



**Pakistan Institute of  
Public Finance Accountants**

---

# **Examiners' Comments**

---

**Summer Exam-2015**

---

# Financial Accounting

---

Examiner's Comments  
Summer Exam - 2015  
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, lacking clarity.

**Question Wise Comments**

Q. No.	Comments
1	<p><b><u>FINANCIAL RATIOS</u></b></p> <p>In this part of the question, examinees were provided with the extract of Comparative Income Statement and Financial Statement and they were required to comment and calculate Financial Ratios for (i). Current Ratio (ii). Quick Ratio (iii). Interest Cover Ratio (iv). Dividend Cover Ratio (v). Price Earning (PE) Ratio. Overall performance of the examinees was very poor in response to this question and those who attempted correctly, were unable to comment. Following shortcomings 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 Current, Quick, Interest Cover and Dividend Cover correctly as they expressed their answers in % terms.</li><li>• More importantly, majority of examinees were lacking in explaining the financial ratios with logical arguments.</li></ul>
2	<p><b><u>ACCOUNTING OF INCOMPLETE RECORDS</u></b></p> <p>In this part of the question, the examinees were required to Compute (a). Trading Results (b). Financial Positions with necessary notes. Majority of the examinees not attempted the question. Some examinees even avoided attempting this question and those who attempted showed lack of knowledge about the topic. 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 Sales. As they have failed to taken into account the opening balance of Trade Debtors Rs. 1,050,000.</li> <li>• Collection of Rs. 12,470,000 from Debtors had to be calculated from Cash Account as balancing figure. This collection was to be posted to debtors account to ascertain sale as balancing figure.</li> <li>• Accounts Payable Account was made incorrectly, which was used to calculate figure for purchases i.e. Rs.12,050,000.</li> <li>• Some examinees balanced debtors account without taking into account opening balance and cash collection from debtors.</li> <li>• Majority of the examinees not calculated the correct figure of Opening Stock due to poor reading habits as they completely ignore the instructions that Stock have increased by Rs. 100,000 during the year i.e. Rs. 1,100,000 – 100,000 = Rs. 1,000,000.</li> </ul>
<p style="text-align: center;"><b>3</b></p>	<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 Profit or Loss for the period.</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><u>I). STATEMENT OF PROFIT OR LOSS</u></b></p> <p>A good number of examinees could not calculate the correct figure of Cost of Sales due to the following reasons:-</p> <ul style="list-style-type: none"> <li>• Depreciation on Machinery not charged to Cost of Sales as clearly mention in the notes.</li> <li>• Treated Capital Work in Progress as part of Cost of Sales.</li> <li>• A good number of examinees could not calculate the correct figure of “Administrative Expenses” as they fail to proportionate the Insurance, Rent, Electric and Salaries Expenses.</li> <li>• A good number of examinees could not calculate the correct figure of “Selling Expenses” as they wrongly classified the Transportation Cost as Selling Expenses instead of treating as Purchase Cost and part of Cost of Sales.</li> <li>• A good number of examinees could not calculate the correct figure of “Finance Cost” Rs. 400,000. Due to poor reading habits and lack of practice they have taken into account the Finance Cost for the year instead of cost for the six months as the facility was availed on January 01, 2014</li> </ul> <p><b><u>II). STATEMENT OF FINANCIAL POSTION</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</p>

given heading in the sequence of equity, non-current liabilities and current liabilities. That shows inadequate practice.

#### **ASSETS**

- The good number of examinees could not calculate the correct amount of Non-Current Assets as they failed to taken into the amount of Capital Work completed during the period and transferred to building account.

#### **EQUITY AND LIABILITIES**

- The good number of examinees failed to differentiate between the Authorized Capital and Paid-up Capital.

#### **III). STATEMENT OF CHANGES IN EQUITY**

In this part of the question examinees did not perform well. Some common mistakes noted were:-

- Due to wrong calculation of Profit, examinees could not prepare statement properly.
- Most of the examinees even did not incorporate the amount of Dividend paid and declared at the year end.

4

#### **CASH FLOW STATEMENT**

In this part of the question, examinees were requiring to prepare Cash Flow Statement using Indirect Method as per IAS 7. Majority of the examinees attempted this question but overall performance was not satisfactory. Following are the common mistakes as given under each statement were noted.

Some of the examinees attempted the question without separating the activities into operating, investing and financing activities, which was the essence of the question.

#### **A). CASH FLOWS FROM OPERATING ACTIVITIES**

- 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 Dividend declared and paid during the year amounting to Rs. 300,000.

#### **B). CASH FLOWS FROM INVESTING ACTIVITIES**

- 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.

#### **C). CASH FLOWS FROM FINANCING ACTIVITIES**

- A majority of the examinees ignored the amount of Share Capital increased during the period while calculating the Cash Flows from Financing Activities.

<p>5</p>	<p><b><u>COST OF INVENTORY REPORTED AT YEAR END</u></b></p> <p>In this part of the question, the examinees were required to calculate the cost of inventory to be reported at year end. This question appeared difficult and quite challenging as examinees were required to perform backward calculation for computing closing value of inventory. Majority of the students failed to handle the following points:</p> <ul style="list-style-type: none"> <li>• Sales of Goods amounted to Rs. 250,000.</li> <li>• SBH normally sells goods at a mark-up of 25% at cost.</li> <li>• 20% of the sales were made at a discount of 8% of the normal selling price.</li> </ul>
<p>6</p>	<p><b><u>DEFINITIONS AS PER IAS</u></b></p> <p>In this part of the question, examinees were required to define with reference to International Accounting Standards (IAS 1):</p> <p><b>A) <u>Disclosure requirement regarding Change of Financial Year for presentation of Financial Statements</u></b></p> <ul style="list-style-type: none"> <li>• Majority of the examinees failed to provide complete answer. As they tried to explain self invented answers rather those from the IAS. The answer left a lot to be desired and exposed the examinees' lack of interest towards their studies and it also seems that examinees did not study the IAS and IFRS and that's why they producing wrong replies to the question.</li> </ul> <p><b>B) <u>According to IAS 1 Circumstances which allows an enterprise to continue to classify its Long Term Interest Bearing Liabilities as Non-Current Liabilities even they are to be settled within Twelve Months of the Balance Sheet Date</u></b></p> <ul style="list-style-type: none"> <li>• Majority of the examinees not attempted this part of the question and those who attempted showed lack of knowledge and resorted to irrelevant answers. The answer left a lot to be desired and exposed the examinees' lack of interest towards their studies and it also seems that examinees did not study the IAS and IFRS and that's why they produced wrong replies to the question.</li> </ul>
<p>7</p>	<p><b>Question # 07</b></p> <p><b><u>ACCOUNTING FOR NON CURRENT ASSETS</u></b></p> <p>In this part of the question, the examinees were required to:</p> <p><b>A) <u>Factors to be considered while Estimating the Useful Life of Depreciable Assets as per IAS 16.</u></b></p> <ul style="list-style-type: none"> <li>• Majority of examinees provided incomplete answers or tried to explain the concept with their self-invented definitions rather than those from the said IAS. The answer left a lot to be desired and exposed the examinees' lack of interest towards relevant IAS.</li> </ul> <p><b>B) <u>To Calculate the Cost of New Asset along with Journal Entry to Record the Cost of New Asset and Gain / Loss arising from the said Transaction.</u></b></p>

- 
- Majority of examinees failed to differentiate between Book Value, Negotiated Value and Fair Value.
  - Majority of examinees failed to calculate the Cash Amount to be paid for exchange of assets i.e. Cost of New Asset = Rs. 320,000 Less Trade in Value of Assets = Rs. 180,000 = Balance Cash Amount Rs. 140,000 as they considered fair value of the assets for calculating of Balance Cash Amount.
  - Majority of the examinees while calculating the Exchange Gain considered Fair Value of the Assets instead of Trade in Allowance.

Majority of the examinees were lacking clarity of presentation while preparing the workings to support their answers.

---

---

# Performance Measurement

---

Examiner's Comments  
Summer Exam - 2015  
PERFORMANCE MEASUREMENT

### General Comments on Examinees Performance

Overall a good conceptual and balanced paper to examine. The basic performance measurement knowledge of examinees. Almost all the examinees tried their best to attempt the paper completely. But most of them failed to understand the Q.No: 4 and Q.No: 7. All of other question are attempted by the examinees and almost attempted correctly. Basic knowledge / concepts of examinees are tested by short form questions.

Nearly all the topics were touched. The student having full grip on the topic can obtain 100% marks.

Overall performance of examinees was good.

### Question Wise Comments

Q. No.	Comments
1	<p>Question was related to Absorption / Marginal costing. Student attempted few steps correctly. The question was simple one which should have been attempted well by the examinees. Theoretical portion regarding Marginal costing was attempted correctly by most of the student.</p> <p>Amount of Fixed cost was calculated by very few students.</p>
2	<p>The question was related to :-</p> <ul style="list-style-type: none"><li>• Expected cost.</li><li>• Target cost.</li><li>• Cost gap.</li></ul> <p>The question was simple one. The student who have proper knowledge obtained full marks. However, the concept of majority was not clear.</p>
3	<p>The question was related to maximization of profit in scarce resources. Majority of the student attempted the question. The question was simple one.</p>
4	<p>The question was related to break even. Majority of the student attempted but the answer was wrong. Student failed to calculate:</p> <ul style="list-style-type: none"><li>• Selling price to book shop i.e. <math>15 \times 80\% = 12</math></li><li>• Variable Royalty cost i.e. <math>12 \times 15\% = 1.80</math></li></ul> <p>Variable cost per copy of Rs. 3.20/- was given.</p>
5	<p>The question related to calculation of :-</p> <ul style="list-style-type: none"><li>• Activity based recovery rates</li><li>• Total unit cost and selling price.</li></ul> <p>Majority of the student attempted &amp; calculated only Activity-based recovery rates. The total unit cost and selling price of product was not calculated or calculated wrongly.</p>

<b>6</b>	<p>The question was related to ratio analysis. Six ratio's were to be calculated. only 3 ratios:-</p> <ul style="list-style-type: none"><li>• Gross profit percentage</li><li>• Current ratio</li><li>• Debtors days</li></ul> <p>Were correctly calculated.</p>
<b>7</b>	<p>The question was related to calculation of residual income before &amp; after additional investment. Majority calculated the residual income before additional investment correctly but after additional investment. The residual income was wrongly calculated.</p>
<b>8</b>	<p>Question was related to material variances. Majority calculated the variances wrongly. Only two or three variances were calculated correctly.</p>

---

Business  
Communication  
& Beh. Studies

---

Examiner's Comments  
Summer Exam – 2015  
Bus. Communication & Beh. Studies

**Question Wise Comments**

<b>Q. No.</b>	<b>Comments</b>
<b>1</b>	Students generally scored average marks in this question. 'you' attitude does not mean use of "you only".
<b>2</b>	Students did not score good marks. Because they missed the term "Running Finance" and did not provide details necessary for a refusal letter.
<b>3</b>	Most of the answers were not as per requirement of paraphrasing.
<b>4</b>	An average attempt by students resulting in average score.
<b>5</b>	Very few replies were correct. Clearly showed that the students do not study book.
<b>6</b>	Students generally scored good marks in this question.
<b>7</b>	A poorly attempted question. Students only knew of Maslow.
<b>8</b>	A poorly attempted question. It clearly showed lack of study.
<b>9</b>	Surprisingly very few students followed the proper format of a formal report. Majority of answers did not contain substance.
<b>10</b>	Those who had studied scored very good marks in this question.

---

# Business Laws

---

Examiner's Comments  
Summer Exam - 2015  
Business Law

**Question Wise Comments**

Q. No.	Comments
1	This question was attempted well and a large number of students could score almost full marks however few students either defined various kinds of Precedents or explained legal system in Pakistan which was totally irrelevant.
2	<p>a) Students in almost all cases did not explain the term "Misrepresentation" in legal sense and defined in layman language. They also gave examples which were mostly relevant to "Mistake" or "Fraud".</p> <p>b) The part (b) was also not attempted properly.</p> <p>c) In part (i) large number of students analyzed the situation properly and got marks but part (ii) was not properly tackled and students did not conclude that agent should not deal for his own benefit while working for agency business.</p>
3	This question was also not properly attempted. This was about fixation of price by a third party in case of sale but student took it as agreement to sale and answered on the basis of a wrong assumption.
4	<p>a) Not attempted properly by a large number of students. This basically required legal provision whereby directors can fix the number of elected directors 35 days in advance of election and also as to how the number once fixed can be altered but students mentioned the procedure for election of directors and lost full marks.</p> <p>b) Performance remained average. To declare an election invalid, shareholders with voting powers of at least 20% may apply to the court within 30 days. The students were aware of few points in this regard and could score 1-2 marks.</p>
5	This was attempted well by a large number of students.
6	<p>a) Part (a) was attempted better where students could score 3-4 marks and in few cases full marks.</p> <p>b) However performance in part (b) was very poor and only 2-3 students could score 1-2 marks.</p>
7	The performance remained very good and a large number of students could score full marks.
8	The question basically related to performance of contract whereby one of the party dies after entering in to contract. The one situation was for the delivery of the goods and other was for painting a picture which involved personal skill and the answer should have been different in both such situations whereas large number of students either suggested that legal heirs/partners should perform both the contracts or suggested that there is no obligation. Very few students could explain the differences in both the situations whereby different answers were required.

<b>9</b>	Very poorly attempted. Hardly 5% of the students attempted the question correctly and about 50% of the students did not attempt the question. Those who attempted did not explain the term draft but either explained negotiable instrument or bill of exchange/cheques/promissory notes etc.
<b>10</b>	<p><b>a)</b> This was a theoretical question and the performance remained average. Students did not clearly mention the correct period for servicing of various notices.</p> <p><b>b)</b> The performance remained average and about 50% of the students could score 2-3 marks.</p>

---

# Taxation

---

Examiner's Comments  
Summer Exam – 2015  
Taxation

**General Comments on Examinees Performance**

- Overall performance was satisfactory.
- Candidates need to understand well the requirement of questions.

**Question Wise Comments**

<b>Q. No.</b>	<b>Comments</b>
<b>1</b>	<p>Majority of the candidates were not aware of the terminologies introduced in 2014, Income Tax Ordinance-2001.</p> <ul style="list-style-type: none"><li>• Resident Company – Not attempted well.</li><li>• Filers, non filers.</li><li>• Head of income under Income Tax Ord. 2001 – Almost all the candidates answer correctly.</li><li>• Types of Expenses not allowed – Not attempted well.</li></ul>
<b>2</b>	<p><b>Tax credit</b></p> <p>Very disappointing performance. The candidates were not clear about the concept and computation of the credit.</p>
<b>3</b>	<p><b>Sales Tax liability</b></p> <p>Almost all the candidates attempted this question and in majority of the cases their performance was average and candidates in above average &amp; Excellent categories earned 5 to 8 marks. And 8 marks were the maximum allocated to Question No: 3.</p>
<b>4</b>	<p><b>Rules relating to return or cancellation of supply on increase in value of supply and Sale Tax.</b></p> <p>Candidates seemed to have been confused or not confident in most of the cases.</p> <p>They described normal business goods / services, purchase and sales without giving attention to or ignored the requirement of Sales Tax return and the impact of input and output of tax required under Sales-Tax 1980. Very few students attempted this question correctly.</p>

**Any other Comments/Suggestion:**

Candidates should know their weakness in the subject they study and present the related concepts well and improve the presentation.

---

# Financial Reporting

---

Examiner's Comments  
Summer Exam - 2015  
Financial Reporting

**General Comments on Examinees Performance**

- The question number was not properly marked in the answer sheets. Students started numbering in the sequence of their attempt of questions.
- The students did not start the next question on the new page.
- The presentation skills were poor i.e. currency sign and proper headings were not marked / provided.
- The overall performance of the students was good in Question Number 2, 3, 4 and 6 and most of the students secured good marks. However, Question Number 1, 5 and 7 proved very difficult for them and hardly few students responded well in these questions.

**Question Wise Comments**

Q. No.	Comments
1	<p>This question was based on IAS 17 (Lease) containing two parts one on operating lease and the other on finance lease. Most of the students treated both parts as finance lease. Those who attempted part one as an operating lease failed to recognize the expense on straight line basis and recognize the expense on cash payment basis.</p> <p>The second part of the question was on finance lease and requiring calculation of rental and then first year extract to financial statements. Most of the students were not able to calculate the rental.</p>
2	<p>This question was based on IAS 8 (Accounting Policy, change in accounting estimate and error). Most of the students were able to differentiate between change in accounting estimate and change in accounting policy and provided relevant answers. However, few students provided irrelevant answers by mixing change in accounting estimate and change in accounting policy by giving retrospective treatment for change in accounting estimate and prospective treatment for change in accounting policy.</p>
3	<p>The overall performance in this question was good and most of the students scored well in this question. This question was based on IAS 38 (Intangible Assets) involving three parts. The answer to second part of the question was not provided correctly and wrongly treated the cost of license as intangible asset and hardware cost as tangible asset instead to treating both the costs as tangible asset.</p>
4	<p>This question was based on IAS 37, IAS 10 and IAS 24. The overall response to this question was good. The common mistakes made were as follows: -</p> <ul style="list-style-type: none"> <li>• The students failed to identify the difference between adjusting and non adjusting events.</li> <li>• The students treated Mr. Jamil as related party although it is clearly mentioned in IAS 24 that suppliers are not related parties.</li> <li>• In part c) of the question students failed to identify the difference between provision and contingent liability and wrongly created provision against a contingent liability.</li> </ul>

5	<p>This question was based on consolidated financial statements requiring calculation of goodwill, Non controlling Interest (NCI) and consolidated retained earnings. The common mistakes made are as under:</p> <ul style="list-style-type: none"><li>• The students failed to calculate the purchase consideration properly most of the students did not include deferred consideration at present value.</li><li>• The fair value of NCI was not properly computed, however, it was just multiplication of number of share held by NCI with its fair value of Rs. 17 (250x17=4,250).</li><li>• Fair value adjustments of assets and liabilities were not properly incorporated.</li></ul>
6	<p>This question was based on IAS 37 (Provisions, contingent liability and contingent asset). The overall response to this question was good and most of the students got full marks.</p>
7	<p>This question was based on IAS 23 (Borrowing costs). The overall response to this question was poor, being last question many of the students did not attempt this question. Most of the students mixed the borrowing cost of specific loans in the calculation of weighted average borrowing rate.</p>

**Any other Comments/Suggestion:**

The poor response to the paper shows that the students are not equipped with proper understanding of the subject.

---

# Management Accounting

---

Examiner's Comments  
Summer Exam-2015  
Management Accounting

**General Comments on Examinees Performance**

The overall performance of the candidates was average. It was commonly noted that adequate attention was not given towards reading and understanding the questions, which was required. It has been observed that the student performed straightforward question well. On the other hand, they were failed to portray good performance in analytical and subjective questions. One of the main reasons for the deficiencies is the lack of practice and too much reliance on memorizing the formulas and very little effort in understanding the concepts involved and specially the basic mathematical functions. Further, students have shown below average performance in theoretical section of the paper.

**Question Wise Comments**

Q. No.	Comments
1	<p>This question was simple and required the candidates to calculate Break even sales in units and in revenue figure.</p> <p>Except few candidates all candidates who attempted the question scored passing marks.</p>
2	<p>It was good question on preparing lowest cost estimate on relevant cost basis and was well attempted by majority of candidates. However, some of them made below mentioned errors resulting in loss of easy marks.</p> <ul style="list-style-type: none"><li>• While estimating cost of fabric many candidates did not use Rate of Rs. 17.50.</li><li>• Others applied Rs. 8.5 for 50 m instead of 20 m at Rs. 8.2 and 30 m at Rs. 8.5 while estimating cost of wood.</li><li>• In calculation of skilled labor cost candidates incorporated the cost @ Rs. 18 instead of Rs. 24.</li><li>• Some of students have lost valuable marks due to consideration of Factory cost of Rs. 750 along with Supervision cost.</li><li>• The general overheads are not incremental, therefore not required to be included in cost but many students considered as general overheads.</li><li>• Question was required to briefly explain the reasons for including or excluding each of the costs in the estimate. Some students ignored the subject instruction.</li></ul>
3	<p>The subject question was easy and had four parts.</p> <p>Although Part (a) was required to calculate each of the six possible profit outcomes and part (b) required to calculate the expected value of profit for each of the two price option with recommendation.</p> <p>Majority of the students mixed the working of above two options. Further because of shortcut workings, they were unable to calculate the required six possible profit outcomes. The students are advised to understand that the only way to be able to solve such question is to understand the concept involved and exact requirement of</p>

	<p>question. Some other students were unable to calculate cost for selling price of Rs. 35.</p> <p>Furthermore, Part (c) of the question exposed conceptual weaknesses of the candidates. The performance was quite unsatisfactory as most of students have wrongly explained the maximum decision rule.</p> <p>However, in Part (d), the candidates were required to list down the factors which may give rise to uncertainty when setting budgets. The performance in this part was quite average as few candidates could mention required points.</p>
<b>4</b>	This was an easy question requiring workings on data pertaining to material.
<b>5</b>	This question required calculation of Payback Period and Return on Capital Employed on average. Majority of candidates ignored the depreciation while calculating the Cash flows. Further some of the students incorporated depreciation while calculating average profit hence lost valuable marks.
<b>6</b>	<p>It was an easy question on NPV and IRR and well attempted by majority of the candidates. Some of the common mistakes noted in some scripts are described below.</p> <ul style="list-style-type: none"> <li>• The survey cost was sunk cost but incorporated in calculation of NPV.</li> <li>• Some candidates made mistake in calculating fixed overheads</li> <li>• Many students considered machine cost at Rs. 80,000/= instead of 70,000/=</li> <li>• Some candidates made errors in applying IRR formula.</li> <li>• Majority of students shown poor performance in Part (c) of the question.</li> </ul>
<b>7</b>	<p>It was a good question, required to mention different methods to hedge Interest Rate Risk.</p> <p>About 95% students could not attempt the question.</p>
<b>8</b>	This was another question in which students have shown very poor performance and only 4% (Approx.) were able to score the passing marks in this question.

---

# Auditing

---

Examiner's Comments  
Summer Exam – 2015  
Auditing

**General Comments on Examinees Performance**

Overall performance of the candidates was satisfactory. Candidates should read the question very carefully keeping in mind marks allocated. Some candidates could not attempt all question because they wrote irrelevant material in attempted questions. Many students could not understand Question No. 02 & Question No. 07 and lost marks by giving irrelevant answers.

**Question Wise Comments**

Q. No.	Comments
1	a) This part was well attempted by most of students. b) In this part students didn't perform well
2	a) Most of the students could not understand the question. b) Students wrote overall Audit plan instead of substantive procedures.
3	a) This part was well attempted by most of students. b) Performance was not upto mark in this part.
4	In this question performance was average.
5	a) This part was well attempted by most of the student. b) This part was worst attempted by most of the students.
6	This question was high scoring and most of students attempted well and gained high marks.
7	Part (a) & (b) both were worst attempted by most of the students and this showed the students could not understand the question that's why could not apply knowledge correctly.