



**Pakistan Institute of
Public Finance Accountants**

Examiners' Comment

Winter Exam - 2016

Business Economics

General Comments on Examinees Performance

Overall performance of the candidates was average however it was better than the previous two attempts adequate subject knowledge and rigorous study is required to attempt the question correctly that was missing at the large in the answers given by candidates.

Question Wise Comments

Q. No.	Comments
1	Most of the students attempted this question with coherent answer.
2	If first part the performance was good but in part (b) majority of the students did not explain correctly the demand shifters.
3	A very few candidates could answer Q.3b correctly relating to the effect of change in income on consumer equilibrium.
4	The performance of candidates was better in part (a) and in part (b), i & ii but they could not explain the effect of devaluation of currency on balance of payment as per requirement.
5	Number of examinees showed lack of understanding of profit maximizing point of a firm.
6	Most of the candidates failed to compute GDP, GNP and NNP. The performance in part (a) of this question was better.
7	Negative effects of inflation could not be explained as per requirement.
8	It was a well attempted question.
9	A few examinees attempted this question and they could not show correctly the process of credit creation.
10	Most of the examinees attempted this question. Quality of answers was comparatively rational and reasonable.

Business Law

Question Wise Comments

Q. No.	Comments
1a	Most of the students were not familiar with the word Rebuttal.
1b	Performance was not good in (b) part.
2	A small no. of students was able to give the proper answer and rests were unable to differentiate between void and voidable agreements.
3a	Students were confused and explanted the modes of communication of acceptance instead of stage of communication.
3b	A good attempted Question but Some students believe that it is void if third person accepts the performance.
3c	Most of the students declared the object of agreement as unlawful.
3d	Most of the students tried to answer this question by using their common sense. Only some of them used proper term "Bailee".
4	The students were having problem with the correct term of Punishment.
5	Students wrote correct answer of this question except in 'Part C.'
6	Most of the students did not attempt this question.
7	Most of the students were familiar with the concept.
8	Students response to this question was quiet satisfactory.
9	They tried to answer the question by their common sense.

Cost Accounting

General Comments on Examinees Performance

Most of the Examinees were unable to attempt the question specially those which are scenario based.

Question Wise Comments

Q. No.	Comments
1	Simple EOQ concept Question. Most of the Students attempted it correctly.
2	Little conceptual question of labor rate and honorarium but examinee were not able to understand & attempted it correctly.
3	FOH distributing based question. Students were unable to understand the basis of distribution.
4	Simple valance analysis calculation required. Most of the examinee attempted it accurately.
5	Cost of production report is the basic report but students failed to attempt it accurately.
6	Most of the students failed to attempt.

Financial Accounting

General Comments on Examinees Performance

- The overall performances of the examinees were not up to the mark.
- Concepts of students are not cleared which shows lacking of interest in studies.
- Selected studies of the topic are another major reason of failure which must be avoided by the examinees.
- Student also lack practice and reading habit.
- Improvement in presentation & clarity are also needed to be improved.

Question Wise Comments

Q. No.	Comments
1	<p>In this question, examinees were required to prepare:-</p> <ul style="list-style-type: none"> • Statement of Profit or Loss • Statement of Financial Position <p>Majority of the examinees attempted this question but the overall performance in this question was not satisfactory. However following mistakes were observed.</p> <p><u>i). STATEMENT OF PROFIT OR LOSS</u></p> <ul style="list-style-type: none"> • A good number of examinees could not calculate the correct figure of “Sales” as they ignored the discount allowed and treated discount allowed as Administrative Expenses. • A good number of examinees could not calculate the correct figure of “Cost of Sales” as the ignored “Discount Received” the said amount as Other Income. • A good number of examinees could not calculate the correct figure of “Finance Cost” i.e. Rs. 48,000. Lack of practice resulted in failure to taken into account the Accrued Mark-up for 02 Months outstanding on Bank Loan. <p><u>ii). STATEMENT OF FINANCIAL POSTION</u></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 lack of practice.</p>

	<p><u>ASSETS</u></p> <ul style="list-style-type: none"> • The good number of examinees ignores the unexpired portion of Advertisement Expenses. • Good numbers of examinees were not able to calculate the correct amount of trade receivables. <p><u>EQUITY AND LIABILITIES</u></p> <p>Calculation of the correct amount of accrued markup for 02 months on Bank Loan was also not proper.</p>
2	<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 below standard. 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><u>a). CASH FLOWS FROM OPERATING ACTIVITIES</u></p> <ul style="list-style-type: none"> • While calculating Cash Flows from Operating activities a majority of examinees were unable to calculate the correct amount of Profit before Taxes. • While calculating Cash Flows from Operating activities a majority of examinees were unable to adjust the amount of Provision for Doubtful Debts and Loss on Settlement of Total Loss Claim. • While calculating cash flows from operating activities a majority of examinees did not calculate the correct amount of Accounts Receivable and Accrued Liabilities. <p><u>b). CASH FLOWS FROM INVESTING ACTIVITIES</u></p> <ul style="list-style-type: none"> • 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><u>c). CASH FLOWS FROM FINANCING ACTIVITIES</u></p> <p>A majority of the examinees were unable to calculate the correct amount of Capital introduced.</p>

3	<p>In this part of the question, the examinees were required to calculate the Profit based on FIFO Method and Cumulative Weighted Average Costing Method. This question was very simple but the performance of the examinees was below standard. The following common mistakes were noticed.</p> <ul style="list-style-type: none"> • Some of the examinees tried to calculate the closing stock without making the desired format. • As regard, the portion relating to receipts, the majority did well, however in respect of issuance of inventory they used wrong values (sales values instead of cost price). • Some of the examinees did not add the units received with previous units in balance while updating the balance; instead they recorded the units separately in balance columns as done in FIFO and LIFO method. • Some of the examinees calculated the unit cost without decimal point that is why they calculated the wrong value of Closing Inventory.
4a	<p>In this part of the question, examinees were required, the particulars to disclosed in the Financial Statement in respect of Revenue Recognition according to IAS - 18.</p> <p>Majority of the examinees avoided to attempting this question and those who attempted failed to provide complete answer. Examinees tried to explain self invented answers rather those from the IAS. The answer left a lot to be desired that examinees did not study the IAS and IFRS.</p>
4b	<p>In this part of the question, the examinees were required to journalize the transaction for the year 2013 and 2014 in respect of sales keeping in view the IAS - 18.</p> <p>Majority of the examinees avoided attempt this question and those who attempted produced wrong answers due to Lack of understanding of IAS - 18.</p>
5	<p>In this part of the question, the examinees were required to prepare Partners Capital Account and Balance Sheet after admission of new partner. Majority of the examinees avoided this question. Those attempted showed lack of knowledge about the topic. However, following common mistakes were observed:</p> <ul style="list-style-type: none"> • Those who attempted this question were unable to prepare correct account of Partners Capital. • Due to lack of practice of the topic the reserve amount of Rs. 337,000 was not distributed among the old partners while preparing the partners capital account. • Due to lack of reading habits examinees completely ignored the instructions for recognizing the goodwill of the new partner on the basis of average profits after making necessary adjustments to the profit as provided in the question.
6	<p>In this part of the question, the examinees were required to prepare Branch Account in the books of Head Office. Majority of the examinees did not attempt the question. Some examinees even avoided attempting this question.</p>

and those who attempted showed lack of knowledge about the topic.

Those who attempted the question committed following mistakes:

- Those who attempted prepared the account but recorded debit balances on credit side and vice versa.
 - Majority of the examinees unable to ascertain correct amount of opening balance of Debtors and so they fail to calculate the correct amount of branch profit and loss for the period.
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Business Communication & Report Writing

General Comments on Examinees Performance

Overall performance of students was below average.

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

Question Wise Comments

Q. No.	Comments
Q.1	It was a well attempted question specially Part- b.
Q.2	Students scored very good marks in this question.
Q.3	Students lack to understand the Questions.
Q.4	Majority of students scored above average marks in both parts.
Q.5	Majority of students failed to score marks.
Q.6	It was a well attempted question.
Q.7	Only few students attempted this question correctly, which displayed lacking in writing skills.
Q.8	Students lack in writing skills.
Q.9	Majority of students failed to score marks.
Q.10	Majority of students failed to score marks.
Q.11.	Moderately attempted questions.

Management Accounting

General Comments on Examinees Performance

The result of management accounting was not satisfactory. It is noticed that overall preparation of students was not up to the mark

Question Wise Comments

Q. No.	Comments
1	Question requiring Calculation of Present Value, IRR and Payback Period. This was a repeated subject many students were unable to distinguish between sales volume and sales value. Further not considered the other requirements and tried to solve question taking into accounts the quantity of sales only.
2	Question requiring to decide manufacturing and buying a product. This was an easy question Mostly students have not described the other considerations as required in the question therefore lose some valuable marks.
3	Question was regarding various approaches and their calculation. Majority of students were unable to correctly analyze the given date in accordance with required approaches.
4	A very easy question on inventory. Many students were unable to describe four basic cost associated with inventory. Some students had only mentioned name of three costs. In part B majority of students were unable to calculate the correct cost of inventory.
5	Many candidates were unable to work out correct impact of receipt against revenue on budget. Further they have also not considered bank overdraft in preparation of budget.
6	Students have not carefully read the requirements of the question therefore not given brief explanation as required by the question.
7	Calculation of Weighted average contribution and Margin of safety etc. most of the students were unable to calculate weighted average. Majority of students have solved the question on simple average basis. Further many students were unable to explain impact of selling most profitable product on breakeven point.

Audit, Assurance & Ethics

General Comments on Examinees Performance

- Students handle knowledge based question well but unable to apply the knowledge to scenario and case based question

Question Wise Comments

Q. No.	Comments
1	A very well attempted question.
2	No student was able to grasp the issue or answer correctly.
3	A very well attempted question.
4	Mostly examinees were able to answer the question.
5	Most students confused this as contents of an Engagement Letter.
6	Format of a memo was generally confused with letter format.
7	Straight forward and correctly attempted.
8	A very unsatisfactory performance was shown in this question.
9	Performance was not up to the mark.

Financial Reporting - Gateway

General Comments on Examinees Performance

Candidates' performance on both sections was closely correlated and the overall performance was satisfactory. In MCQs/MTQs portion of the exam, almost all questions were attempted in every paper.

Most candidates attempted all the required questions in section of short form questions, although question 1 was the most often omitted when not all questions were attempted. Questions regarding provisions and property, plant and equipment were better attempted whereas the lowest scored questions were on construction contracts.

Question Wise Comments

Q. No.	Comments
MCQs/ MTQs	As expected virtually all candidates attempted all the questions in this section. The questions on construction contracts and segmenting reporting were the worst attempted ones whereas questions on intangible assets and impairment were the ones with highest scoring. Students need to read the question carefully and apply the knowledge of standards to get the correct answers.
1	The question on construction contracts was not answered up to the marks. It proved to be the most difficult and least attempted question of the paper. Majority students were not able to calculate the stage of completion. A common error was calculation of cost of sales by using percentage rather than as balancing figure. The amount receivable from the customers was partially calculated by most of the candidates. The difference between agreed value and cash received was correctly accounted for but candidates did not include the figure of work completed but not invoiced in it.
2	This question was attempted correctly by majority of the candidates. A common error was incomplete definition of provisions and contingent liabilities.
3	The performance in this question was average. Most of the students correctly calculated the depreciation of exterior structure and cabin fittings. Common errors were the calculation of depreciation as per flying hours, treatment of upgrade of cabin facilities (charged as revenue expenditure rather than capital) and treatment of repainting (capitalized rather than charging as revenue expenditure).
4	This question was well attempted by majority of the candidates. The line by line addition of properties of parent and subsidiary and calculation of brand was done correctly by most students. However, some candidates made error in calculation of fair value adjustment and the impact of post-acquisition additional depreciation on it.

Management Accounting - Gateway

Question Wise Comments

Q. No.	Comments
1a	<p>Most of the students how to attempt the make or buy question, excess cost per limiting factor was calculated by a very small number of students. Contribution per limiting factor was used throughout which is irrelevant in make or buy decision.</p> <p>Even though some of the wrong approaches did result in the answer being correct but it resulted in no marks because of the wrong approach to question. Only the marks for the decision were awarded to such students, which needed to be in-line with their calculations.</p>
1b	Budgeting point should only be made if it was correctly linked with the raw material shortage; any other discussion about budgeting had no marks, even if it was correct about budgeting generally.
2a & b	Simple and Discounted Payback period was correctly calculated by most of the students.
2c	Perpetuity calculation in the Net Present Value calculation was necessary and was calculated wrong by most of the students.
3a	Some students completely ignored the financial aspect of Shutting down the factory rather chose to take a more theoretical approach identifying the other than financial factors which supported either shutting it down or not. Even though the statement in requirement clearly specified decision based on Financial performance only.
3b	This part was other than financial aspects yet some students decided to identify the financial aspects which were wrong.
4	<p>Budgeting question was attempted well with just a small number of students failing to get the sequence right of making the respective budgets.</p> <p>Some students failed to multiply material cost (Rs/kg) with the material purchase budget answer (Kg) which needs to be in (Rs) rather than (kg).</p>

Audit, Assurance & Ethics – Gateway

General Comments on Examinees Performance

Question Wise Comments

Q. No.	Comments
1	Students did not know how to explain impact of audit risk.
2	Students lack in writing audit procedures.
3	Students lack techniques to write audit procedures.