

**EXAMINER'S REPORT****LEVEL II EXAMINATION - JANUARY 2026****(201) ADVANCED FINANCIAL ACCOUNTING & COSTING**

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**SECTION A****Question No. 01**

Marks allocated to this question is twenty-five, and it consisted of 10 sub-questions, including five multiple choice questions, three theoretical questions and two calculation-based questions. The knowledge has been tested covering the fundamental knowledge on Accounting and Costing subject areas.

The following common weaknesses and mistakes were observed during the process of evaluation of answer scripts:

- 1.1** The question tested the knowledge of depreciation and determination of carrying value at a specific year-end. Most of the candidates answered correctly, demonstrating a clear understanding of the straight-line depreciation method. However, a few candidates were unable to calculate the correct carrying value, indicating a lack of conceptual clarity regarding depreciation and residual value treatment.
- 1.2** This question tested candidates' understanding of LKAS 10 – Events after the Reporting Period. A considerable number of candidates provided correct answers, while a few were unable to answer due to a lack of understanding of adjusting and non-adjusting events.
- 1.3** The question required candidates to calculate EPF & ETF applying the APIT amount and find the net salary. A considerable number of candidates had provided correct answers while a few were unable to answer the question.
- 1.4** Question tested the knowledge on pre-payments, accruals and charge for the year ended 31<sup>st</sup> March 2025. Most of the candidates had answered correctly and some candidates had failed to earn the allocated marks due to wrong calculations.
- 1.5** Question was tested about re- order level of a particular product. This needs to apply figures to a basic costing formula in material costing. Most of the candidates had answered correctly and some candidates had failed to earn the allocated marks.
- 1.6** This question asked to identify two (2) components of the financial statements, but most candidates did not understand the question properly and answered with the elements within the financial statements. Only a few candidates answered correctly and earned full marks.
- 1.7** This question tested knowledge of the advantages of the time-rate remuneration system. Very few candidates provided answers at the required level. Most of the candidates did not score marks for this question, which indicates a lack of reference to the study pack.

- 1.8** It was tested the knowledge of Section 24 of the Partnership Ordinance of 1890. Most of the candidates had answered correctly, but, some candidates had failed to answer due to lack of knowledge on Section 24.
- 1.9** It was required to calculate VAT Payable by the business and most of the candidates had done it correctly. However, least number of candidates failed to give the correct answer.
- 1.10** It was requested to calculate the price to be charged for a particular job. Most of the candidates successfully calculated the correct price. However, some candidates struggled to calculate correct profit margin, reflecting gaps in their understanding of job costing and pricing concepts.

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

## **SECTION B**

### **Question No. 02**

The question was tested to calculate the Net Profit for the year and Capital (Equity) Balance at the year-end of a sole proprietorship. Some candidates had not calculated the Equity balance properly.

Further the following weaknesses of some candidates were observed:

- (1) It was noted that considerable time had been spent on preparing the Cash Book.
- (2) Rent paid in advance had not been considered.
- (3) 10% incentive on total cash collected from trade debtors had not been taken in to accounts by some candidates.
- (4) Majority of the candidates had not followed the equity method to calculate the Net profit and Capital balance which had been asked to calculate.

**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 Capital Accounts. Also this question has tested the candidates knowledge on the adjustments at the retirement of a partner from the business. Average number of candidates performed well for this question.

Some candidates did not perform well due to the following reasons:

- (1) Goodwill adjustment had not been done properly and further; entries had been adjusted in the current accounts without considering the instructions given.
- (2) Some entries relevant to current accounts had been entered in capital accounts.
- (3) Proper accounting treatments for non-current asset revaluation had not been done by some candidates and noted that re-valuation gain had not been accounted in the Partner's Capital accounts.

**Overall performance for this question was at an average level.**

#### **Question No. 04**

This question asked to prepare the members' subscription account and Income & Expenditure Account for a Non-Profit Organization. Most candidates attempted the question and average number of candidates were unable to calculate prepare Income & Expenditure Account correctly.

Common mistakes observed were as follows:

- (1) Income and Expenditure Account had not been prepared correctly by some candidates.
- (2) Debit and credit entries relevant to members' subscription account had been interchanged by few candidates.
- (3) Also noted that transactions related to Christmas Party had not been separately identified and some candidates had entered all the transactions to Income and Expenditure Account.
- (4) General format for Income and Expenditure account had not been used by few candidates.
- (5) Amount spent on Laptop Computer (Capital Expenditure) had been shown in the Income and Expenditure Account.

**Overall performance for this question was at an average level.**

#### **Question No. 05**

This question consists of parts (a) and (b).

- (a) It was asked to prepare the Stock Ledger for Product Y002 using the Weighted Average Cost method and most of candidates had performed well and noted that very few candidates had failed to prepare the stock ledger correctly.
- (b) Question was asked to prepare the profit reconciliation statement between financial accounts and cost accounts and most of the candidates had not prepared the required statement.

**Overall performance for this question was at an average level.**

#### **Question No. 06**

- (a) Based on the given data, it was required to prepare a statement showing how the overheads are allotted and apportioned to each production department and allocation of cost to Service Department. Most of candidates had performed well for this question.
- (b) Question was asked to calculate the Economic Order Quantity (EOQ) based on given data. Calculating EOQ is a very basic question in costing under material costing. Candidates' performance was satisfactory.

Further, noted that very few candidates had failed to calculate the EOQ correctly.

**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 only a few 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 very few candidates.
- (2) Tax adjustment had not been done correctly by some candidates.
- (3) Accounting entries for disposal of Motor Vehicle had not been properly done by some candidates and therefore, the correct profit on disposal of Motor Vehicle had not been taken into accounts. Also noted that depreciation on Motor Vehicle, Office Equipment had not been correctly taken into the accounts.
- (4) Correct allowance for trade receivables had not been taken into accounts by some candidates.
- (5) Some candidates had not attached the workings and therefore, they couldn't score some more marks allocated for workings.
- (6) Pre-paid Office Rent had not been adjusted by some candidates.
- (7) Some candidates had forgotten to adjust the stock loss occurred at the year end and noted that very few candidates had not properly adjusted the difference between the Cost and the Net Realizable Value of the inventory as at 31<sup>st</sup> March 2025.

#### **(b) Preparation of Statement of Financial Position:**

- (1) Some candidates had not deducted the provision for bad debts from the Trade Receivables.
- (2) Some students are not aware of the difference between Current and Non-Current Assets and Liabilities.
- (3) Very few candidates had not used the Generally Accepted format for the Statement of Financial Position.
- (4) Accumulated depreciation of Office Equipment and Motor Vehicles had not been correctly taken into accounts by some candidates.
- (5) Income Tax payable had not shown in the accounts by few candidates.
- (6) It was observed that some candidates had not attempted Adjustment No 5 that acquisition and disposal of Motor Vehicle.

**Overall performance for this question was at an average 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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