

EXAMINERS' COMMENTS ON PERFORMANCE OF THE EXAMINEES

PAPER – 5: ADVANCED ACCOUNTING

Specific Comments

Question 1.(a) Most of the examinees failed to calculate the provision to be made for warranty under AS 29.

(b) Large number of the examinees were not able to calculate the amount of borrowing cost and exchange difference to be accounted in the financial statements as per related provisions of AS 11 "Effects of changes in foreign exchange rates" and AS 16 'borrowing cost'.

(c) Few examinees could not explain the accounting treatment on the situations of sale and lease back asked in the question.

(d) Some of the examinees could not determine the amortization patent cost considering the requirements of AS 26 "Intangible Assets".

Question 2. Most of the examinees erred in computation of purchased consideration, shares received from Sargam Ltd. and profit from realisation account. Consequently, they were unable to prepare the Capital Accounts of the partners and the cash account correctly in the books of partnership firm.

Question 3. Most of the examinees could arrive at the liability of underwriters towards shares but failed to arrive at the amount due to them/due from them. Many examinees failed to prepare Debenture Redemption Reserve Investment Account in the desired manner in part (b) of the question.

Question 4. Some of the examinees failed to compute the number of debentures and shares to be issued to the amalgamating companies and also erred in calculation of amount of goodwill/ capital reserve.

Question 5. Few examinees were not able to prepare the profit and loss account of National bank Ltd. with all necessary schedules from the information given in the question. Some of them erred in preparation of insurance revenue account as per IRDA regulations in part (b) of the question.

Question 6. Some examinees failed to calculate correct amount of unrealized profit included in the closing stock of each department. Few examinees could not ascertain the Branch Profit in part (b) of the question.

Question 7.(a) Few examinees could not ascertain the maximum amount, which can be withdrawn by Shankar if Financial Capital is maintained at Historical cost.

(b) Some of the examinees failed to calculate the total Remuneration payable to Liquidator

- (c) Majority of the examinees described about re-insurance accepted and ceded instead of writing about “Facultative” and “Treaty” insurance.
- (d) Few examinees erred in computation of amount of provision required by bank on doubtful assets covered under ECGC cover.
- (e) Large number of examinees were not able to write a short note on distinction between partnership and LLPs on the specific key elements asked in the question.

PAPER – 6: AUDITING AND ASSURANCE

Specific Comments

Question 1.(a) Problematic relationships between the auditor and management

Only very few examinees understood the question properly. The examinees failed to understand the circumstances that indicate possibility of fraud due to problematic relationships between auditor and management.

(b) Steps undertaken to conduct audit in a systematic and efficient manner.

Most of the examinees have not understood the question properly and stated the procedure for conducting an audit starting from planning to reporting instead of about “Methods of work” which was required.

(c) Right of Access to secretarial records and correspondence.

Examinees have good knowledge on the topic and they correctly mentioned about the auditor’s right to access to books of accounts of the Company and the effect of refusal in its report.

Question 2.(b) Procedures and Techniques are often used interchangeably in an audit.

Most of the Examinees explained about the procedures and techniques independently but the relationship between the two was explained by only few examinees.

(c) Reasonable assurance is an absolute level of assurance.

Many Examinees did not know about the difference between reasonable assurance and absolute assurance. They did not mention that reasonable assurance is a high level of assurance but not an absolute assurance because there are inherent limitations of audit.

(g) Internally generated Goodwill can be recognised as an asset.

Examinees failed to mention the conditions needed to recognise the goodwill as an asset. They did not mention that as per AS 26, internally generated goodwill is not recognised as an asset because it is not an identifiable resource controlled by the enterprise that can be measured reliably at cost.

(h) Sample size is not a valid criterion to distinguish between statistical and non-statistical approaches.

Examinees covered only half of the relevant points and did not discuss about the auditor's judgement which was required.

Question 3.(a) Recovery of Bad debts written off.

Although the examinees did not mention all the relevant points yet they reasonably attempted this part of question. Some examinees were not clear between recovery of Bad Debts and recovery of Bed Debts written off.

Question 4.(a) Ceiling on number of Audits.

Though examinees correctly mentioned the limit of 20 companies yet only few mentioned about being partners in more than one firm.

(b) Using Audit Evidence Obtained in Previous Audits.

Most of the examinees have not understood question properly and did not mention about operating effectiveness of controls which was required.

(c) Acceptance of a change in Engagement.

Many examinees did not write that if the terms of the audit engagement are changed, the auditor and management shall agree on and record the new terms of the engagement in an engagement letter or other suitable form of written agreement.

Question 5.(b) Cut-off Arrangement.

Most of the examinees do not have fair knowledge of the topic and only few examinees explained about cut off arrangement.

(c) Communication of Weakness in Internal Control.

Many examinees mentioned about Letter of Weakness to communicate deficiency in internal control but did not mention relevant points.

Question 6.(a) Disclosure requirement of Trade Receivables as per the Companies Act, 2013.

Most of the examinees discussed general points but did not mention disclosure requirement of Trade Receivables as per Companies Act 2013.

(b) Process of Judgement Formation by Auditor.

Most of the examinees have not understood question properly and wrongly explained the different types of auditor's reports.

(c) Revenue expenses wrongly treated as capital expenditure.

While few have fair knowledge on the topic, most of them are not able to explain properly.

Question 7.(b) Monitoring of Controls.

Examinees mentioned that it is assessing the effectiveness of internal control and taking remedial actions but did not mention the case of small entities.

(d) Physical verification of Fixed Assets at Reasonable Intervals.

Examinees wrongly mentioned that it is auditor's duty instead of management's duty.

(e) External Confirmation as audit procedure.

Examinees explained about positive and negative confirmation and situations where it provides relevant evidence but failed to explain external confirmation as an audit procedure which was required.

PAPER – 7: INFORMATION TECHNOLOGY AND STRATEGIC MANAGEMENT

SECTION – A: INFORMATION TECHNOLOGY

Specific Comments

Question 1. This was a compulsory question consisting of five sub-parts, one from each chapter. The overall performance was average.

(a) This sub part was based on “Steps in preparing a Limited Entry Decision Table”. Few examinees could provide the appropriate answer.

(b) Most of the examinees mentioned the “Disadvantages of DBMS” appropriately and scored good marks.

(c) Instead of explaining “Secret Key Encryption/Decryption Method”, most of the examinees explained the “Concept of Cryptography” in general.

(d) Most of the examinees well attempted this question by “Listing TPS attributes”.

(e) Very few examinees could explain the “Different types of audit during System Development”. Instead most examinees merely mentioned the types of audit without providing their appropriate explanation.

Question 2.(a) Many examinees could score good marks in this question which was based on “Key factors to be considered in implementing Business Process Management (BPM) in an organization”. Few examinees mentioned points related to need for BPM rather than on the factors to be considered.

(b) This question sought examinees to “discuss basic steps involved in Data Processing Cycle under Processing Cycle of Accounts BPM”. Instead, many examinees explained the points related to “Accounting Process Flow”. Few examinees did mention the key points without their proper explanation. The overall performance was below average.

Question 3.(a) This question was based on “Server and its types.” Most of the examinees discussed about the server out of their common understanding though types of servers were correctly elucidated. The overall response was average in this question.

(b) The question was on some “specific activities executed by the Operating System”. The conceptual clarity was seen poor across answers provided by examinees about each activity of Operating System.

Question 4.(a) The first sub-part of the question was about “relationship between Internet, Intranet and Extranet” which was well attempted by most of the examinees. However, the second subpart which was on “rules of extranet”; was either not attempted or if attempted, the answers given were mostly irrelevant.

(b) The question was to examine the examinees’ understanding on “Advantages and Disadvantages of Peer-to-Peer network”. Large number of examinees attempted this question and performed well.

Question 5. (a) Examinees were not able to justify the level of knowledge expected in the question which was based on “Parameters of Do's and Don'ts each that need to be considered while developing MIS”. Most of the examinees partially explained either the characteristics or advantages of MIS. Only few examinees could explain the required points enabling them to score good marks.

(b) The lack of in-depth knowledge on “General functions possessed by the Access Controls related to software and information” was observed amongst most of the examinees. Many examinees mentioned only the key points but could not explain them properly and performed poorly.

Question 6.(a) The question was based on “Characteristics of Cloud Computing”. The question was reasonably well attempted but some examinees explained the Characteristics of Cloud Computing instead of its advantages.

(b) The question was based on “different types of Input Controls under Application Control”. The performance of the examinees was average as most of the examinees mentioned only the key points of Input Controls under Application Control but could not explain these properly.

Question 7. The question was based on short notes in which the examinees were expected to answer any four sub-parts out of five. Most of the examinees attempted all parts as required (four out of five). However, in parts (a), (c) and (e) drafted on “Context Diagram”, “Tablet” and “Certificate authority regarding grid security” respectively; the conceptual clarity in the answers were lacking. The subparts (b) on “Tablet” and (d) on “Payment Gateway” were attempted quite well by the examinees.

SECTION – B: STRATEGIC MANAGEMENT

General Comments

- ◆ Many examinees were not able to exhibit their knowledge of key concepts that was required while answering the questions. This resulted in sketchy and vague answers. The examinees should study all the topics in the subject comprehensively and write precise and relevant answers.

- ◆ The presentation of the answers was also found below expectations in several cases. Answers lacked logical flow and proper language.
- ◆ A thorough preparation with reading and writing practice of the subject will help students in improving their performance.

Specific Comments

Question 8.(a) The performance was poor. Examinees were not able to understand the question despite the fact that the question was simple and straight asking the basic goals of environmental analysis.

(b) The examinees were not able to understand the question reflecting poor knowledge of components of a good mission statement. Accordingly, the performance was poor.

(c) The performance of majority of examinees was good. Most of the examinees were able to properly explain the strategic implications of BCG matrix.

(d) Majority of the examinees were able to explain the five competitive forces in an industry identified by Michael Porter. Hence, the performance was good.

(e) Most of the examinees answered the question based on superficial knowledge. Some of them vaguely explained the culture & traditions instead of explaining supportive culture promotes good strategy execution.

Question 9.(a) While majority of the examinees were able to state whether the statement is correct or incorrect, they were not able to substantiate their stand with appropriate reasoning. Particularly, the answers were lacking in case of part (i) to differentiate the meaning of efficiency and effectiveness.

(b) The performance of the examinees was average. Examinees mentioned about the characteristics of a global company and have not discussed the reasons necessary for the globalization of companies.

Question 10. Examinees were not able to provide expected answers as they lacked proper knowledge of the concept of business process. The answers given by them were vague. They failed to explain the circumstances under which re-engineering is required.

Question 11.(a) Majority of the examinees explained the TOWS matrix generally.

(b) Most of the examinees lacked proper knowledge of the features of complex structure and functional organization structure. As a result, the majority of answers were irrelevant.

Question 12.(a) The examinees were not able to understand the question reflecting poor knowledge of topic. Accordingly, the performance was poor.

(b) The examinees were not well-versed with the three different bases to gain competitive advantage. Accordingly, the performance was average.

Question 13.(a) Majority of the examinees were not able to distinguish between publicity and sales promotion. The performance was average.

(b) The difference between shared vision and vision shared was not properly brought out by most of the examinees. The performance was average.

Question 14.(a) Majority of the examinees were not able to explain the elements considered for situational analysis. Hence, the performance was below average.

(b) The performance of examinees was not satisfactory reflecting lack of preparation on the topics - need for turnaround strategy and supply chain management. Answers in majority of cases were vague and without conceptual base.