

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

SECTION A**Question No. 01**

Marks allocated to this Question is 25 and it consist of 10 sub-questions, out of ten 5 Questions are multiple Choice Questions. The knowledge has been tested covering Advanced Financial Accounting and Costing under the syllabus. Most of candidates could not earn full marks and only a very few candidates have earned very low marks.

- 1.1** This question tested the knowledge on cost Accounting & Inventory Cost concept whereas most of the candidates answered correctly. It was noted that very few candidates had failed to identify the correct answer with reference to Inventory cost.
- 1.2** This question was asked to compute the depreciation on reducing balance method on a listed Company based on the given information. Most of the candidates have answered correctly and very few candidates have failed to answer. It was noted that they did not know the correct formula for depreciation on reducing balance method.
- 1.3** The question was tested regarding the consistency of financial accounting. Generally, considerable number of candidates have correctly identified the idea of financial accounting and others had failed to give the expected answers for this question.
- 1.4** This question tested how to present the resulted loss incurred after the reporting date in the financial statements. Generally, a considerable number of candidates have identified the idea of disclosure in financial accounting correctly and others had failed to attempt this question in a satisfactory way.
- 1.5** Examiner checked the knowledge of difference in calculating the profit between the Cost Accounting and Financial Accounting. However, majority of candidates failed to get the correct answer, due to lack of knowledge in this area.
- 1.6** The Question tested methods of allocating costs between variety of activities involved in the production process and the method of charged to products based on use of each activity by individual products. Majority of the candidates answers were incorrect.
- 1.7** It was required to state the provisions of the Partnership Ordinance 1890 concerning remuneration to partners, Introduction of capital to partnership, and the admission of a new partner. The majority of the candidates answered correctly.
- 1.8** The question directly asked the difference between the Cost Accounting Vs. Financial Accounting. Most of the students answer was not sufficient and identified that they do not know the theory part.

1.9 Question was tested about debentures, since there is a specific characters of debentures, less number of candidates had answered correctly. It is very vital to aware about this basic accounting.

1.10 This question was tested the knowledge about VAT control account of the private limited company. Theory of VAT should also be practice well, since this is a practical situation of a company. It was noted most of the students done the sum correctly. Very few candidates done the VAT control account accurately with the less calculation errors.

This question was tested the knowledge about VAT control account of the private limited company. Theory knowledge about VAT control account was not so satisfactory. Most of the candidates had performed well and very few candidates failed to earn full marks due to calculation errors.

Overall performance for this question was at a satisfactory level.

SECTION B

Question No. 02

This question was tested knowledge about equity calculation and preparation of profit and loss account. Less number of candidates answered the question successfully and achieved full marks. While some candidates had not solved given adjustments due to lack of theoretical knowledge.

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

- (1) They did not calculate the depreciation calculation correctly.
- (2) Knowledge about classification of expenses is poor.
- (3) Accrued payment adjustments.
- (4) Proper attention to closing inventory adjustments.
- (5) Revenue recognition.
- (6) What is equity and how to calculate? Knowledge about equity and its calculation.
- (7) Difference between the direct expenses and the indirect expenses.
- (8) Advance payment adjustments.
- (9) Profit formula method had not been properly used.
- (10) Some had spent considerable time to prepare the cash book which was not asked. Some had waste of time of areas where as those areas were not tested in the exam (cash book).
- (11) P & L entries have taken to trading account.

Two marks are allocated for equity calculation when allocated marks are low please use the shortest method to reach the answer, to save your time.

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

Question No. 03

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

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

- (1) Clear understanding of transaction relating to appropriation account and the partner's current account.
- (2) Knowledge about partnership rules.
- (3) Considered monthly partner's salary instead of annual salary.
- (4) Building rent and loan interest were not considered in current accounts by some candidates.
- (5) Some have considered opening capital to balances also the current accounts.

Overall performance for this question was at a satisfactory level.

Question No. 04

This question, the examiner tested the knowledge of preparation of Membership Subscription Account and Income and Expenditure Account of a "Non-Profit" organization. Most of the candidates had attempted the question and only less number of candidates had achieved the full marks due to following reasons:

- (1) Candidates had lack of knowledge about this account and they did not identify the transactions from the question.
- (2) Candidates had not passed the double entries to the Membership Account.
- (3) Some candidates had no idea as to which side the respective opening & closing balance to be recorded in the Membership Subscription Account while some candidates had not identified how to calculate membership fees.
- (4) Candidates had not read the question properly, for an instance, did not apply the correct percentages to the expenses.
- (5) Candidates not properly presented the Exhibition income and Main Accounts.
- (6) Candidates had not identified the expenses and income separately.

Overall performance for this question was at an average level.

Question No. 05

Based on the given data, it was required to calculate Price to be charged and the stock control accounts. Most of the candidates had attempted to the question but only few percentage of the candidates obtained full marks allocated to the question. It was observed the under mentioned weakness made by the candidates;

- (1) Most of candidates were unable to identify stage of the production level
- (2) Ledger transactions had not been properly recorded.
- (3) Candidates not properly transferred the transaction within the accounts, for an example from Raw Material Control Account to WIP Account.
- (4) Most of the candidates did not had adequate knowledge of calculating of margin and mark-up.
- (5) Some candidates did not calculate the direct labour cost by applying the correct rate.

Overall performance for this question was at an average level.

Question No. 06

This question consists of the **part (A)** and **(B)**.

Part (A) was tested the calculation of EOQ and the optimum number of orders to be placed for a particular product based on the given information.

- (1) Many candidates obtained full marks for this part, while some candidates failed to obtained marks due to inadequate knowledge about correct formula.
- (2) Some candidates had incorrectly applied the data to the correct formula.
- (3) Most of candidates did not know how to calculate the optimum number of orders to be placed.

Part (B) was tested the calculation of wages of an employee.

- (1) Most of candidates obtained full marks for this part. Eventhough few candidates calculated the bonus rate accurately, they just had added the bonus rate to the weekly wages without calculating the bonus for total saved time.
- (2) Some candidates did not know how to calculate the saved time.
- (3) Numerical errors were seen in the both **part A** and **B**.

Overall performance for this question was not at an average level.

SECTION C

Question No. 07

This question tested the preparation of financial statements of a Private Limited Company and consists of 2 parts as **(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 this question, but were unable to score full marks.

The following weaknesses were observed:

Preparation of Statement of Comprehensive Income Statement:

- (1) Most of candidates had not made the proper adjustment in the trading account for stock losses.
- (2) Accounting enterprise for depreciation had not been properly calculated. That was due to depreciation related to motor vehicle disposal was not considered correctly.
- (3) The rent adjustment had not been correctly made in the comprehensive income statement.
- (4) Candidates did not had proper knowledge about debit and credit balances in the trial balance.
- (5) Water and electricity accounts had not been correctly adjusted in comprehensive income account. Reason for that was candidates had not properly adjusted accrued electricity.
- (6) Income tax adjustments had not been done correctly by some candidates.

Preparation of Statement of Financial Position:

- (1) Most of candidates had not calculated the correct cost of motor vehicles and the accumulated depreciation. Therefore, carrying value was also incorrect in the statement of financial positions.
- (2) Some candidates had not correctly adjusted the trade receivable balance. Reason for that was they had not properly adjusted the provision for impairment losses in the trade receivable account.
- (3) Income tax payable amount had not been correctly adjusted by candidates.

Other Comments:

- (1) Candidates should properly make the correct formats for the comprehensive income and statement of financial position.
- (2) Candidates should correctly identify the related expenses to be made under selling and distribution expenses and administration expenses.
- (3) After preparing the comprehensive income statement some candidates prepared another schedule for list of expenses that have deducted for making the profit before tax and it consume the time unnecessarily.
- (4) Candidates have not presented their workings for the answer, in correct place and they have attached it in different places.

General Points:

As a summary the candidates have made common mistakes while they were answering the question. Some of points can be classified as below to improve the answering pattern of the question paper.

- (1) Question papers are prepared based on the study packs issued by the institute. Hence firstly it is recommended to read the study packs thoroughly.
- (2) Some of the candidates did not aware the principles of the Accounting such as they are making a lot of mistakes when identifying debit and credits of the transaction. That type cannot be accepted in this level.
- (3) Before starting to write the answers, they must read the paper carefully, because without reading questions and the instructions students are making mistakes and taking unnecessary time to answer the questions.
- (4) It has clearly given the instruction to write the answer number in the answer booklet for the multiple-choice questions. However, some students have been rewriting the answer in the booklet. Because of that students are wasting their time limited to the paper.
- (5) Some candidates have written figures from real values and thousands of the figures. So your final answer will be incorrect and you will not receive any single marks for this types of error.
- (6) Question numbers must be indicated clearly otherwise you will lose your marks for the answers.

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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