

## EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES

### PAPER – 1 : FINANCIAL REPORTING

#### Specific Comments

**Question 1.(a)** Examinees failed to analyse the profits of subsidiary company and sub-subsidiary company into pre and post-acquisition. They erred in the calculation of capital reserve and non-controlling interest to be shown in the Consolidated Balance Sheet. Also the format of the Consolidated Balance Sheet was not in accordance with the Division II of the Schedule III to the Companies Act, 2013.

**(b)** Many examinees were not able to pass correct Journal Entries for recording of onerous contracts. The answers of the examinees showed lack of understanding of the concept of onerous and executory contracts as defined in Ind AS 37.

**Question 2.(a)** A few examinees made mistake in the calculation of larger cash-generating unit. Some examinees though applied correct provisions but made calculation errors while arriving at the impairment loss.

**(b)** A handful of the examinees were not able to explain the presentation of government grants received under various situations.

**(c)** Majority of the examinees were not able to bifurcate the discount, revenue from sale of bike and revenue from warranty correctly.

**Question 3.(a)** Some of the examinees erred in the calculation of cost of the factory. Whereas others made mistake in the calculation of depreciation and finance cost and also the carrying amount of factory and land separately.

**(b)** Majority of the examinees were able to calculate correctly the ESOP expenses as per the vesting years. However, they stumbled in the calculation of proportionate expenses to be recognised in the financial years. Hence, the amount in the journal entries also went wrong.

**(c)** Many examinees fumbled in providing the accounting treatment for the difference between transaction price and the fair value of the loan on initial recognition.

**Question 4.(b)** A small number of the examinees were not able to calculate the fair value of the asset correctly. They got confused in the treatment of transportation cost and transaction cost.

**(c)** A very few of the examinees were not able to prepare the correct extract of Profit and Loss Account.

**Question 5.(a)** A small number of examinees failed in calculating the stream of interest expense and giving correct accounting entries.

**(b)** Examinees by mistake calculated the best target index favourable for employer instead of for the employees. Hence, they wrongly calculated the bonus payable for the year 2017-18.

**Question 6.(a)** Majority of the examinees faulted in analysing the provisions of Ind AS 105 and applying the same in the given scenario. They also did not calculate the impairment loss on the Plant.

## PAPER – 2: STRATEGIC FINANCIAL MANAGEMENT

### Specific Comments

**Question 1.(a)** The performance was of average level. Most of the examinees showed lack of understanding of the problem. Hence, they could not calculate the inflow and outflow of funds properly. Further, examinees have gone wrong in calculation of premium, but taxation part was attempted well.

**(b)** In this question overall performance was above average. Although some examinees could not differentiate between Nostro A/c and Exchange Position Statement. Further, they tried to open only one Nostro A/c or No Account and entered the transaction thereon of exchange position.

**(c)** Overall performance was found good. However, some examinees have shown only a general understanding of the topic. So, elaboration of the concept was not okay in some cases.

**Question 2.(a)** Good performance has been exhibited by majority of examinees except a few who got confused between dividend at year 0 and year 1. Even some examinees have also made arithmetical errors and improper presentation.

**(b)** Overall performance was of above average level. Although some examinees could able to calculate sensitivity of the portfolio on the given two factors correctly but could not arrive at risk factor premium of Factor 2.

**(c)** In this question performance was above average as it was well attempted by most of the examinees. However, some of them lack in proper presentation of their answers.

**Question 3.(a)** Overall performance was good and proved to be highest securing question for examinees. Although, few examinees failed to calculate the year end NAV. Some examinees have also not able to calculate the return if all dividends and capital gain is reinvested into additional units.

**(b)** Good. Although well attempted by most of the examinees but some of them were unable to mention the range at which call and put options might be gainfully exercised although net pay off was done correctly.

(c) In this theoretical question examinees have poorly performed as some examinees wrote vaguely and other examinees wrote generically on view of Financial Risk by different stakeholders.

**Question 4.(a)** In this question examinees have performed well as majority of them have been able to solve the problem correctly. However, the process of solving the question was haphazard in some cases. Some examinees could not calculate correct EPS after merger. Further, the advantages to TK Ltd. from the acquisition were not written by some examinees also.

(b) In this question performance of average level as very few have done the problem in its entirety. While portion of the question relating to borrowing decision on Home Currency vs Foreign Currency was done only by few examinees correctly the second part of calculating the indifferent rate of interest was done correctly by most of them.

**Question 5.(a)** In this question overall performance was below average. Lack of conceptual clarity was visible among the examinees as examinees have failed to calculate depreciation, current assets, addition to fixed assets and final cash flow properly. Though Projected Cash Flows were calculated correctly by most of the students the projected Balance Sheet was not shown by majority of them.

(b) Being a simple question, the performance was Good. Although in some cases in part (iii) of the question relating to net amount was wrongly calculated and in part (ii), examinees considered 365 days instead of 360 days as mentioned in the question paper.

(c) Good performance was noted in this question. Most of the examinees have attempted this question well. They were able to explain the concepts of Riba correctly. However, lack of presentation skill was visible among the examinees.

**Question 6.(a)** Overall performance was good in the question. Though duration of bonds was calculated correctly by majority of examinees, the second part was not answered correctly by most of them. Further, in part (ii), part of investment in Bond B and C was not evaluated correctly. Though some examinees could not compute investment proportion and revised duration.

(b) Average performance was noted in this question as examinees have shown lack of conceptual knowledge about swap loss and related calculations.

### PAPER – 3 : ADVANCED AUDITING AND PROFESSIONAL ETHICS

#### Specific Comments

**Question 1.(a) Related Party Disclosure:** Examinees were generally aware about Ind AS 24 and related party concept but they were lacking in the knowledge of related party of government organisation.

**(b) Facts Become Known After the Date of Audit Report:** Most of examinees were having knowledge of requirements given in SA 560. But some of them answered that the fresh report cannot be issued.

**(c) Going Concern:** Examinees gave general answer and failed to give specific answer according to SA 570 as required in the question.

**(d) Emphasis of Matter Paragraph:** Few examinees failed to explain the restrictions on distribution or use as asked in question.

**Question 2.(b) Tax Audit Provisions:** Few Examinees referred provisions given in clause 29 in place of clause 28 of Form 3CD of the Income tax Act, 1961 which was required in the question.

**Question 4.(b) Investigating results of Analytical Procedure:** Examinees failed to exhibit knowledge of SA 520 Analytical Procedures and gave answer in general terms.

**(d) Automated Environment:** It appeared that the examinees were not aware about the topic consequently they answered in general terms.

**(e) Comprehensive audit:** Majority of Examinees have no idea about the matters covered in Reporting in case of Comprehensive Audit and they quoted irrelevant points.

**Question 5.(b) Review of organisation structure:** Examinees were not aware about the topic and their answer was based on the requirements of internal audit.

**(c) Dematerialised securities:** Examinees were not aware about the concept of pool account and beneficiary account and answered only general points.

**(e) Basic assumption of internal control questionnaire:** Examinees failed to point out the basic assumptions about elements of good control in case of standardized internal control questionnaire.

**Question 6.(a) Indication to judge that risk are significant:** Majority of the examinees have no idea about the topic.

**(b) liability of auditor under Income tax Act:** Many examinees answered on the basis of provisions of Companies Act 2013 and failed to explain section 278, 271J and Rule 12A as asked in the question.

**(c) Negative review report: Below average performance:** Examinees have answered the question in general terms and not specifically to the point.

**(e) Limitation of peer review: Poor performance:** Very few examinees have attempted this question and they were lacking knowledge of limitations of Peer Review.

**PAPER – 4: CORPORATE AND ECONOMIC LAWS****Specific Comments**

**Question 1.(b)** Performance of the examinees was average. Most of the examinees have answered in general nature without reference to the provisions of Section 23C and 23N of the Securities Contract (Regulation) Act, 1956 relating to penal provisions contained therein.

(c) Performance of the examinees was average. Most of the examinees have answered in general nature without reference to the provisions of Section 38, 63 and 69 of the Prevention of Money Laundering Act, 2002 relating to decision when members of the bench differ and penal provisions for false information or failure to give information, etc. and mode of recovery of fine and penalty.

**Question 2.(a)** Performance of the examinees was average. Most of the examinees have not covered the provisions of Section 210(1) and 212 of the Companies Act, 2013 regarding discretionary power of the Central Government and the procedure to be followed by Serious Fraud Investigation Office to arrest a person who has been found guilty of an offence committed under Section 447 of the Companies Act, 2013.

**Question 3.(d)** Performance of the examinees was average. Most of the students have not answered correctly the discharge of export obligation, receipt of advance for 15 months and payment of interest thereon as per the provisions of *Foreign Exchange Management (Export of Goods and Services) Regulations, 2015*.

**Question 4.(b)** Performance of the examinees was average. Most of the students have answered in general nature without referring the provisions of Section 28A of the Securities and Exchange Board of India Act, 1992 relating to powers of the recovery officer to attach the movable and immovable properties for the purpose of recovering the penalty and also seeking assistance of the local district administration.

(c) Performance of the examinees was average. Most of the examinees have answered correctly the overriding effect of SARFAESI Act, 2002 but failed to answer the admissibility of action by the bank as per the provisions of Section 36 of the Act.

**Question 5.(c)** Performance of the examinees was poor. The question required whether settlement agreement could be termed as a valid resolution plan but most of the examinees answered wrongly. However, the question whether a financial creditor with no default can file an application before Adjudicating Authority, was answered correctly by most of the examinees as per Section 7 of the Insolvency and bankruptcy Code, 2016.

**Question 6.(b)** Performance of the examinees was below average. Most of the examinees have not answered the question correctly as per Section 392 of the Companies Act, 2013 relating to punishment for contravention.