

SUMMARY OF EXAMINERS' COMMENTS ON THE PERFORMANCE OF CANDIDATES

PAPER – 1 : ADVANCED ACCOUNTING

General Comments

The overall performance of the candidates, as commented by the examiners, was not satisfactory. The answers of the candidates showed lack of knowledge and understanding of the subject, particularly the accounting standards and guidance notes. The candidates are advised to brush up their skills regarding practical problems based on application of accounting standards. 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.

Specific Comments

Question 1. Large number of candidates erred in calculation of (i) incremental profit earned by Baqa Ltd. during three months ended 31.3.09, (ii) analysis of accumulated profits and reserves of Baqa Ltd. between capital (pre-acquisition) and revenue (post-acquisition), (iii) computation of goodwill and minority interest. Few among them did not prepare the consolidated balance sheet of Aqua Ltd. and its subsidiary Baqa Ltd. as per the format given under the Companies Act. Few candidates showed inadequate knowledge of AS 21 'Consolidated Financial Statements' in their answers.

Question 2. The candidates have performed badly in this question. Hardly few candidates could ascertain the correct amount of rectified profits and purchase consideration of Small Ltd. and Little Ltd. respectively. They could not calculate the required number of shares issued to the shareholders of each of the two companies. They also erred in calculation of investments in subsidiaries to be shown in the projected balance sheet of Big Ltd. Projected profit and loss account of Big Ltd. was also not correctly prepared by some of the candidates.

Question 3.(a) Few candidates failed to provide the present value of incremental cash flows and consequently, could not calculate the maximum price that can be quoted for take over of Fine Toys Ltd.

(b) The candidates exhibited poor knowledge on topic of Mutual Funds. Majority of the candidates could not prepare the statement showing the movement of unit holders' funds for the year ended 31st March, 2009. They failed to arrive at the correct amounts of closing balance of net assets and balance in equalization fund.

Question 4.(a) Almost all the candidates were not able to give the required answer in line with amendment to AS 11 vide Companies (Accounting Standards) Amendment Rules, 2009.

(b) Most of the candidates were not able to find the expected and actual returns on plan assets.

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Question 5.(a) Few candidates made small mistakes while preparing the statement of changes in development fund and the balance sheet.

(b) Some candidates did not prepare the table showing apportionment of lease payments between finance charges and reduction of outstanding liability. Few among them could not ascertain the correct amount of unearned finance income and did not give the required journal entries.

Question 6 Some candidates could not apply the relevant provisions of the AS 4, AS 5 and AS 13 in the required manner. Even if the conclusions were correct in few cases, reasoning was not accurate.

PAPER – 2 : MANAGEMENT ACCOUNTING AND FINANCIAL ANALYSIS

General Comments

The performance in general is “satisfactory”. However, following errors have been observed in answering the questions, which candidates are required to make note for the improvement.

- (a) The conceptual knowledge of the candidates was not adequate considering the expected standard level.
- (b) Answers have exhibited lack of systematic and logical approach, clear presentation, proper and adequate conceptual and analytical explanation.
- (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, even though they were simple. Therefore candidates should answer theoretical questions correctly, lucidly and precisely.
- (g) Where solution involves making of assumptions it should be clearly stated.

Specific Comments

Question 1.(a) In this question the average performance was shown by most of candidates, as calculation of NPV was usually found correct but sensitivity has not been calculated properly indicating that they have not properly understood the concept of sensitivity.

(b) This part of question was answered fairly in general. However, most of students either given minimum price or maximum price per share (total also) but not total range.

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(c) In this theoretical part of question the performance of candidates was not upto the mark as it appears that candidates did not apprehend the question and the answer expected from them. Majority of candidates proceeded to described Financial Management (FM) aspects.

Question 2.(a) In this theoretical part of question the performance of candidates was not satisfactory as most of the candidates could get few steps rights, but failed to calculate RADR and consequently NPV of projects. Many candidates have answered without evaluating RADR as desired so DCF also varied due to basic present value factor, tax effect an cash flow etc.

(b) In this part of question performance of candidates was fairly good.

(c) Being the easy question the performance of majority of candidates was above average level.

Question 3.(a) Being a straight forward question on mutual fund. The performance of majority of candidates was good. However, some candidates made error in describing the total yield v/s effective % yield p.a.

(b) In this question of calculation of lease rentals, the performance of majority of candidates was poor because of following reasons:

(i) It appears that the question was not property understood by many candidates.

(ii) Not calculated lease rent in expected way.

(iii) Most of candidates ignored the PV of the depreciation tax shield.

(c) In this theoretical question the performance was overall satisfactory. However, few candidates gave correct formula of CAPM but, were not able define the concept properly.

Question 4.(a) In this question of mergers and acquisition the performance of candidates was average as following errors in their answers were noted:

(i) Error in calculation of number of shares given to C Ltd. by B Ltd.

(ii) Errors in calculation of earnings of merged firm and consequently EPS of the merged firm.

(b) In this question of foreign exchange risk management the performance was candidate was not satisfactory as majority of candidates were unable to appreciate the currency quotes, its significances and impact on proposed transactions. Lack of conceptual knowledge in respect of Ask Rate & Bid Rate was observed in many cases.

Further most candidates could not compute the amount of money market hedge correctly. Therefore, failed to compare with the amount of forward contract.

(c) In this theoretical question the performance of majority of candidates was poor as they have shown an unsystematic approach in answering the question writing unnecessary and irrelevant details. Some students confused PSU Budgeting with Central Government Budgeting. Some students explained budget and revised budget which was not asked for.

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Question 5.(a) Though few candidates innovated their own ways to solve the question. The overall performance was satisfactory in the question requiring the comparison of Call and Put option.

(b) In this question the overall performance of candidates was satisfactory. However, it has been found that most of examinees succeeded to calculate the market price of the share as per Walter Model, but failed to describe properly about whether dividend payout is optimum or not.

(c) In this question the performance of candidates was average. As some candidates even shown the lack of knowledge of ordinary concept of "average"? Many candidates failed to calculate the value of S.D. due to lack of knowledge of the concept.

PAPER – 3 : ADVANCED AUDITING

General Comments

It was also observed that there appears to be a tendency of quoting/referring various irrelevant accounting standards for all questions which needs re look and self correction by students. It should be made clear to students that such tactics would not give extra weightage to their answers.

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.(a) Many candidates have wrongly interpreted income tax provisions regarding maintenance of books u/s. 44AA rather than provisions of Companies Act .

(b) Overall performance of the students was poor.

(c) A few students have answered well. However the over all performance of the students was poor.

(d) Majority of the candidates did not understand the question correctly.

Question 2.(a) Many students have performed well. However, a few students have answered wrongly.

(b) Poor performance of the students could be found in this part of the question.

(c) Many candidates wrote wrong answers to this part of the question.

(d) Many students did not understand the audit of Co-operative Societies well.

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Question 3.(a) Most of the students' answers were in general.

(b) Average performance of the candidates could be witnessed in this part of the question.

Question 4.(a) Many of the students did not perform this part of the question well.

(b)(i) A few candidates gave answer correctly. However, a few students were confused over TDS requirement and remittance and dividend distribution tax.

(ii) The performance of the students was satisfactory.

Question 5.(a) Many of the candidates have answered the verification of the existence of "Related Parties".

(b) Poor performance of the students could be seen in this part of the question.

Question 6.(a) Majority of the students failed to answer to the point.

(b) Performance of the candidates were found satisfactory.

(c) Many students have written their answers correctly, while a few students' answers were given in general.

(d) Overall performance of the students was satisfactory.

PAPER – 4 : CORPORATE LAWS AND SECRETARIAL PRACTICE

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.

Specific Comments

Question 1 In respect of second part of the question relating to explanation of the terms "Option in Securities", "Spot Delivery Contract" and "Derivatives" used in stock exchange, could not be explained by most of the candidates as per the Securities Contracts(Regulations)Act,1956 . Answer was given in general.

Question 2 In respect to determination of residential status of an individual for a particular financial year, many candidates were confused relating to numbers of days .Instead of 'more than 182 days', some students used '182 days', 'not less than182 days',182 days or more'

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which are all incorrect. Whereas in respect to second part of the question relating to making of declaration of the goods for an export ,most of the candidates failed to mention the provision given in the Foreign Exchange Management Act,1999.

Question 3 Based on the language used in the question and with reference to interpretation of question based on SEBI(DIP) Guidelines 2000, there is a possibility of alternate answers to the question. Some of the candidates have stated that the proposed offer is within the limit, while some others have mentioned that the proposed offer is not within the limit. Candidates may refer to the alternate answers given in the suggested answers.

In respect to part (i) of the second part of the question relating to meaning of 'Agreement' given in the section 2(b) of the Competition Act,2002, most of the candidates have not conceptually understood the terminology in reference to the Competition Act,2002 and so were unable to give, answer satisfactorily.

Question 4 In respect to second part of the question, reference to section 285 of the Companies Act, 1956 was not applied appropriately .Most of the candidates were confused regarding the holding of four meetings on 27th March 2009 in the given question. Even students were not clear about the difference in the Financial year and the Calendar year, so this laid to the confusion among the candidates about the total number of meetings held by the Board in the calendar year 2008.

Question 5 In respect of question relating to recovery and waiver of recovery of the excess remuneration paid by the company, the relevant section 309 and 637AA were not clear to most of the candidates. As regard the drafting of the resolution for recover/waiver of recovery of the excess remuneration was not upto the mark. It was mostly drafted on recovering of the excess remuneration but not on the waiver of recovery of the excess remuneration . In respect to second part of the question no conceptual clarity relating to the rule of lien as per the Regulation 9 of Table A of the Companies Act,1956.

Question 6 In relation to question of objection raised by the shareholders in respect to giving of intercorporate loans and investments ,the reference of Section 372(1) and 372(8) has not been satisfactorily given by most of the candidates. Exemption available to infrastructure company was mostly lacking in the answer of the most of the candidates. In relation to sub-part (ii) of the second part of the question, the provision relating to the procedure for appointment of auditor of a Government Company given under section 619 and 224(5) of the Companies Act,1956 not given generally by most of the candidates.

Question 7 In respect to question relating to liability of past members and of the present members to contribute in the assets of the company in the case of winding up given under the section 426 of the Companies Act,1956 has not been appropriately laid down as is expected from the final year students. In the second part of the question relating to filing of the petition alleging illegal, invalid and irregular transactions entered into the name of the company by the group of shareholders ,mostly candidates have given general answer rather than mentioning the requirements given under section 399(1) of the Companies Act,1956.