

EXAMINERS' COMMENTS ON PERFORMANCE OF THE EXAMINEES

PAPER – 5: ADVANCED ACCOUNTING

Specific Comments

Question 1.(a) Few examinees were not able to compute the correct amortization ratio and consequently, failed to arrive at the cost of the patent amortized for each of the years in line with AS 26 "Intangible Assets".

(b) Majority of the examinees calculated correct value of machinery but failed to apply provision of AS 19 in terms of accounting treatment of finance lease, hence they could not calculate the amount of finance charges for each year.

(c) Few examinees erred in calculation of value of machinery and amount of depreciation in the given cases according to AS 12 "Accounting for Government Grants".

(d) Most of the examinees were not able to give the required answer in line with the amendment of AS 4 'Contingencies and Events Occurring after the Balance Sheet Date'. They were not able to discuss the accounting treatment and presentation of the proposed dividend in the annual accounts of the company.

Question 2. Most of the examinees computed correct purchase consideration but failed to calculate correct amount of profit up to 30th June, 2016, and as a result, they were not able to prepare the balance sheet of the firm and partners' capital accounts showing the final settlement between them.

Question 3.(a) Some of the examinees failed to give the correct statement of underwriter's liability and they could not pass correct journal entries regarding allotment and forfeiture of equity shares.

(b) Large number of the examinees were not able to calculate the correct maximum permissible number of equity shares that can be bought back in the given situations under Debt Equity Ratio Test. Consequently, they passed incorrect journal entries.

Question 4. Few examinees failed to (i) calculate correct number of equity shares to be issued to P Ltd. and Q Ltd. and (ii) prepare the required journal entries and the balance sheet of PQ Ltd.

Question 5.(a) Few examinees did not prepare revenue accounts in respect of Fire and Marine Insurance Business in the prescribed formats.

(b) Majority of the examinees failed to segregate the capital funds into Tier- I and Tier- II capitals and hence could not find out the risk adjusted assets and capital adequacy ratio.

Question 6.(b) Some of the examinees were not able to pass correct adjustment entry in the books of head office for incorporation of inter branch transactions.

Question 7.(a) Most examinees could not write short note on main elements of Financial Statement and gave generalized answers.

- (c) Examinees were not able to explain the circumstances under which LLP can be wound up by the Tribunal.
- (d) Some of the examinees failed to show the required treatment of machine in the books of ABC Ltd.
- (e) Few examinees could not compute the amount to be realized from B list Contributories.

PAPER – 6: AUDITING AND ASSURANCE

Specific Comments

Question 1.(a) Satisfactory Control Environment – not an absolute deterrent to fraud:

Examinees did not understand the question. Most of them explained inherent limitations of internal control. Also, some examinees discussed about fraud which was not required. Further, examinees did not give reference of SA 330. Few examinees explained Inherent limitations of audit.

(b) Audit procedures in respect of opening balance for a new Audit engagements:

Many examinees wrote about checking of the audit procedure of previous auditor whereas the question required audit procedures in case of opening balances in case of new engagements. Also, some examinees discussed about audit engagement in general.

(c) Manner of Rotation of auditor by the Companies on expiry of their term: Many examinees wrote regarding applicability of rotation of auditors instead of appointment of auditors. Some examinees explained difference between appointment of auditors of Government and Non-Government Companies.

(d) Decrease in rate of gross profit on sales: Examinees explained the calculation of Gross profit instead of reasons for decrease in rate of Gross profit on sales.

Question 2.(a) Audit Opinion: Most of the examinees did not understand the difference between adverse opinion and qualified opinion.

(b) Approval of financial statements: Almost all examinees did not understand the difference between approval and signing of financial statements. Also, examinees did not mention that financial statements shall be approved by the board of directors.

(f) Substantive procedure: Though most of the examinees have clear idea of the topic yet some are confused between substantive procedures and test of control.

(g) Analytical Procedure: Most of the examinees are not able to differentiate between routine checking and analytical procedure.

(h) NGO – Basis of Accounting: Except few, many examinees did not understand the basis of accounting to be adopted under Companies Act, 2013.

(i) **Reporting of fraud to central government:** Most of the examinees have fair idea of the topic while few were not aware about the number of days within which fraud is to be reported.

(j) **Appointment of first auditor if the BOD failed in case of Non-Government Company:** Most of the examinees explained that it is to be done by members of the company, but did not explain that board of directors have to inform members about failure to appoint.

Question 3.(a) Verification of Trademarks & Copyrights: Some examinees wrote about Trademarks and Copyrights itself instead of verification procedure points about Trademarks and Copyrights.

(b) **Verification of investment income in the case of charitable institutions:** Examinees did not understand that the question asked was about investment income of charitable institutions and they wrongly quoted general points for verification of investment income. Also, some examinees discussed about Charitable Institutions itself which was not required.

(c) **Verification of Contingent Liabilities:** Many examinees explained meaning and definition of Contingent liability instead of verification points regarding contingent liabilities.

(d) **Verification of Leasehold Rights:** Examinees explained the general points relating to lease like: types of lease, accounting treatment etc. but did not explain important aspects like dilapidation clause on expiry of lease, treatment of legal expenses incurred to acquire lease etc.

Question 4.(c) Purpose and contents of letter of engagement: Most of the examinees explained contents of letter of engagement but did not discuss about purpose of this letter and by whom to be issued.

Question 5.(a) Objectives of audit of local bodies: Very few examinees answered this question and they quoted general points of local bodies instead of objectives of audit of local bodies.

(b) **Absolute and reasonable assurance:** Only few examinees attempted this question. Most of the examinees were not aware about the concept of reasonable assurance and absolute assurance.

(c) **Audit programme for audit of grant fund of a college:** Very few examinees attempted this question and out of those who attempted some have quoted general points for audit of a college instead of explaining audit programme for audit of grant funds of a college.

Question 6.(b) Sources and Reliability of Audit Evidence : Instead of writing about source and reliability of audit evidence, many examinees wrote about audit evidence itself which was not required.

(c) **Analytical procedures for verification of inventories:** Most of the examinees wrote about audit of inventories instead of explaining the analytical procedures for verification of inventories.

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

Question 1.(a) Most of the examinees could not understand the question and fail to mention the “Principles of BPM”. The overall performance of the examinees was below average.

(b) Very few examinees could explain the “Awareness of an auditor in IT environment” and most of them provided general points about IT.

(c) Most of the examinees mentioned the “Advantages of Fibre Optic Transmission” fairly well and the overall performance was above average.

(d) Very few examinees could explain “Key points related to Decision Support Systems (DSS)”, instead most of them explained the components of DSS. The performance was unsatisfactory in this question.

(e) Most of the examinees wrote specific points related to “Computerised Information Processing Cycle” and the overall performance was above average.

Question 2. The performance of the examinees in this Flowchart based question was good and most of the examinees scored well. However, very few were not aware of the flowcharting symbols and decision box.

Question 3.(a) Some of the examinees could explain the “Different types of Feasibility Study done in System Investigation under SDLC”. However, many examinees could not understand the question and instead explain the steps involved in SDLC.

(b) The question was based on “Advantages of using a Database Management Systems”. The examinees lacked in conceptual clarity and the overall performance was below average.

Question 4.(a) This question was based on “Characteristics of Local Area Network”. Overall performance of most of the examinees was good in this question, however very few examinees mentioned Advantages of Local Area Network instead.

(b) The question was based on “Facts responsible for occurrence of vulnerabilities in the software”. The examinees’ answers lacked conceptual clarity of the facts and the general performance was below average.

Question 5.(a) The question was based on “Different types of information Systems”. Most of the examinees could justify the level of knowledge expected in this question and the overall performance was average.

(b) The question sought the examinees to “Explain the Pre-requisites of ACID Test for any TPS”. Most of the examinees attempted this question and performed fairly well.

Question 6.(a) The question was based on “Characteristics of Cloud Computing”. Most of the examinees could mention the characteristics of cloud computing, however few instead wrote either advantages or disadvantages of Cloud Computing.

(b) Large number of examinees have mentioned the “Generic reasons for Business Process Automation (BPA)” but could not explain them well.

Question 7. The question was based on short notes and most of the examinees attempted all parts as required (four out of five). However, in parts (a), (d) and (e); the conceptual clarity in the answers were lacking.

(a) The question was based on “Business Process Reengineering” wherein most of the examinees could not mention the gist of the term. The overall performance of the examinees was below average in this part.

(b) The performance of the examinees in this part was average with most of the examinees writing a short note “Read Only Memory” reasonably well.

(c) The question was based on “HyperText Transfer Protocol Secure”. The overall performance of the examinees was average.

(d) Most of the examinees could not bring out the clarity in the topic “Artificial Intelligence” and the overall performance was below average.

(e) The question was based on “Network Virtualization”. The performance was below average in this.

SECTION – B: STRATEGIC MANAGEMENT

General Comments

The questions asked in the paper required in-depth knowledge and proper understanding of various concepts. It was felt that many students merely had superficial knowledge that was not enough for properly attempting the paper. Further, analytical and planned presentation of answers was missing in several cases. Examinees gave vague and irrelevant answers. Examinees need to put more efforts to have conceptual clarity in the subject. They also need to work on the vocabulary, language and presentation of the answers.

Specific Comments

Question 8.(a) Most of the examinees were not able to understand the question. They wrote about characteristics of business environment instead of its problems. Accordingly, the performance was average.

(b) The examinees were able to merely give the characteristics of Six Sigma. They were not able to give its differentiating characteristics from other quality programs. The performance was below average.

(c) Majority of the examinees were not well-versed with the three phases to develop matrix structure. Accordingly, the performance was below average.

(d) The performance was average. The examinees had little knowledge of the framework of strategic management. The presentation of the answers, in general, was not complete and clear.

(e) The performance of majority of examinees was good as the examinees were able to explain the characteristics of business environment.

Question 9.(a) Although majority of the examinees were able to identify incorrectness of the statements, they were not able to substantiate their answers with proper reasoning. Examinees lacked conceptual clarity in the concepts of corporate culture and seriousness of strategic management.

(b) The performance was very poor as examinees lacked conceptual clarity to justify that a division structure is costly.

Question 10. Examinees were not able to provide expected answers as they lacked proper knowledge of the concept of supply chain management. Examinees failed to explain the steps in implementing supply chain management in a business organization.

Question 11.(a) The answers of the examinees reflected that most of them were not able to understand the strategies in the light of BCG matrix.

(b) The performance was average. The examinees lacked conceptual clarity on the usefulness of Ansoff's product market growth matrix.

Question 12.(a) The examinees had knowledge of the generic strategies suggested by Michael Porter but the presentation of the answer was poor.

(b) Majority of the examinees were able to properly explain the strategic responses of an organization to its environment.

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

(b) The differences between co-generic merger and conglomerate merger were brought out by most of the examinees. The presentation was poor.

Question 14.(a) Majority of the examinees were not able to explain the strategic group mapping. Hence, the performance was very poor.

(b) Majority of the examinees were able to correctly explain the concept of augmented marketing. However, the examinees who choose to explain internet technology were not able to provide a good answer. They were not able to explain internet in context of business and industry.