

EXAMINER'S REPORT**LEVEL II EXAMINATION - JULY 2020****(201) ADVANCED FINANCIAL ACCOUNTING & COSTING**

SECTION A**Question No. 01**

This is a compulsory question for 25 marks. The knowledge has been tested covering the Advanced Financial Accounting & Costing under the new syllabus. Only a very few candidates were able to earn full marks and most of the candidates had earned 10 - 25 marks for this question.

Common weaknesses observed during the evaluation of answers are as follows:

- (1.1) Tested students' knowledge on LKAS 02-Inventories. Significant number of candidates had correctly attempted the question.
- (1.2) Question was tested the knowledge on accounting concepts and how to identify the correct expenses for the year concerned. Satisfactory answers had been given by 50% of candidates.
- (1.3) Question was tested the knowledge on Asset Disposal Process and how to calculate the profit or loss on disposal. Most of the candidates had answered correctly and some candidates had failed to answer.
- (1.4) Question was tested regarding the objectives of cost accounting. Generally, considerable number of candidates had identified the objectives of cost accounting correctly and others had failed to give the answers expected.
- (1.5) It was required to define the term "*liability*". Answers were satisfactory. Only a very few candidates had not answered satisfactorily.
- (1.6) It was required to state the provisions of the Partnership Ordinance 1890 in relation to Capital of the Partnership and salaries to the Partners. Majority of the candidates had answered correctly.
- (1.7) It was required to calculate the sacrificing ratio. Some candidates had failed to calculate the sacrificing ratio properly due to poor knowledge of Mathematics. Some candidates had shown the correct method of calculating the sacrificing ratio in words and they had failed to give expected answer due to lack of knowledge of Mathematics.
- (1.8) It was required to state the given events are adjusting or non-adjusting events as per LKAS 10. Answers given were satisfactory.

(1.9) It was required to calculate the Economic Order Quantity (EOQ). Candidates' knowledge of EOQ was satisfactory. Knowledge of Mathematics for this level needs to be improved to some extent to perform this kind of computations.

(1.10) It was required to calculate the price of a job. Some were unable to compute the 20% profit on cost. Further, some were unable to compute 150% of direct labour cost. However, marks were awarded for steps.

Overall performance for this question was at a satisfactory level.

SECTION B

Question No. 02

(a) Candidates' knowledge on preparation of stocks ledger using Weighted Average Cost (WAC) method was tested. Some candidates have used FIFO, LIFO methods in preparing the stocks ledger instead of WACC.

(b) Preparation of payroll was tested in detail and a considerable number of candidates' answers were satisfactory and some candidates had failed to identify the allowances to be added to the basic salary and the statutory and non-statutory deductions of employees from the basic salaries. Some candidates had deducted employer's contributions also from the individual salaries..

Overall performance for this question was at a satisfactory level.

Question No. 03

This question was tested the basic knowledge of overheads absorption among various departments in a manufacturing entity including service departments. Almost all the candidates had prepared the overhead absorption table correctly but most of them had failed to calculate the overhead absorption rate correctly. Further, some candidates had prepared the overhead absorption statement without apportioning the service department's overheads.

Overall performance for this question was at a satisfactory level.

Question No. 04

This question was tested the knowledge on preparation of Income Statement of not-for-profit organizations. Majority of the candidates had answered this question and of them considerable number candidates had performed well.

However, following weaknesses were noted:

- (1) Entries that needs to be posted in Trading Account had been entered to Income and Expenditure Account and vice versa.
- (2) Members' subscriptions paid in advance had not been correctly entered in the members' subscription account and therefore the subscription amount for the year had not been calculated correctly.
- (3) Some candidates had included fixed assets to the income and expenditure account.
- (4) Electricity and Salaries had not been apportioned as instructed in the question.
- (5) Creditors' control account had not been worked-out properly.
- (6) Accrued electricity had not been adjusted correctly.

Overall performance for this question was at a satisfactory level.

Question No. 05

It was required to prepare the Profit and Loss Appropriation Account, Partners' Capital Account and Partners' Current Account in a Partnership Business.

Majority of the candidates had prepared the required accounts properly. Only a handful of candidates have incorrectly included drawings also into the Profit & Loss Appropriation Account. Only a very few candidates had not transferred the amount payable to **Thilak** to a loan account as per the requirement of the question.

Overall performance for this question was at a satisfactory level.

Question No. 06

This question was tested to prepare the Trial Balance of "**Online Foods by Annie**" with incomplete records or transactions.

Most of the candidates had arrived most of the figures of the Trial Balance correctly, except the sales figure and the month end cash balance.

Some candidates had omitted to add cash drawings to the sales total.

Overall performance for this question was at a fairly satisfactory level.

SECTION C

Question No. 07

This question was tested on how to prepare a Comprehensive Income Statement and a Statement of Financial Position of a Limited Liability Company. Further, it was tested the knowledge on accounting standards, double entries, accounting policies etc.

Following weaknesses were observed:

- (1) Workings had not been attached by considerable number of candidates. Therefore they couldn't earn full marks allocated.
- (2) Closing inventory adjustment has not been correctly adjusted considering the expired stock by considerable number of candidates.
- (3) Income tax adjustment had not been shown by majority of the candidates in their workings and most of them had not calculated correct income tax amount for the year in review. Further, most of them had not correctly shown the income tax payable amount.
- (4) Generally accepted formats for income statement and the Statement of Financial Position had not been followed by some candidates.
- (5) Bonus share issue has not been correctly shown in the financial statements by some of the candidates.
- (6) Some candidates had shown some figures in thousands and some figures have been considered without rounding off to thousands.
- (7) Though an allowance of 5% for trade receivables to be made on balance trade receivables after writing-off of Rs.270,000/- as irrecoverable, some candidates have computed 5% from the given trade receivable amount.

Overall performance for this question was at a satisfactory level.

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General points to be considered to improve performance level of candidates:

- (1) Practicing Past papers / Pilot Papers and Suggested Answers will improve performance. Since same patterns and facts could be tested again, it is beneficial at all the times.
- (2) Manage your time efficiently. Time to be spent for each question could be estimated by looking at the marks allocated.
- (3) Follow the instructions given in the question paper and exhibit calculations and workings correctly.
- (4) Read the question several times and answer only what is asked in the question. Do not write unnecessary things.
- (5) Legible hand writing and correct numbering of questions.
- (6) Face the examination with a good preparation and with the utmost hope of passing the examination.
- (7) Study accounting standards relevant for this level. Study Text and magazines for this subject as well as other relevant readings for specific subject matters.

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