

EXAMINERS' COMMENTS ON PERFORMANCE OF THE EXAMINEES

PAPER – 5: ADVANCED ACCOUNTING

Specific Comments

Question 1.(a) Most of the examinees had shown the correct amount of foreign exchange gain arising due to different exchange rates at given reporting dates. However, they were unable to state that the difference as exchange gain is to be shown in statement of profit and loss account. Moreover, they could not substantiate the treatment in line with AS 11 “Effect of changes in Foreign Exchange Rates”.

(b) Some of the examinees could not classify the given items as adjusting or non-adjusting events occurring after the balance sheet date in accordance with the provisions of AS 4 ‘Contingencies and Events Occurring after the Balance Sheet Date’. Few among them could not give proper reasoning for the classification made by them.

(c) The question required the examinees to calculate carrying value of intangible assets and expenditure to be charged to Profit and Loss Account as per AS 26 ‘Intangible Assets’. Most of the examinees worked out carrying value of intangible assets correctly but could not compute the correct amount of expenditure to be charged to profit and loss account.

(d) The question required the application of AS 19 ‘Leases’. Majority of the examinees computed the present value of the minimum leased payments for given period, but they were unable to calculate the amount of gross investment to calculate unearned finance income.

Question 2. Most of the examinees prepared required ledger accounts and journal entries for the takeover, in the correct manner, as required in the question. However, few examinees could not draft balance sheet after acquisition along with relevant notes to accounts.

Question 3.(a) Most of the examinees correctly passed the journal entries relating to recognition of year-wise employee compensation expenses and their subsequent transfer to profit and loss account. However, some examinees could not pass correct journal entries relating to exercise of employee stock options and transfer of balance of employee stock options outstanding account to general reserve.

(b) This question required passing of journal entries for purchase and cancellation of own debentures. Most of the examinees were not able to calculate interest amount and gave wrong journal entries for interest on debentures, sale of investments and transfer of debenture redemption reserve to general reserve.

Question 4. The purchase consideration and its settlement were not worked out correctly, leading to wrong journal entries and ledger accounts, by few examinees. Consequently, they could not draft the balance sheet of company after absorption.

Question 5.(a) Majority of the examinees were able to compute the correct amount of provisions to be made in the Profit and Loss account on various performing and non-performing assets of banking Company.

(b) Most of the examinees did correct working of respective schedules and prepared Fire Insurance Revenue Account along with the required working notes and respective schedules in the prescribed manner.

Question 6.(a) This question is based on branch accounting. Most of the examinees were unable to calculate correct amounts of closing stock and stock reserve in respect of unrealized Profit.

(b) Most of the examinees could arrive at correct amount of closing stock and gross profit for different departments.

Question 7.(a) Most of the examinees computed the correct amount available for equity shareholders at the time of liquidation of company. However, they are unable to distribute correct amount between Class A and Class B shareholders.

(b) Most of the examinees failed to understand the requirement of the question and could not show the effect of the given transactions on Balance Sheet in the form of equation (assets - liabilities = equity) after each transaction.

(c) Most of the examinees correctly prepared the bills for collection (assets) and bills for collection (liabilities) account.

(d) Majority examinees wrote about the circumstances under which an LLP can be wound up by the Tribunal.

(e) The answers of the examinees reflected that majority of the examinees do not have conceptual knowledge of AS 11. They were not able to explain Non-Integral Foreign Operation (NFO) and Integral Foreign Operation (IFO) and gave generalized answers.

PAPER – 6: AUDITING AND ASSURANCE

Specific Comments

Question 1.(a) Very few examinees attempted this question. Those who attempted were not aware that as per Division I of Schedule III of Companies Act, 2013, the value of imports should be calculated on C.I.F. basis and earning in foreign exchange (on export of goods) on F.O.B. basis.

(b) Most of the examinees did not answer in the context of Companies Act, 2013 and answered in general manner only.

(c) Many examinees did not understand the question and answered in general. They did not write that a compilation engagement would ordinarily include the preparation of financial statements (which may or may not be a complete set of financial statements) but may also

include the collection, classification and summarisation of other financial information, which was required.

(d) Many examinees explained the frequency of surprise checks correctly but failed to explain other points.

(g) Majority of the examinees could answer one point correctly and did not explain that the auditor is not expected to, and cannot, reduce audit risk to zero and cannot therefore obtain absolute assurance that the financial statements are free from material misstatement due to fraud or error.

Question 2.(a) Verification of Profit or Loss Arising on Sale of Plots by Dealers: Most of the examinees answered this question in general manner and did not mention the specific points which were required.

(d) Restriction on Use of work of Internal Auditor by External Auditor: Few examinees did not mention the circumstances under which external auditor could not use internal audit function.

Question 3.(a) Vouching/Verification of Remuneration Paid to Directors: Majority of the examinees could answer this question correctly but some answered in general manner without giving specific points.

(b) Essential Elements of Good Internal Check System: Majority of the examinees could answer this question correctly but few of them did not mention the specific points about the essential elements of a goods system of internal check, which was required.

(c) Identifying and Assessing Risk of Material Misstatement: Very few examinees answered this question correctly and many examinees explained only types of risk which was not required.

(d) Exception to the Rule - Audit Against Propriety: Most of the examinees answered only few points correctly. Also, some examinees did not mention specific points as required.

Question 4.(b) Written Representation from Management: Most of the examinees explained meaning of written representation and did not mention what auditor will do in the situations if management denies providing written representation.

(d) Matters to be included in Auditors Report as per CARO, 2016: Many Examinees did not write correct clause number and also many other failed to mention what needs to be reported.

Question 5.(a) Disclosure of each Class of Contingent Liability: Most of the examinees explained correctly disclosure requirements about nature and amount of contingent liability but some explained only the meaning of contingent liability which was not required.

(b) Applicable Financial Reporting Framework: Many examinees explained meaning of financial reporting framework correctly and also many other examinees answered this question in general manner.

Question 6.(b) Determining Key Audit Matters: Most of the examinees answered this question in general manner rather than mentioning about specific points.

(c) Tests to be applied by the courts to view the auditor's Performance Judicially: Very Few Examinees answered this question correctly.

(d) Audit procedure to Obtain Audit Evidence: Majority of the examinees could answer this question correctly but few of them explained only other audit procedures.

PAPER – 7: INFORMATION TECHNOLOGY AND STRATEGIC MANAGEMENT
SECTION – A: INFORMATION TECHNOLOGY

Specific Comments

Question 1. This question was a compulsory question having two subparts:

(a) This subpart sought examinees to “Briefly discuss different types of Expert Systems”. Most examinees provided reasonably good answers and scored well.

(b) The examinees were asked to “Explain issues involved in Client/Server network”. Most examinees well attempted this question and scored good marks.

Question 2.(a) This question required examinees to “Explain the key factors for the success of the BPR project”. However, most examinees could give only basic point headings whereas few examinees provided the necessary details as well.

(b) This question sought examinees to “Discuss any four common examples of Unguided transmission media in a telecommunications network”. The examinees well attempted this question and fetched good marks.

Question 3.(a) This question asked the examinees to “Explain Grid Computing and also discuss various types of resources used in a grid”. Most examinees explained both well and scored good marks.

(b) This question required the examinees to “Describe broad themes into which Network security threats are categorized”. Being a simple question relating to categories of Network security threats, the answer required one-line points. Most examinees scored good marks.

Question 4.(a) This question tested the analysis skillset of examinees wherein they were required to “Explain the variety of activities executed by operating system making it a vital component of the system software in a computer system”. The examinees well attempted this question and scored good marks.

(b) This question was based on “Brief discussion on control objectives in Business Process Automation (BPA)”. Most examinees could not reasonably perform with correct explanation and not scored well in this question.

Question 5.(a) This question required examinees to “Explain the components of an EIS which make it so easy to use for top management and also to explain why EIS are called high risk/high return systems”. Though the examinees could well explain the components of EIS and scored well in this part, however very few examinees attempted the other part of “EIS being called as high-risk systems” and could score marks.

(b) The examinees were asked to “Describe any two types of flowcharts”. Though it was a simple and straight question, most of the examinees could not answer this question.

(c) The question was based on “Short note on Ultra-Mobile PC (UMPC)”. Very few examinees attempted this question, and barring few cases, majorly the answers were vague and not to the point. The performance of the examinees was poor in this.

OR

In this question, examinees were required to “Explain major concerns related to Mobile Computing”. Good percentage of examinees performed well in this.

SECTION – B: STRATEGIC MANAGEMENT

Specific Comments

Question 6. The performance was average as the examinees had not explained the necessity of having vision and mission for an organization.

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 had explained the BCG growth-share matrix instead of strategic options and the scenario in which they are suitable. Hence, the performance was below average.

Question 8.(a) The performance was average as the examinees were not able to correctly explain how supply chain management is conceptually wider than logistic management.

(b) The performance was average. Examinees were not able to articulate correctly that how is stability strategy opposite to expansion strategy.

Question 9.(a) The performance was poor as many examinees answered the question in vaguely. They were not able to understand properly and most of the answers were deviated from the required answer.

(b) The difference between sig sigma and TQM were not properly brought out by most of the examinees. The performance was below average.

Question 10.(a) The performance was good as most of the examinees answered it on the expected lines. They were able to explain the types and importance of strategic control for organizations.

(b) Examinees were able to correctly explain the Synchro-Marketing and Demarketing. The examinees who chose to explain the concept of experience curve were able to do justice to their answers.