

EXAMINERS' COMMENTS ON PERFORMANCE OF THE EXAMINEES

PAPER – 5: ADVANCED ACCOUNTING

Question 1.(a) Few examinees were able to calculate basic EPS correctly but failed to compute the correct amount of diluted EPS.

(b) Most of the examinees did not give the correct answer in line with AS 29. They failed to calculate the amount of contingent loss to be reported in the financial statements.

(c) Large number of the examinees were not able to calculate average interest rate other than for specific borrowings correctly and consequently, they erred in computation of amount of interest to be capitalized as per AS 16 'Borrowing Cost'.

(d) Majority of the examinees did not give the required reasons, to treat the situation as change in accounting policy or not.

Question 2. Most of the examinees computed correct amount of purchase consideration but few examinees failed to compute the amount of cash to be brought up to adjust partners' capitals as per their profit sharing ratio. Hence, they were not able to prepare the Balance Sheet of the Amalgamated Firm and Capital Accounts of the partners in the books of the old Firms.

Question 3.(a) Majority of the examinees failed to calculate the employee compensation expenses for each year. They were not able to give the required treatment relating to ESOP lapsed and options exercised at the end of the respective financial year.

(b) Most of the examinees failed to prepare Debentures account, Sinking fund account, Sinking fund investment account correctly.

Question 4. Few examinees failed to calculate the amount of New 12% debentures issued to Y and Z as per scheme of reconstruction. They also erred in calculation of balance of reconstruction A/c transferred to Capital Reserve after writing off losses and reduction in the value of assets as per scheme of reconstruction.

Question 5.(a) Few examinees did not prepare revenue account in the prescribed format. Most of the examinees failed to calculate the correct Operating Profit from marine Insurance business.

(b) Some of the examinees were not able to calculate amount of discount credited to Profit and Loss account and pass the necessary journal entries.

Question 6.(a) Most of examinees failed to apply correct conversion rate for items given in trial balance of Branch and thus, they failed to prepare correct Trading and Profit & Loss account for the year ended 31st March 2017 showing H.O. results and Branch results separately.

(b) Some of the examinees failed to calculate the unrealized profit of each department and total unrealized profit.

Question 7.(a) Few examinees could not compute the amount of profit or loss on forward contract to be recognized during the year.

- (b) Most of the examinees failed to explain the fundamental accounting assumptions.
- (c) Many examinees were not aware about the nature of LLP. Most of examinees were not able to explain who can be a designated partner.
- (d) Most of the examinees were not aware of the said types of fire insurance policies and failed to give the required answer.
- (e) Many of the examinees failed to provide correct criteria for classification of non-corporate entities to bring them under level I category.

PAPER – 6: AUDITING AND ASSURANCE

Question 1.(a) Circumstances that may result in other than an Unqualified opinion.

Most of the examinees simply explained the meaning of Qualified, Adverse & Disclaimer of Opinion. Many examinees did not mention about limitations on scope and disagreement with management which was required.

(b) Utilisation of Share Premium.

Most of the examinees have fair knowledge of the topic and scored well in this question.

(c) Clarification on the Auditors' Rights where clients and other Auditors seek access to their Audit Working Papers.

Examinees explained about the working papers generally but failed to answer regarding clarification on the Auditor's right which was required. Also, many examinees wrote about rights of auditors instead of specifically writing about right over working papers.

(d) Inquiring from Management to Evaluate Subsequent Event.

Many examinees explained adjusting and non-adjusting events and their treatment in the financial statements which was not required. Also, instead of listing specific enquiries, most of the examinees wrote in general about contingencies.

Question 2.(b) Depreciation on assets which are ready to use.

Examinees mentioned AS-10 but failed to explain constructive/ passive usage of assets eligible for depreciation.

(c) Casual vacancy of a Cost Auditor.

Examinees correctly mentioned that casual vacancy is to be filled by Board of Directors but failed to write about intimation to the Central Government.

(d) Contribution by Board of Directors to charitable and other funds

Many examinees did not write that approval of members in general meeting is required if contribution exceeds 5%.

(f) Vouching of payments.

Examinees generally explained the meaning of vouching. Examinees were not aware about that vouching is a substantive audit procedure.

(i) Written representation.

Examinees correctly explained the written representation but did not mention that it is to support other audit evidence.

(j) Negative balance of Reserve & Surplus.

Examinees did not mention about the debit balance of P&L account.

Question 3.(a) Expenditure Incurred for Promotion of a Product.

Examinees explained generally but they did not explain it in the context of AS 26.

(c) Purchase Return.

Though examinees explained about debit note issued, inventory records but did not mention possibility of fictitious purchases and rebates given.

(d) Discounted Bill Receivable Dishonoured.

Examinees covered points of bank advice, Schedule, noting and protesting, bank commission.

Question 4.(a) Assertions used to consider mis-statements w.r.t. class of transactions and events.

Many Examinees explained the assertions about Account balances at the period end (Existence, Right and obligation, valuation) instead of assertions about class of transactions and events.

(b) Sec 144 and services not to be rendered by the auditor.

Most of the examinees correctly mentioned the types of services, but few of them did not explain Sec 144 provisions correctly.

(c) Auditing the Receipts from Patients of a Hospital.

Examinees explained generally about receipts from investment, donations, canteen receipts etc. which was not required. Instead of listing main points regarding audit of receipts from patients in hospital, many examinees wrote all matters in relation to hospital which was not required.

Question 5.(a) Need of CAATs in a CIS Environment.

Examinees explained only effectiveness and efficiency of CAAT and did not mention the reasons relating to the need for CAAT. Also, many examinees explained the advantages and disadvantages of CAATs instead of discussing about the need of CAATs in a CIS environment.

(b) Knowledge of the Client's Business.

Many examinees misunderstood the question and mentioned the sources from where knowledge of business is to be obtained like from Memorandum of Association, Articles of

Association, previous auditor's report etc. instead of writing about the knowledge of Client business being one of the Important principles in developing an overall audit plan and thereby mentioning various factors like nature of entity, relevant industry etc. Moreover, examinees did not mention specific points and wrote the answer in too general manner.

(c) Detection of Fraud and Error – Duty of an Auditor.

Examinees covered only half of the relevant points though they were aware of the facts that detection of fraud is primarily management's responsibility and not the auditor's responsibility. The examinees did not conclude that detection of fraud and errors is not the duty of the auditor provided that he complies with the requirements given in Standards of Auditing, maintains professional skepticism throughout the audit and is not grossly negligent in the performance of his duties as an auditor.

Question 6.(a) Factors which influence auditor's judgement.

Examinees wrote about the meaning of sufficient and appropriate audit evidence instead of explaining the various factors that would help the auditor to ascertain as to what is sufficient and appropriate audit evidence.

(b) Special resolution for entering into transaction(s) with any related party.

Many examinees mentioned irrelevant and general points and they were not aware of the topic. Also, specific transactions with related parties which require prior approval of the company by special resolution not explained by many examinees.

(c) Different connotations of Cost

Most of the examinees explained general points like Reference of AS- 2, LIFO FIFO methods of valuation and did not answer the other relevant points.

Question 7.(b) The Narrative Record.

Few Examinees wrongly explained the concept of "Examination in Depth" and "Internal Control Questionnaire" instead of Narrative Records.

(d) Applicable financial reporting framework.

Examinees mentioned irrelevant points that in this balance sheet and P&L is to be prepared as per accounting standards etc. and only few mentioned that it is adopted by the management in preparation of financial statement that is acceptable as per the circumstances or required by law.

(e) Haphazard sampling.

Examinees discussed that in haphazard sampling, sample selected without structured technique or randomly but did not cover other relevant points.

PAPER – 7: INFORMATION TECHNOLOGY AND STRATEGIC MANAGEMENT

SECTION – A: INFORMATION TECHNOLOGY

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

(a) This sub part was based on “Challenges in implementing Business Process Automation (BPA)”. Most of the examinees mentioned about risks instead of challenges.

(b) Most of the examinees mentioned the “Concerns related to Mobile Computing” and the performance was above average in this part.

(c) The sub-part was based on “Terminals in the Telecommunications Network”. Few of the examinees discussed the concept adequately, however many others mixed up the concept with Internetwork Processor.

(d) This subpart sought the examinees to discuss the “difference between Data and Information” to which most of the examinees could fairly do.

(e) This subpart was on “difference between On-line Processing and Real-Time Processing”. Very few examinees could satisfactorily perform in this.

Question 2.(a) The question expected examinees to “mention the ways in which enterprise manage their information and the operations that can be carried out with the help of DBMS”. Most of the examinees could not explain the ways to manage the information. The DBMS operations were mentioned by very few with most of the examinees explaining either the advantages or models of DBMS instead. The overall performance was below average in this part.

(b) This question was on “Android and its significance”. Though it is a basic question about the technical aspects involved in Android, most of the examinees could not write the desired content, rather examinees wrote points related to applications used with the help of Android.

Question 3.(a) Most of the examinees attempted this question on “Centralized and Decentralized Computing” satisfactorily. They could also mention well the advantages of Centralised Computing over Decentralised Computing.

(b) Conceptual clarity of examinees was found below average in this question that was based on “Intrusion Detection Systems (IDS) and its types”. The performance was below usual.

Question 4.(a) The lack of in-depth knowledge of “Phases of Decision Support System (DSS)” was observed as most of the examinees answered “Components of DSS” rather than its phases.

(b) The examinees at large could perform well in this question on “Knowledge Management systems(KMS) and its types”.

Question 5.(a) The examinees could justify the level of knowledge expected in the question on “Phases of Program Development Life Cycle” and performed quite well.

(b) Most of the examinees performed averagely in “listing out the application areas of Grid Computing”.

Question 6. This question was based on Flowcharts. Many examinees did not attempt this question. In part (a) of this question, examinees were required to draw the flow-chart based on the algorithm given in sequence. The performance of the examinees was satisfactory. In parts

(b) and (c) of this question, wherein the outputs were asked to be mentioned with certain inputs, the performance of the examinees was average.

Question 7. This question consisted of five subparts out of which examinees were required to attempt any four. Most of the examinees attempted all parts as required (four out of five). However, in parts (a), (b) and (d) drafted on "Value Chain Automation", "Hardware Virtualization" and "Principle of Least Privilege"; the conceptual clarity in the answers were lacking. The subparts (c) and (e) based on "m-Commerce" and "Vehicle Tracking System" were attempted quite well by the examinees.

SECTION – B: STRATEGIC MANAGEMENT

General Comments

The examinees, in general, lacked conceptual clarity, practical insight and ability to express properly. With an exception of some examinees who were able to write good, answers were general and ambiguous.

Students need to put-in more efforts to improve the understanding of the subject. Apart from the subject matter they also need to work on the vocabulary, language and presentation. The understanding of the subject and performance can be enhanced if the students develop a habit of regular reading of business news related to the subject.

Specific Comments

Question 8.(a) Most of the examinees were not able to understand the question and were not able to explain the need for environmental scanning. Accordingly, the performance was average.

(b) Although the question was simple and straightforward, the answers, in many cases, were not complete and clear. Overall the performance was average.

(c) The performance of majority of examinees was good. Most of the examinees were able to properly explain the reasons for opting divestment strategy.

(d) The performance was average. The examinees had little knowledge for methods for evaluating the worth of a business. Answers lacked clarity and comprehensiveness.

(e) Many examinees provided general and vague answers.

Question 9. (a) Majority of the examinees were able to identify whether the statements are correct or incorrect. However, they were not able to provide proper reasoning. Examinees lacked conceptual clarity in the concepts of expansion strategy and forward and backward integration.

(b) The performance was very poor. Examinees were not able to critically examine the role of government as an environmental factor.

Question 10. Majority of examinees failed to explain the differences between traditional management practices and total quality management. Overall the performance was average.

Question 11.(a) The areas in which functional strategies of a business organization is carried out was properly explained by a majority of examinee.

(b) Majority of the examinees were able to correctly explain the three phases of strategic management process.

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 major elements of an effective corporate mission statement. Accordingly, the performance was below expectations.

Question 13.(a) Majority of the examinees were not able to distinguish between operational control and management control.

(b) The differences between inbound logistics and outbound logistics were brought out by most of the examinees. The performance was above average.

Question 14. (a) Majority of the examinees were not able to explain the challenges & issues in family managed enterprises. Hence, the performance was lacking.

(b) The performance of examinees was not satisfactory reflecting lack of preparation on the topics of balance scorecard approach and value chain analysis. Answers in majority of cases were vague and without conceptual base.