

EXAMINERS' COMMENTS ON PERFORMANCE OF THE EXAMINEES

PAPER – 5: ADVANCED ACCOUNTING

Specific Comments

Question 1.(a) Majority of the examinees were not able to give the required answer in line with AS 11 “Effects of Changes in Foreign Exchange Rates”. They failed to compute exchange difference to be capitalised and depreciation amount to be charged on machineries as on 31st March, 2018.

(b) Few examinees could not compute the correct present value of Minimum Lease Payment for fourth year and hence, could not arrive at correct value of Lease Liability. Consequently, they failed to ascertain Unearned Finance Income in line with the AS 19 “Leases”.

(c) Majority examinees computed Basic Earnings Per Share (EPS) and restated EPS correctly in line with the provisions of “AS 20 Earnings Per Share”

(d) Most of the examinees failed to give the required accounting treatment for the receipt of grants as per AS 12 “Accounting for Government Grants”.

Question 2. Large number of examinees were not able to prepare correct realisation account in the books of both amalgamating partnership firms and consequently, they failed to prepare Balance Sheet of the new firm and capital accounts of the partners in the books of old firm.

Question 3.(a) Few examinees gave the required Journal Entries for buy back without even testing whether buy back of shares by company is within the provisions of the Companies Act, 2013 by applying shares outstanding test, resources test and debt-equity ratio test.

(b) Majority of examinees failed to compute underwriters' liability and amount payable to/by them.

Question 4. Most of the examinees made mistake in journal entry pertaining to adjustment of assets / liabilities at the time of takeover and erred in computation of purchase consideration. They also could not arrive at correct figure of Reserve and Surplus in the balance sheet of the amalgamated company after merger.

Question 5.(a) Few examinees could not prepare Revenue Accounts in respect of Fire and Marine Insurance Business in the prescribed formats for the year ended 31st March, 2017.

(b) Some of the examinees failed to compute the rebate on bills discounted as on 31.03.2019 and prepared wrong journal entries. Consequently, they were not able to give ledger accounts of Rebate on bills discounted and Discount on Bills.

Question 6.(a) Most of the examinees erred in apportionment of expenses in the correct ratio while preparing departmental trading and profit and loss A/c. They also failed to calculate correct figures of Unrealised Profit included in the closing stock and amount of Manager's Commission.

(b) Few examinees could not arrive at correct figure of Closing Stock and Manager's Commission in the branch trading and profit and loss A/c. Branch A/c was also wrongly prepared by some of them.

Question 7.(a) Few examinees erred in calculation of liquidator's remuneration when the surplus is insufficient to pay off unsecured creditors.

(b) Majority examinees failed to describe till which stage expenses (incurred to develop and produce a computer software) will be treated as revenue and what amount needs to be capitalized as per AS 26 "Intangible Assets".

(c) Few examinees erred in computation of the of Provisions to be made in Profit and Loss Account of a Bank for the year ending 31st March, 2019.

(d) Many examinees wrongly prepared Profit & Loss Account for the year ended 31st March, 2018 by assuming it is a Going Concern without understanding the requirement of the question.

(e) Majority of the examinees prepared correct journal entries for the reconstruction scheme.

PAPER – 6: AUDITING AND ASSURANCE

Question 1.(a) Audit engagement: Very few examinees mentioned correctly that terms of engagement can't restrict the scope in relation to matters prescribed by various legislations & Pronouncements of Institute instead examinees wrote irrelevant answers.

(b) **Function of Audit:** Examinees in general correctly mentioned only the first part of the answer but failed to prescribe how to establish the validity of the same.

(c) **Stratified Sampling:** Most of the examinees failed to mention the Auditor's judgment as a basis in determining the number of groups.

(d) **Difference between Internal Check & Internal Audit:** Examinees correctly discussed the difference between Internal Check & Internal Audit but most of them failed to explain it properly.

(g) **Political Contribution:** Many examinees failed to correctly answer with respect to the amended provisions of sec. 182 regarding contribution to political party.

Question 2.(a) Development of an Overall Plan: Examinees could cover only few correct points and some of them mixed the points with principle aspects required to be looked into by the auditor instead of development of plan.

(c) **Division of Internal Control into Components:** Examinees have no idea of the requirement of the question and mostly discussed the aspects to be covered in internal control which was not required.

Question 3.(a) Analytical Review Procedures: Most of the examinees failed to relate their answer to the requirement of the question and discussed only about need and procedure to check debtors, loans and advances.

(b) Disclosure of expenses as per Schedule III of the Companies Act, 2013: Examinees were unaware of the requirements of Schedule III and could not correctly mention relevant heads of expenses to be disclosed.

(d) Documents to be verified in case of Securities: Examinees failed to correctly mention the legally enforceable security required to be verified and instead just named the securities.

Question 4.(b) Prohibition for buy back in certain circumstances: Only few examinees discussed points like default in payment of interest, dividend only and failed to correctly mention the other relevant important points.

(c) Preparation of Financial Statements: Most of the examinees correctly concluded but failed to explain the reason for arriving at the conclusion.

(d) Disqualification of a Director Under Section 164(2) of the Companies Act, 2013: Examinees, in general, failed to correctly conclude and explain the reasons for appropriate reporting requirement by the auditor as per Companies Act, 2013.

Question 5.(c) Objective of Audit of Local Bodies: Most of the examinees failed to correctly mention the relevant points.

(d) On the dissolution of the firm, assets are to be applied in the following order: Most of the Examinees mixed their answer with the requirement as per Companies Act, 2013 rather than partnership.

Question 6.(a) Review of Internal Control by the Auditor: Examinees failed to mention the various areas required to be reviewed and mentioned only general points. Very few examinees opted this part of the option.

Or

Question 6.(a) Tests of Control: Examinees, in general, correctly mentioned the various points to be included in test of control but failed to properly explain it.

(c) Advantages of Statistical Sampling in Auditing: Most of the examinees failed to correctly indicate the important advantages of statistical sampling in auditing and mentioned only general points.

(d) Need for CAATs in a CIS Environment: Examinees, in general, failed to correctly mention the need for CAATs.

PAPER – 7: INFORMATION TECHNOLOGY AND STRATEGIC MANAGEMENT**SECTION – A: INFORMATION TECHNOLOGY****Specific Comments**

Question 1. This was a compulsory question consisting of two sub-parts. The overall performance was average.

(a) This sub-part was based on “IT processes involved in a typical business enterprise”. Most of the examinees attempted this question, and barring few cases, majorly the answers were vague and not to the point. Examinees have answered and mentioned about business process and not the IT Process. The performance of the examinees in this question was poor.

(b) This subpart required the examinees to provide the “Disadvantages of cloud computing”. Most examinees were aware of the topic, performed well and scored good marks.

Question 2.(a) In this question, examinees were required to write “Six steps involved in conducting security program to ensure safeguarding of assets and maintenance of data integrity”. It has been noticed that most of the examinees mentioned security tools rather security procedure and overall performance was average in this part.

(b) This question had two subparts within itself. The first part required the examinees to mention “Four major pictorial techniques”. The second part of this question was asked to explain “Three reasons for importance of documentation to information system”. Most of the examinees answered this question correctly and scored well.

Question 3.(a) This question had three subparts in it.

- The first part was based on “need to have control in information system”.
- The second subpart required to “list any eight control procedures included for an information system”.
- The third subpart required to “mention any two areas in which controls have been affected”.

Most of the examinees partly answered this question with very few examinees writing the answers of all the parts correctly.

(b) This question was simple and straight-forward question based on “Pre-requisites of ACID test for any Transaction Processing System”. Most of the examinees well attempted this question. Though few examinees could not provide correct explanation but the full form of “ACID Test” was given correctly. The overall performance of the examinees was reasonably good.

Question 4.(a) This question was related to “Various steps to perform to implement automation of purchase order generation process in a manufacturing entity”. The examinees well attempted this question and fetched good marks. Most examinees could give minimum basic heading points that evidently displayed their grasp in the topic.

(b) This question required the examinees to “Explain the main elements/components of a Supply Chain Management System”. Good number of examinees could give only basic point headings whereas few examinees provided the necessary details as well. Overall performance of the examinees was satisfactory in this question.

Question 5.(a) This question was based on “Explanation of Six Sigma and discuss the various phases of its Life cycle”. Being a simple question relating to BPM, the answer required definition of Six Sigma with points and explained phases of its life cycle. Though, it was observed that heading points were written correctly by most of the examinees whereas few examinees could not describe them properly. The overall performance was good in this question.

(b) This question had two internal choices with the first choice related to “Categories of encryption/decryption” and the other choice related to “Basic approaches of encryption”.

- The first choice was application oriented and attempted by majority of the examinees. However, most of them provided generic answer and the overall performance was not satisfactory in this.

Or

- In the second option, very few examinees could reasonably answer the question with correct explanation.

SECTION – B: STRATEGIC MANAGEMENT

Specific Comments

Question 6. Most of the Examinees were not able to understand the inherent requirement of the question especially with respect to the distinctive features of the generic competitive strategies.

Question 7.(a) Majority of the Examinees were able to present good answers and their performance was good.

(b) Most of the Examinees were not able to understand the question. They wrote about characteristics of SBU instead of explaining how the SBU structure is useful for an organization when there is increase in number, size and diversity of divisions. Accordingly, the performance was below average.

Question 8.(a) Many Examinees explained the steps of benchmarking rather than the use of benchmarking as a tool of continuous improvement in search of competitive advantage. The performance was average.

(b) The Examinees were able to merely give the general functions of HR manager instead of explaining the prominent areas where HR manager can play strategic role. The performance was average.

Question 9.(a) The performance was good as most of the Examinees answered it on the expected lines.

(b) The performance was average. The Examinees had little knowledge of the meaning of situational analysis, however, they were able to explain the factors of situational analysis.

Question 10.(a) The difference between operational control and management control were not properly brought out by most of the examinees. The performance was below average.

(b) Examinees, in general, were not able to explain the role of ADL matrix in assessing the competitive position of the firm. In the second option, it was found that Examinees had reasonable understanding of importance of strategic management and their performance was good.