

SUMMARY OF EXAMINERS' COMMENTS ON THE PERFORMANCE OF CANDIDATES

PAPER – 1 : FINANCIAL REPORTING

General Comments

The overall performance of the candidates was average. Questions based on practical application of Accounting Standards have not been answered well. 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 Final Level. The candidates must present their answers in organized manner and solutions to practical problems should be given in prescribed formats along with suitable working notes. It is advised that they should read the questions carefully before writing the answers.

Specific Comments:

Question 1. Few candidates could not apply the relevant provisions of the Accounting standards in the given situations. In part (c) of the question, most of the candidates considered the transactions as sale and purchase instead of taking it as financing transaction.

Question 2. Several mistakes have been observed in the answers of the candidates including intrinsic value of shares of H Ltd. and ascertainment of number of equity shares issued to the foreign company. Consequently, the candidates could not prepare the required balance sheet of H Ltd. after absorption.

Question 3. Most of the answers reflected lack of knowledge of provisions of AS 21, 23 and 27. Majority of the candidates erred in the calculation of amounts of consolidated retained earnings and goodwill to be shown in the consolidated balance sheet of P Ltd.

Question 4.(a) The answers of the candidates exhibited lack of conceptual clarity of the topic "Accounting and Reporting of Financial instruments". Most of the candidates could not separate equity and debt portions of compound financial instrument which was required in the question.

(b) Many candidates failed to arrive at the correct amount of equity capital raised and hence, could not prepare the balance sheet of Standard Ltd. as on 1st April, 2009.

Question 5.(a) Candidates' answers reflected lack of knowledge of mutual funds. Large number of candidates erred in calculating the earnings, management expenses, distribution of capital gains and dividends among the unit holders, closing value of net assets and consequent net assets value.

(b) Except few, no candidate could apply the Lev and Schwartz formula of human resource accounting in the correct manner. Most of the candidates could not compute the value of human resources.

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Question 6. Few candidates were not aware of the provisions relating to capital adequacy ratio of NBFCs. Many candidates could not score good marks in this question as the answers were not concise and to the point, duly supported by appropriate Accounting Standards.

PAPER – 2 : STRATEGIC FINANCIAL MANAGEMENT

General Comments

The performance in general is “not satisfactory” because following errors have been observed in answering the questions, which candidates are required to make note for the improvement.

- (a) Answers have exhibited lack of systematic and logical approach, clear presentation, proper and adequate conceptual and analytical explanation.
- (b) It has been found that in most of the cases candidates have been failed to understand the requirement of the questions.
- (c) Candidates have shown poor knowledge of the concepts and also lacked of adequate practice to solve diverse range of questions.
- (d) It has also observed that many candidates did not prepare the subject in depth and make selective study.
- (e) In many cases candidates not answered the questions serially/completely in one sequence. Different parts of the answers to a particular question were scattered over different pages, which should normally be avoided.
- (f) Candidates have shown lack of knowledge in answering the theoretical questions. Therefore candidates should answer theoretical questions correctly, lucidly and precisely. Further candidate should allocate sufficient time for the preparation of theoretical portion of the paper.
- (g) It is advised that candidates before proceeding to answer the question should read “Cover Page” of the answer book.

Specific Comments

Question 1.(a) In this question of calculation of lease rental the performance of candidates is not satisfactory as many candidates solved the question with equal installments (Principal + Interest) though the question clearly states for repayment of principal portion only in equal year end installments.

(b) In this question of Mutual Fund the performance of the students was average as some candidate were able to solve question.

Question 2.(a) In this question based on Portfolio Theory, the performance is not satisfactory as most of candidates could calculate only mean and covariance but could not calculate Beta correctly.

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(b) In this question of financial services the performance of candidate was not satisfactory as most of the candidates explained credit rating concept in detail rather than the limitations of credit rating as required in the question.

(c) In this question of Dividend Decision the performance of candidates is not satisfactory as most of the candidates failed to calculate Fair Price of the Share.

Question 3.(a) In this question based on Security Analysis the performance of candidates was poor as very few candidates could solve the question.

(b) In this question of Security Analysis the performance was satisfactory as most of the candidate solved this question in proper manner. However, in some cases only part working was available.

(c) In this theoretical question the performance of candidates is not satisfactory as most of students explained GDRs but not explained its impact on Indian Capital Market.

Question 4.(a) In this question of Merger, Acquisition and Restructuring the performance of candidates was satisfactory as most candidates properly solved it with adequate workings.

(b) In this question of Security Analysis the performance of candidates was also satisfactory.

(c) In this question of Dividend Decision performance of candidates was overall good.

Question 5.(a) In this question of Foreign Exchange Exposures and Risk Management the performance of candidates is not satisfactory as only a few could solve it properly.

(b) This question based on Portfolio Theory, the performance of candidates is not good as most of the candidates calculated Beta of stocks correctly but very few could able to bifurcate total risk into Systematic and Unsystematic risks.

PAPER – 3 : ADVANCED AUDITING AND PROFESSIONAL ETHICS

General Comments

Many students had written their answers in general and failed to address the specific issues in the practical questions. Those examinees who completed their answers within main book only obtained better marks than students who attempted to fill up more additional answer books. It was observed that majority of the students presented relevant subject matter but could not apply the same for the practical issues posed questions.

Specific Comments

Question 1. Many candidates have performed this part of the question well.

Question 2. Majority of the students' answers were wrong.

Question 3.(a) A few students performed this part well while others have given just the meaning of the terms.

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(b) Many students have given irrelevant answers while some students have answered correctly by giving the appropriate provisions of G. Act/CARO/Cost records.

(c) Many students were very brief in giving their answers and they lack in depth knowledge in the subject.

Question 4.(a) Overall performance of the students was poor. However, a few students performed this question well.

(b) Though many students have attempted this part of the question only a few students could enumerate the steps to be taken by an auditor for the verification of re-insurance outward in case of a General Insurance Company.

(c) Most of the students could not write the duties and responsibilities of an auditor in case of material misstatement resulting from Management fraud correctly.

Question 5.(a) Many students have answered well by giving the provisions of the Sarbanes-Oxley Act, 2002 correctly.

(b) Many students have answered well this part of the question, while a few students' answers were wrong.

(c) Most of the students did not perform this question well.

Question 6.(a) Very few students have attempted this part of the question and their answers were irrelevant.

(b) Many students had confused with reserve capital and capital reserve. A few students only could give the answer to this question correctly.

(c) Many students have answered this part of the question in general.

PAPER – 4 : CORPORATE AND ALLIED LAWS

General Comments

The performance in general was "average". Candidates are required to make note of the following improvements:

- (a) Arriving at conclusions/interpretation of the answer to the question based specific section/Important case laws, if any.
- (b) Writing answers in a sequence and logical manner.
- (c) Drafting of resolution to be specific by mentioning relevant section of the concerned law.
- (d) Avoid writing answers in general.
- (e) Study of allied laws requires attention.

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Specific Comments

Question 1. In respect of second part of the question relating to declaration of dividend, most of the candidates have answered the question in general without referring to Rule 2 of the Companies Declaration of (Dividend out of Reserves) Rules, 1975.

Question 2. In respect of improper appointment of Managing Director and the validity of acts, many candidates have stated that such acts are invalid. In respect of second part of the question dealing with appointment of Whole-time Director, candidates have not linked their answers in accordance with Sections 269, 314 and Schedule XIII of the Companies Act, 1956.

Question 3. Based on the language used in the question and with reference to interpretation of question based on section 289 of the Companies Act, 1956 and certain case laws, there is a possibility of alternate answer to the question. Some of the candidates have stated that the resolution is not valid, while some others have mentioned it is valid. Candidates may refer to the answer (including alternate) given in the suggested answers.

In respect of second part of the question relating to interest of the directors in proposed contract or arrangement with the company, most of the candidates have not conceptually understood the application of sections 297, 299 and 300 of the Companies Act, 1956.

Question 4. Reference to section 244 of the Companies Act, 1956 on the action that can be taken by the Central Government for recovery of damages or funds mis-appropriated by the Managing Director was not given. In respect of question relating to amalgamation, many of the candidates have mentioned that companies must have specific power to amalgamate in the object clause of their Memorandum of Association, whereas it is not so.

Question 5. In respect of question relating to withdrawal of petition filed under section 397/398 of the Companies Act, 1956, candidates have mentioned that withdrawal by certain percentage of petitioners under section 399 of the Act will affect the validity of the petition file for seeking relief against operation and mismanagement, whereas it is not so. The problem relating to order of priority of payment to creditors at the time of winding-up of companies was not in accordance with Section 529A of the Companies Act, 1956.

Question 6. Ascertaining the status of foreign company was not based on Section 591 of the Companies Act, 1956. The answer to the question on Producer Company was not satisfactory. Most of the candidates were not aware of the relevant sections relating to such companies.

Question 7. Drafting of Board's resolution in respect of sole-selling agent was lacking in terms of language and relevant section ie. 294AA of the Companies Act, 1956. In respect of second part of the question relating to donation to charitable purpose and to political parties, answers were not in accordance with section 293 of the Companies Act, 1956.

Question 8. The answer to the question on determination of minimum price issue was not satisfactory and many candidates were not aware of the relevant SEBI (DIP) Guidelines, 2000.

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Question 9. The determination of residential status of company under the Foreign Exchange Management Act, 1999 was not understood by many of the candidates.

Question 10. Candidates in general were not aware changes in the Section 12 of the Competition Act, 2002 brought in by the Competition (Amendment) Act, 2007. The period of one year was increased to two years by Competition (Amendment) Act, 2007.

Question 11. The Rule of 'ejusdem generis' as applied in the interpretation of statute was mentioned in a general way without any illustrations.