

SUMMARY OF EXAMINERS' COMMENTS ON THE PERFORMANCE OF CANDIDATES

PAPER – 1 : ACCOUNTING

General Comments

The performance of the candidates has not been satisfactory. The answers of the candidates showed lack of knowledge and understanding of the subject, particularly the Accounting Standards. The candidates are advised to read and understand the Study Material thoroughly and analytically. Adequate practice of solving practical problems is essential to acquire command over the fundamentals of the subject. The solutions to practical problems must be given in suitable formats along with sufficient working notes. It is suggested that the question paper should be gone through carefully before writing the answers.

Specific Comments:

Question 1 In parts (ii), (iii), (v), (viii), (x), candidates could not answer the question in accordance with the relevant provisions of the Accounting Standards.

Question 2 Most of the candidates failed to give the required journal entries in the books of MN Ltd. In very few cases, the balance sheet of MN Ltd. (post merger) was prepared correctly by the candidates.

Question 3 Few candidates could not pass the necessary journal entries. Consequently, they could not prepare partners' capital accounts in the correct manner.

Question 4 In part (b) of the question, some candidates calculated the amount the amount of interest directly, without using the average due date method.

Question 5.(a) Some candidates erred in calculation of subscription received, purchase of sports equipment, opening balance of capital fund. They could not give the correct receipts and payments account and balance sheet of the club.

(b) Many candidates committed mistakes in allocation of expenses between pre and post incorporation periods and consequently, in computation of pre incorporation and post incorporation profits.

Question 6 Many candidates could not score good marks in this question as the answers were not concise and to the point. In parts (iv) and (vi), they could not apply the relevant provisions of the Accounting Standards. They were not aware of the disclosure requirements in the profit and loss statement of a company in respect of corporate dividend tax which was required in part (v) of the question.

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PAPER – 2 : BUSINESS LAW, ETHICS AND COMMUNICATION

General Comments

The performance of the examinees, in general, was average. The following improvements are required:

1. Examinees to provide case-laws and specific provisions in their answers.
2. Examinees to hone their English language skills such that their answers have clarity and precision.
3. Examinees to make use of the various Bare Acts.
4. Examinees must grasp the questions correctly and not get confused as mentioned in Specific Comment No. 3 below.
5. Examinees to answer to the point, without unnecessary extrapolations.
6. Examinees to focus on certain legislations such as the Negotiable Instruments Act, 1881, and the Employees' Provident Funds and Miscellaneous Provisions Act, 1952.
7. In the Communications part, performance of the students was satisfactory. Nevertheless, the students should improve their writing and presentation skills. Further, the students are advised to delve deep into the areas of drafting notices/circulars/minutes/ legal deeds and documents etc.

Specific Comments

Question 1. The performance of the examinees was average in 1(a) while 1(b) and 1(c) were answered satisfactorily. Some examinees had come to the erroneous conclusion that there was no consideration involved in question 1(a) and that hence there was no contract in the given problem.

Question 2. Examinees' performance was quite satisfactory compared to question No.1, though both the questions are similarly patterned.

Question 3. The performance of the examinees was found to be mixed, with some answering well, while others having failed to mention the relevant legal provision, while still others were referring erroneously to the Central Government rather than the Tamilnadu Government.

Question 4. Many examinees had not mentioned the relevant provisions (Sections 39 & 40 of the Negotiable Instruments Act).

Question 5. The performance of the examinees was highly satisfactory.

Question 6. Many examinees had not attempted this question. Even those who had attempted it fared poorly.

Question 7. This question was not answered well. Many examinees could not explain why the entity in question was an 'illegal association'.

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Question 8. Examinees' performance was average. The various rights of the three parties were not clearly enunciated by most examinees.

Question 9. Performance of the examinees was satisfactory.

Question 10. An overall average performance with regard to this question. Many examinees could not pin-point that the non-attachment of the explanatory note vitiates the notice.

Question 11. Performance was average and the answers were vague, in many cases.

Question 12. The performance was generally good, though the pragmatic reasons were found mixed up with certain general reasons that the candidates had adduced on their own.

Question 13. Performance was satisfactory.

Question 14.(a) Performance of the students was quite satisfactory. The question was asked to test the students' knowledge about the merits and demerits of informal form of communication.

(b) Most of the students attempted this question in a very poor manner. The students failed to discriminate the difference between Notice and Agenda. The students must develop a logical understanding to tackle such a practical question.

Question 15. Overall performance of the students was not satisfactory. The format of the Annual General Meeting was not followed by most of the students. The students are advised to practice the specimen of Minutes of Annual General Meeting.

Question 16. Performance of the students was middling. They could not get the essence of the question and drafted the Partnership Deed rather than the Partnership Retirement Deed.

PAPER – 3 : COST ACCOUNTING AND FINANCIAL MANAGEMENT

General Comments

The overall performance of the candidates was below average. The quality of most of the answers reflected lack of candidates' knowledge and understanding of the subject. It is also observed that the candidates neglect the theoretical aspects of the subject; they should go through the study material carefully. A thorough practice and lots of reading of the subject is required to maintain the level of knowledge expected from the students of IPCC level.

Specific Comments

Question 1.(i) This theory question related to 'Basic Concepts' was attempted by majority of the candidates. Most of the students were not able to understand the 'imputed cost' as 'input cost'. Many of them were not able to answer it appropriately.

(ii) This practical question related to labour (Variance analysis of labour) was attempted by the majority of the candidates. Maximum of the students were not able to answer it correctly. They failed to depict the relationship of activity ratio, efficiency ratio and capacity ratio correctly.

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(iii) This theory question part related to 'Non Integrated Accounts' was not satisfactorily answered by the majority of the students. Many of the examinees had treated 'financial expenses' as financial items'.

(iv) This theory question was related to 'Contract Costing' was correctly answered by only few of the students. The advantages of cost plus contracts were stated correctly by the students.

(v) This practical question part related to 'Marginal Costing' was not satisfactorily answered by many of the students. Many of them failed to calculate BEP correctly.

(vi) This theory question related to 'Non – Integrated Accounts' was not well answered by most of the candidates. Many of them failed to mention a situation where reconciliation statement of cost and financial account are not required.

Question2. This numerical question related to 'Marginal Costing and Absorption Costing' was attempted by less number of the examinees. The students were confused with the preparation of the respective statements. The candidates could not solve this question correctly.

Question3.(a) This numerical problem related to 'Process Costing' is covered under 'Method of Costing (II)' was attempted by a large number of students. Most of the examinees had failed to take into account of the material introduced at the inception and hence could not prepare the statement of equivalent production account, statement of cost and process account correctly.

(b) This practical question related to 'Standard Costing' was satisfactorily answered by majority of the students. Variance related to material and labour was correctly calculated by most of the candidates.

Question4.(i) This numerical question related to 'Labour' was wrongly answered by maximum number of candidates. Most of the students were able to calculate 'time saved' but they were not able to accurately calculate the effective hourly rate of wages.

(ii) This theory question part related to 'Operating Costing' is covered under 'Method of Costing (I)' was not answered satisfactorily by maximum number of candidates. They were not able to show that how composite units are computed.

(iii) This numerical question related to 'Material' is attempted by the maximum number of students satisfactorily. EOQ was calculated by majority of them.

(iv) This theory question related to 'Budgets & Budgetary Control' was very well answered by the majority number of students. They were even not able to list out the list of functional budgets correctly.

Question 5.(i) Short note on Limitations of Financial Ratios was answered correctly by most of the candidates.

(ii) Concept of Business Risk and Financial Risk was answered well by majority of the candidates.

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(iii) Differentiation between Factoring and Bills Discounting was well written by most of the candidates. However, few candidates differentiated between factoring and discounting instead.

(iv) A large percentage of the candidates discussed the differentiation between Financial Management and Financial Accounting well.

(v) Very few candidates could compute the Cost of Retained Earnings on correct lines.

(vi) Majority of the candidates were able to calculate the amount of Fixed Assets and Proprietor's Fund correctly.

Question 6 Majority of the candidates prepared the Cash Flow Statement on correct lines but failed to present it in the proper format. However, a few candidates could not work out cash flow from operating activities correctly. Further, the candidates have not presented their answers supported by proper working notes in preparation of cash flow statement.

Question 7.(a) Though a large percentage of the candidates prepared correctly the Income Statement, however, few of the candidates did not support their answers by proper working notes.

(b) This part of the question was not well answered by majority of the candidates. Most of them failed to take into consideration the loss of commission. Few of the candidates even added the commission to the income instead of treating it as an opportunity lost.

Question 8.(i) Majority of the candidates answered well the two basic functions of Financial Management. However, a few of them discussed the objectives of Financial Management instead.

(ii) A large percentage of the candidates attempted this part of the question on short notes on Ploughing back of profits and Desirability factor. However, only a handful could discuss logically and in short. Few of the candidates have written ploughing back of profits as profit on sale of old assets.

(iii) A large percentage of candidates explained well the concept of Weighted Average Cost of Capital.

(iv) While most of the candidates attempted the problem, only a few of them could calculate the value of the firms according to MM Hypothesis correctly.

PAPER – 4 : TAXATION

General Comments

Many candidates have exhibited lack of knowledge of the provisions of the Income-tax Act and Service Tax and VAT. They were also not aware of the recent amendments in the Income-tax Act. Further, most of the candidates have not given proper working notes for practical problems. The presentation of answers is also poor in most cases.

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Specific Comments

Question 1.(i) Many candidates have wrongly considered the purchase price of flat, i.e., Rs.4,75,000, as the annual value of house property.

(ii) Most of the candidates have not provided for exemption of Rs.1,500 under section 10(32) in respect of income of minor child, clubbed in the hands of Siddhant;

(iii) Some candidates have wrongly taxed national award for humanitarian work from the Central Government under the head "Capital gains" or "Income from other sources". Some others have totally ignored the same without giving any reason.

Question 2.(a)(i) Many candidates have not grossed up winnings from lotteries and interest on debentures while calculating income under the head "Income from other sources";

(ii) Most of the candidates have wrongly treated interest on Government securities and interest on Post Office Monthly Income Scheme as exempt income.

(b) (i) Most of the candidates have allowed interest under section 24 on payment basis instead of due basis;

(ii) Municipal taxes paid by the tenant was wrongly allowed as deduction from gross annual value in most of the cases.

(c) Many candidates have not deducted the advance of Rs.70,000, received and retained on an earlier negotiation for sale of property, to arrive at the cost of acquisition.

Question 3.(i) Some candidates have wrongly treated share of profit from firm as taxable income and set off business losses against the same;

(ii) Some candidates have wrongly set off brought forward business loss against income from house property of the current year;

(iii) Many candidates have wrongly set-off long-term capital loss against short-term capital gain.

Question 4.(a) Most of candidates were not aware of the provisions of section 201 relating to consequences of failure to deduct and pay the tax and hence, they could not answer the question correctly.

(b) Some candidates have wrongly written about the provisions of section 50C dealing with adoption of value assessed by stamp valuation authority.

(d) Most of the candidates were not aware of the provisions of section 78 and have wrongly written about the order of set-off under each head of income. Some candidates have answered that loss can be carried forward without any restriction even in case of change in constitution / succession in business.

Question 5.(d) Few candidates wrongly took the net amount (net of TDS) as the taxable receipt. Some candidates further deducted the amount of TDS from Rs.4,48,500 while others wrongly concluded that once TDS is deducted no service tax is liable to be paid.

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Question 6.(a) Majority of the candidates were ignorant about the percentage of abatements available to various tours.

(b)(i) Many candidates were not aware of the provisions relating to export of services.

(b)(iii) Many candidates did not mention the due date for the month of March. Some of them wrongly considered HUF along with individual and firm for the purpose of determining the due dates.

Question 7.(d) Instead of mentioning that VAT is not applicable on lottery tickets, many candidates wrongly considered lottery ticket as exempt item under VAT.

Question 8.(b)(i) Many candidates wrongly concluded that the final burden of VAT does not lie on the consumer.

(b)(ii) Most of the candidates provided general answers to this question instead of mentioning the procedure of filing of returns under VAT.