

EXAMINER'S REPORT**LEVEL II EXAMINATION - JANUARY 2024****(201) ADVANCED FINANCIAL ACCOUNTING & COSTING**

SECTION A**Question No. 01**

Marks allocated to this question is 25 and it consisted of sub questions. The knowledge has been tested covering **Advanced Financial Accounting and costing** under the syllabus. Only a very few candidates were able to earn full marks and most of the candidates had earned 10 - 20 marks for this question.

The following common weaknesses and mistakes were observed from the answers:

- 1.1** The question tested the knowledge on Cost Accounting Concept and most of the candidates answered correctly. And, noted that some candidates had failed to identify the correct statement with reference to the Cost Accounting.
- 1.2** Question was asked to compute the maximum stock level of a manufacturing company based on the given information. Most of the candidates had answered correctly and very few candidates had failed to earn the marks allocated. It was noted that they did not know about correct formula used to calculate minimum stocks level.
- 1.3** Question was tested about characteristics of the Private Limited Company. Most of the candidates had performed well.
- 1.4** Question was tested the knowledge about Absorption of Overhead Cost of a company and noted that some candidates' knowledge about the Overhead Cost Absorption was not so satisfactory. They used actual overhead cost instead of budgeted cost when calculating the overhead absorption rate.
- 1.5** The question was asked to select an assumption used in Economic Order Quantity formula and most of candidates answered well.
- 1.6** It tested the basic knowledge of Sri Lanka Accounting Standards. Most of the candidates had performed well and very few candidates failed to earn full marks.
- 1.7** It was requested to state two (02) provisions of Section 24 of the Partnership Ordinance of 1890 and most of the candidates had answered as required.
- 1.8** Based on the information given of a partnership business, it was asked to calculate the Sacrificing Ratio. Though some candidates calculated the Sacrificing Ratio properly. Majority did not calculate due to lack of knowledge on this area.
- 1.9** Based on the information given, it was asked to calculate the Net Salary paid by a private company and noted that some candidates had not calculated the net salary paid properly. Some candidates had not deducted the tax deductions from the gross salary. As well as some have deducted ETF 3% when calculating net salary.

1.10 The question tested the basic knowledge of LKAS10 and it was requested to state three examples of Adjusting Events as per LKAS 10. Though we tested several times, LKAS 10, majority did not know about the adjusting events. Some have stated declaring dividend also as an adjusting event.

Overall performance for this question was at satisfactory level.

SECTION B

Question No. 02

The question was tested to prepare the Capital (Equity) Balance and the Net Profit of a business entity where proper accounting records were not maintained. Some candidates had not calculated the equity balance properly.

Some candidates had not performed well due to the following reasons:

- (1) They did not calculate closing credit card receivables properly. However, equity can be calculated using net profit for the year without considering closing credit receivables.
- (2) When using profit formula method, opening equity was not considered correctly by some candidates when calculating closing equity.
- (3) Cost of sales were wrongly calculated due to not considering gross profit ratio correctly.
- (4) Depreciation for the year was not considered.

Overall performance for this question was at satisfactory level.

Question No. 03

This question tested the basic knowledge that how to prepare the Partners' Current Accounts and Profit or Loss Appropriation Account. Most of the candidates had earned sufficient marks for this question.

But some candidates had not performed well due to the following reasons:

- (1) Building rent and loan interest which were not taken into accounts had not been adjusted to the Net Profit amounting to Rs. 8 million by some candidates. Therefore profit share of each partners were incorrect.
- (2) Building rent and loan interest were not considered in current accounts by some candidates.
- (3) Some have considered opening capital balances also to the current account.
- (4) Some have considered monthly partners' salary instead of annual salary.
- (5) Debit and credit balance of current accounts were not considered correctly.

Overall performance for this question was at a satisfactory level.

Question No. 04

This question asked to prepare the Income and Expenditure Account and Receipt and Payment Account of a Non-Profit Organization.

Common mistakes observed were as follows:

- (1) Membership Subscription Account had not been prepared correctly by some candidates and debit and credit entries relevant to the said account had not been properly entered.
- (2) When calculating membership subscription for newly joined 10 Doctors during the year was not considered.
- (3) Depreciation for the year had not been properly calculated and not been taken into the Income and Expenditure account by some candidates.
- (4) Opening and closing stocks were not properly adjusted when calculating cost of surgical and medical issued.
- (5) Donation received was not adjusted correctly.

Overall performance for this question was at a satisfactory level.

Question No. 05

- (A) It was asked to prepare a Statement of Overheads Allocation and Apportionment to departments and most of the candidates had performed well. Also noted that some candidates had omitted to allocate Indirect Materials to departments. Further few candidates have not apportioned service department cost to production departments.
- (B) The question was asked to calculate the Overhead Absorption Rate for each department and majority of the candidates' performance was so satisfactory.

Overall performance for this question was at a satisfactory level.

Question No. 06

- (A) Based on the given data, it was required to calculate the price to be charged on a particular job and most of candidates had earned full marks allocated to the question. However it was noted that the calculation of profit margin on selling price had not been done by some candidates.
- (B) It was asked to calculate the total earnings of an employee attached to a garment factory and majority of candidates had not calculated the total earnings correctly. They did not calculate bonus properly. Bonus should be calculated based on saved time. When calculating bonus they wrongly applied saved time.

It was observed that most of candidates had not calculated the bonus amount correctly.

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

SECTION C

Question No. 07

This question tested the preparation of Financial Statements of a Private Limited Company and consists of 2 parts **(a)** and **(b)**. **Part (a)** tested the preparation of Statement of Comprehensive Income and **part (b)** tested the preparation of Statement of Financial Position.

Most of the candidates had attempted to answer this question and some candidates were able to score full marks.

The following weaknesses were observed:

(a) Preparation of Statement of Comprehensive Income:

- (1) Generally Accepted formats for the Income Statement and the Statement of Financial Position were not followed by very few candidates.
- (2) Income Tax adjustment had not been done correctly by some candidates.
- (3) Accounting entries for disposal of Motor Vehicle had not been done by some candidates and therefore, the profit on disposal of Motor Vehicle had not been accounted by some candidates. Though some candidates have adjusted profit on disposal correctly depreciation on a new motor vehicles was not considered correctly.
- (4) Some candidates had not attached the workings and therefore, they couldn't score some more marks allocated for workings.
- (5) Stocks should be adjusted lower of cost or NRV whichever is lower. It was not considered by some candidates.
- (6) Interest relevant for the year was not considered by some candidates.

(b) Preparation of Statement of Financial Position:

- (1) Additions to the motor vehicle was not considered correctly. Due to not calculating depreciation for year correctly, carrying value was incorrect.
- (2) Some candidates had not deducted the bad debts and provision for bad debts from the Trade Receivables.
- (3) Correct classifications of current and non-current assets and liabilities were not applied.

Overall performance for this question was at satisfactory level.

Suggestions to enhance the Competency Level of Candidates in order to Improve the Performance at the Examination:

- (1)** Candidates must study the study text and understand its contents.
- (2)** Understand the definition of action verbs and practise to answer the questions based on the action verb list given at the end of the question paper.
- (3)** Study the contents of the past papers and practise at least last 2 - 3 examination papers and try to understand the way in which the questions are being set.
- (4)** The candidates should work out the past paper questions on timely basis before the examination, it will improve the time management at the examination.
- (5)** Candidates should write legible hand writing at the examination.
- (6)** The candidates should carefully read the instructions given in the examination paper prior to start answering the questions in the paper.
- (7)** The candidates should have a clear and balance mind set at the examination in order to understand the question and provide with appropriate and accurate answers required in the question.
- (8)** The candidates should allocate the time for the questions based on the marks given and accordingly, the candidate should be able to answer all the questions given in the paper effectively.
- (9)** Check twice whether all required questions were answered and appropriately numbered prior to hand over the answer scripts.

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