

EXAMINER'S REPORT**LEVEL II EXAMINATION - JANUARY 2025****(201) ADVANCED FINANCIAL ACCOUNTING & COSTING**

SECTION A**Question No. 01**

Marks allocated to this question is 25 and it consisted of 10 MCQ questions' and 5 sub questions to write short answers. The knowledge has been tested covering the Advanced Financial Accounting and costing under the syllabus. Most of candidates attempted to this question and only few candidates were able to achieve full marks.

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

- 1.1** The question tested candidates' knowledge of inventory valuation and most of the candidates answered Rs.4.8 million correctly. It was noted that few candidates were unable to identify the correct answer due to a lack of theoretical understanding of the subject area.
- 1.2** Question was tested the knowledge of cost accounting. The majority of the candidates had identified the given statement relating to cost statement and selected the answer correctly, while only a few were unable to provide the correct response due to lack of proper understanding of basic cost accounting principles.
- 1.3** This question examined the candidates' understanding of the provisions of the Partnership Ordinance 1890. Most of the candidates provided correct answers.
- 1.4** This question required candidates to select the correct statement regarding cost accounting. Most of the candidates had answered correctly and some candidates had failed to earn allocated marks.
- 1.5** This question tested knowledge of accounting concepts and required the candidates to determine the correct rent income for the year ended 31st March 2024 by applying accrual concept. A significant number of candidates were unable to provide the correct rental income for the year concerned.
- 1.6** It was required to identify non-adjusting events after the reporting period in accordance with LKAS 10. Most of the candidates scored full marks by giving dividend proposal, decrease in the market value of investments, etc. and few candidates struggled to answer correctly.
- 1.7** It was required to state three assumptions of the Economic Order Quantity (EOQ) formula. Most of candidates had correctly answered and some candidates were mistakenly written the EOQ formula only.
- 1.8** This tested to calculate the sacrificing ratio of X and Y. Most of the candidates successfully provided the correct ratio and few candidates were unable to calculate the scarifying ratio due to poor knowledge and skills for mathematics subjects.

- 1.9** The question required candidates to calculate the Net salary to be paid by a private company based on the given scenario. As this was a fundamental and straightforward accounting calculation, most of the students achieved full marks. However, very few candidates were unable to compute the net salary to be paid due to calculation of EPF deduction inaccurately.
- 1.10** The question was asked to calculate the total earning of a particular employee in a product manufacturing entity. Most of candidates had calculated the total earning and some candidates had not earned full marks due to lack of understanding the given information.

Overall performance for this question was at a satisfactory level.

SECTION B

Question No. 02

The question was tested to prepare the Capital (Equity) balance as at 01st April 2023 and the Net Profit of a sole proprietorship for the year ended 31st March 2024. Some candidates had not calculated the equity balance properly and observed the following weaknesses:

- (1) It was noted that considerable time had spent for preparing the Cash Book.
- (2) Vehicles amounting to Rs.9,000,000/- (after depreciation) had not been taken into the calculation of equity balance.
- (3) The cost of sales was wrongly calculated due to the incorrect calculation of the purchase of fuel properly.
- (4) Entries relevant to P&L had been taken into the Trading Account.
- (5) Calculation of depreciation had not been done properly.

Overall performance for this question was at a satisfactory level.

Question No. 03

This question tested the basic knowledge that how to prepare the Partners' Current Accounts and Capital Accounts. Majority of the candidates had performed well for this question.

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

- (1) All dues to **Maya** had not been shown separately.
- (2) Goodwill adjustment had not been done properly and further entries had been done in the current account.
- (3) Opening Balances of Current Accounts had been interchanged.
- (4) Some candidates had recorded transactions in the capital accounts instead of current accounts.

Overall performance for this question was at a satisfactory level.

Question No. 04

This question asked to prepare the members' subscription account and Income and Expenditure Account of a Non-Profit Organization.

Common mistakes observed were as follows:

- (1) Income and Expenditure Account had not been prepared correctly by some candidates.
- (2) Depreciation for the year had not been properly calculated and not taken into the Income and Expenditure account by some candidates.
- (3) Debit and credit entries relevant to members' subscription account had not been properly entered by some candidates.
- (4) Membership fees received during the year 2024 had been accounted as the membership fees for the year by some candidates.

Overall performance for this question was at a satisfactory level.

Question No. 05

- (A) It was asked to calculate price to be charged on **Job. No. 102** based on the information given. A few candidates had failed to add the company's profit margin of 25% on the cost of production to the price to be charged which is the amount required to the full marks.
- (B) Based on the data given, it was required to prepare a statement of allocation and apportionment to each production department and very few candidates had not performed well. Further, it was noted that the basis of overheads allocation had not been shown by some candidates

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 Economic Order Quantity (EOQ), Re-Order Level and Maximum Stock Level. Most of candidates had calculated the EOQ and some candidates had not attempted the question. Few candidates had wrongly substituted the figures to the EOQ formula. It was observed that few candidates had failed to substitute data for the Re-Order Level formula and Maximum Stock Level formula. As a suggestion to this type of weaknesses of candidates, theoretical knowledge in accounting and costing must be enhanced.
- (B) Based on the given data, it was asked to prepare the Store Ledger for the raw material "X" under the FIFO method. Most candidates performed well in this question and a few candidates had not taken the correct price of quantity issued due to lack of understanding of FIFO method. Also noted that a few candidates had not attempted to prepare the Store Ledger.

Overall performance for this question was 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 the 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 format for the Statement of Comprehensive Income was not followed by a very few candidates.
- (2) Income Tax adjustment had not been done correctly by some candidates.
- (3) Accounting entries for disposal of machinery had not been done by some candidates and therefore, the correct profit on disposal of machinery had not been taken into accounts by some candidates.
- (4) Sales Commissions and Interim dividends paid had shown in the accounts as income by few candidates
- (5) Correct allowance for trade receivables had not been taken into accounts by some candidates.
- (6) Some candidates had not attached the workings and therefore, they couldn't score some more marks allocated for workings.
- (7) Office rent paid in advance had not been considered by some candidates.

(b) Preparation of Statement of Financial Position:

- (1) Some candidates had not deducted the provision for bad debts from the Trade Receivables.
- (2) Correct classifications of Current and Non-Current Assets and Liabilities were not applied.
- (3) Very few candidates had not used the generally accepted format for the Statement of Financial Position.
- (4) Some candidates had failed to record the right issue of ordinary shares in the accounts.
- (5) Accumulated depreciation of machinery and motor vehicles had not been correctly taken into accounts by some candidates.
- (6) Interim dividends paid had not been properly recorded in the accounts.
- (7) Audit fees payable and Income tax payable had not been shown in the accounts by few candidates.

Overall performance for this question was at satisfactory level.

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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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