

ADVANCED FINANCIAL ACCOUNTING – PAPER 8**1.0 General Performance**

- Performance was below expectation. Overall performance deteriorated from 41.28% in the December examinations diet to 30.62% this sitting.
- 67% of the candidates attempted less than the required five questions and only answered part of the questions they attempted.
- Questions 2, 4, 6 and 7 were the best answered questions, while questions 1, 3 and 5 were the worst answered. Questions 3 and Q4 were the least attempted.
- Most of the questions required the candidates to give examples or relate their answers to the scenarios given. However, most candidates did not provide the examples or relate their answers to the scenarios given and failed accordingly.
- Overall, the candidates' preparation for the narrative questions was not adequate.

2.0 PERFORMANCE IN INDIVIDUAL QUESTIONS**2.1 Question 1**

- Required candidates to prepare a statement of : (a) comprehensive income, (b) changes in equity, and (c) financial position
- All candidates attempted question and registered a 10% pass rate.
- No candidate was able to derive correct figures for inventory and cost of goods sold.
- The score in this question was determinant of the overall pass rate because it carried 60% of the pass mark.
- Most of the candidates did not know how to treat the scenario under 'sale or return' arrangements of the goods.
- Most candidates gave the correct adjustment for impairment of investments but failed on the treatment of investments in finance lease and could not apportion the leased asset into the current and non-current components.

2.2 Question 2

- Required candidates to: (a) give cases where ratio analysis is not a good measure of performance, (b) compute ratios and analyse the company's financial performance based on a comparison with the sector averages.
- 82% of the candidates attempted this question and registered a 30% pass rate.
 - Most candidates demonstrated knowledge of ratio computations and interpretation. However, the majority of candidates did not write the analysis report. For those who attempted to write the report, they could not come up with an appropriate conclusion that was expected of them.

2.3 Question 3

- Required candidates to: (a) demonstrates knowledge of earnings per share and related party transactions, (b) calculate the basic and diluted earnings per share, and (c) (i) describe the main circumstances that give rise to related parties, (ii) explain why the disclosure of related party relations and transactions may be important.
- 50% of the candidates attempted this question and registered a 10% pass rate.
- Most candidates failed to demonstrate knowledge of earnings per share and related party transactions.
- Parts (a) and (b) were poorly answered; parts (c) and (d), which tested about related parties, were relatively well answered. This shows that candidates were not conversant with computation of basic and diluted earnings per share, and could hardly differentiate basic earnings per share from reported profits.

2.4 Question 4

- Required candidates to: (a) draw up a revenue register (Form RE 11) for a local government council, (b) prepare journal entries to record central government grants to a local government council.
- This was the simplest question in the entire paper and candidates were expected to use minimal time to score most of the marks allocated.
- 40% of the candidates attempted this question and registered a 35% pass rate. Candidates did not separate the form RE 11 for land use income from that of income from markets.
- In part (b), 90% of the candidates who attempted the question could not prepare journal entries. Instead, they prepared ledger accounts which were not a requirement of the question.

2.5 Question 5

- Required candidates to: (a) (i) explain why it is considered necessary to provide for deferred, (ii) outline the principles of accounting for deferred tax contained in IAS 12: Income Taxes.
- This question tested candidates' knowledge of: IAS 12, Deferred Tax, and IAS 38, and Intangible Assets. The candidates were required to demonstrate knowledge of the circumstances/ conditions for recognition of intangible assets.
- 71% of the candidates attempted this question and registered a 41% pass rate.
- Most candidates adequately explained the scenarios that give rise to deferred tax liability or asset but failed the computational part of the question.
- None of the candidates demonstrated knowledge of the balance sheet liability method. Candidates also failed to demonstrate knowledge of the treatment of deferred tax balance in the statement of financial position.
- Performance on recognition of intangible assets was average. However, most of the candidates failed to state the correct treatment of internally generated intangible assets and intangible assets purchased as part of acquiring the business.

2.6 Question 6

- Required candidates to; (a) explain the following concepts and demonstrate how they are applied to trade and other receivables: accrual, prudence and materiality; (b) explain the term 'events after the reporting date'
- In part (a) 95% of the candidates could not apply the above concepts to trade and other receivables. This made them lose valuable marks.
- At this level, a candidate should be in position to apply the knowledge of these concepts to scenarios. However, there were cases where candidates could not explain the above concepts at all!
- Most candidates properly explained the adjusting and non-adjusting after reporting date events. However, they could give appropriate examples!
- 38% of the candidates attempted this question and registered a 69% pass rate.

2.5 Question 7

- Required candidates to explain the powers and functions of the auditor general.
- Most of the candidates did not know the difference between powers and functions.
- 62% of the candidates attempted this question and registered a 66% pass