense.</li></ul>
<b>Q.3</b>	<p>This question was related to IAS-12, ‘Income Taxes’ and students were required to determine the amount of tax expense for the year. Weak performance was witnessed in the question. Frequently observed mistakes were:</p> <ul style="list-style-type: none"><li>• Lack of conceptual awareness in determining the amount of tax base of asset.</li><li>• In the reconciliation, candidates did not show the componential break-up of the deferred tax amount to be recognized in profit or loss and other comprehensive income separately.</li><li>• Failure to adjust the opening deferred tax liability with the effect of change in tax rate.</li></ul>
<b>Q.4</b>	<p>This question was well attempted by students and most of the candidates were able to secure above average marks. However, common mistakes observed were:</p> <ul style="list-style-type: none"><li>• Candidates seem to be unaware of the concept of “mark-up and margin.” Since, the goods were sold on sale or return basis, this should not have been recognized as revenue and accordingly adjustment of profit added should have to be eliminated from cost figure.</li><li>• Service fee of Rs. 300,000 were agreed for three years period but the entity recognized to entire amount as revenue in current year. Only Rs. 100,000 relates to period under review and Rs. 200,000 has to be subtracted from sales figure. However, candidates were unable to pick up the easy marks.</li><li>• Finance cost relating to qualifying asset constructed and completed during the year should have been capitalized as part of cost of an asset and accordingly depreciation of 3 months on such cost should have to be recognized in current year. However, students were unable to determine the actual adjustment and ended up in calculating wrong figures.</li></ul>

	<ul style="list-style-type: none"><li>• Most of the students were correctly able to determine the deferred tax adjustment and the resultant amount of deferred tax thereon. They were unable to calculate the actual amount of current tax figure. Most of the candidates recalculated the current year charge rather making adjustment to current year tax figure.</li></ul>
<b>Q.5</b>	<p>This question required students to prepare the Financial Statements extract for a construction contract in light of the guidance given in IAS-11, "Construction Contract". The overall performance was below average. The Mistakes observed were as follows:</p> <ul style="list-style-type: none"><li>• Candidates were not able to determine the stage of completion and accordingly the amount of revenue and cost to be recognized in financial statements.</li><li>• It appeared that students did not read the question requirements thoroughly before attempting. It was clearly mentioned that the entity determine stage of completion relating to construction contract on cost basis whereas some candidates calculated the stage using work certified method.</li><li>• The scenario given in question was a loss making contract due to uncovered escalation clause leading to cost over-run. The excess cost of Rs. 30 Million should have to be recognized in current year. Students were unable to consider this fact and calculated wrong figure of profit.</li><li>• Majority of the candidates failed to determine the amount due from customer as a result of application of above mentioned errors. In addition, students seemed to possessed inadequate knowledge on this area.</li></ul>
<b>Q.6</b>	<p>This was inadequately attempted question. Students were required to discuss the accounting treatment of sale and lease back transaction and pass necessary entries for its recognition. Mistake observed were as follows:</p> <ul style="list-style-type: none"><li>• Students were unable to determine the amount of profit arising on sale of asset despite of the fact that it was a cherry pick mark. Students mingled up the sales price with fair value and ended up calculating wrong figure of profit.</li><li>• Students seem to lack in-depth knowledge of accounting treatment of sales and lease back transaction where fair value of an asset is different from sales price. Given the students were carrying handbook on IFRS, they could be able to secure good marks through effective utilization.</li><li>• Excess of fair value over sale price should be deferred and amortized over the period of 5 years and gain on the difference of fair value and carrying amount to be recognized immediately. Majority of students calculated wrong figures.</li></ul>
<b>Q.7</b>	<p>This was the easiest question which required calculation of the amount of borrowing cost to the capitalized on a construction of qualifying asset. Overall performance was generally good. However, there were candidates who had not been able to attempt the question efficiently and unable to secure good marks.</p>

	<ul style="list-style-type: none"><li>• Common mistakes were as follows:</li><li>• Inability to time apportioned finance cost for the effect of Government intervention leading to one month work stoppage.</li><li>• Students were failed to determine the amount of unused funds for placements of investment income.</li></ul>
<b>Q.8</b>	<p>Again, this question related to the topic on construction contract and required students to prepare the financial statements extracts. The overall performance was average. The Mistakes observed were as follows:</p> <ul style="list-style-type: none"><li>• Inability to determine the correct stage of completion. Most of the candidate ended up determining cost and revenue by applying incorrect method.</li><li>• The contract stipulates that in event contractor failed to deliver the contract within specified time frame a penalty of 2% will be charged. Since, at year-end it was certain that contractor will not be able to complete the project within time, a penalty of Rs. 0.05 Million was confirm. Candidates deducted this amount out of total contract cost instead of reducing the revenue figure (Para 12 (c) of IAS – 11).</li><li>• Students lacked adequate knowledge to adjust the amount of mobilization advance figure to determine contract receivables.</li></ul>

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# Management Accounting

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**Management Accounting****General Comments on Examinees Performance**

This was a straight and easy paper on management accounting. Satisfactory performance has been observed in solving question, examinees had secured passing marks.

**Question Wise Comments**

<b>Q.1</b>	<p>Although this question required very basic calculations for evaluation of two projects using payback, Discounted payback, and net present value and IRR techniques.</p> <p>Following observations were made:</p> <ul style="list-style-type: none"><li>• Mostly students made mistakes in calculation of months part in payback period</li><li>• Majority of students were unable to calculate discounted payback period correctly</li><li>• Surprisingly many students had used different discounted rate for calculation of IRR for while comparing two projects.</li></ul>
<b>Q.2</b>	<p>This was simple question on preparing cash budget except for calculation of receipt from debtors and payment for creditors it was simply a reproduction of question data in the shape of monthly budget.</p> <p>A good number of examinees secured passing marks and few students were unable to calculate the collection from debtors for the months of Jan and Feb correctly. Likewise some of the students were unable to post payments to creditors in the correct month.</p>
<b>Q.3</b>	<p>It was not very difficult question on determination of production considering some marketing and production constrains to maximize the profit.</p> <p>It is observed that majority of examinees had tried to solve the question without considering the maximum production capacity constrain per year.</p> <p>Therefore, overall performance of majority of the examinees who attempted this question remained below average.</p>

	<p>Following mistakes were also observed:</p> <ul style="list-style-type: none"><li>• The given fixed cost was for both of products but majority of students deducted fixed cost from contribution margin of both the products separately.</li><li>• Many students tried to solve question without determining which product is to be produced 1st i.e. by calculating maximum profit on per labor hour for each of product.</li></ul>
<b>Q.4</b>	<p>This question was set on relevant costing and required preparing cost statement.</p> <ul style="list-style-type: none"><li>• Examinees were expected to prepare cost sheet along with explanation why they had included or excluded the particular cost, which most of examinees do not adhere.</li><li>• Many students had lost marks by doing mistakes in calculation of cost of lunch, Engineer Cost, Technical Advisor cost, Hand set cost and Control system cost.</li><li>• Further they had also lost marks by improper describing the reason for inclusion and exclusion of cost figures in the cost sheet.</li></ul>
<b>Q.5</b>	<p>Discussion on performance was required on Z Co. an each division of S. Co by using three specified techniques</p> <ul style="list-style-type: none"><li>• A good number of examinees could not correctly calculate the Asset Turnover ratio.</li><li>• Majority of examinees were unable to describe the performance very well.</li><li>• Few of the examinees had calculated overall calculations for S. Co instead of for each division of S. Co as required in the question</li></ul>
<b>Q.6</b>	<p>This was the easiest question of the paper and very well attempted by students.</p>

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# Audit, Assurance & Ethics

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**Audit, Assurance & Ethics****General Comments on Examinees Performance**

- a) While all examinees seem to perform really well in direct straightforward questions, they lack in scenario linkage.
- b) Lack of understanding the concepts or how they apply to situations.
- c) Written expression and grammar need to be extremely improvement.

**Question Wise Comments**

<b>Q.1</b>	Well attempted by many.
<b>Q.2</b>	Examinees lack understanding WHAT reasonable assurance is hence mostly answered this wrong.
<b>Q.3</b>	Attempted by many but not well answered.
<b>Q.4</b>	Well answered by many.
<b>Q.5</b>	Ethics remained one of the weakest areas with students not knowing how to apply concepts to situations.
<b>Q.6</b>	Well answered.
<b>Q.7</b>	Well answered.
<b>Q.8</b>	Performance in this question was not good.
<b>Q.9</b>	Students seems confused from the given scenario and ended up writing a lot of irrelevant points.

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