

SUMMARY OF EXAMINERS' COMMENTS ON THE PERFORMANCE OF THE CANDIDATES

PAPER – 1 : ADVANCED ACCOUNTING

General Comments

Most of the candidates have not presented the solutions to computational problems stepwise in a logical order. In many cases, answers of sub-questions were not in proper sequence and were scattered throughout the answer-sheet. Also candidates have not read the instruction to attempt every question from the fresh page. In general, question numbering provided by the candidates is not in line with the question given in the question paper. These mistakes may affect your marking. Therefore, one should take care of it in future. Read the question carefully more than once before starting the answer to understand very clearly as to what is required in the question. Always be concise and write to the point and do not try to fill pages unnecessarily. In case a question is not clear, you may state your assumptions and then answer the question accordingly.

Specific Comments

Question 1. In part (a), most of the candidates failed to identify the nature of assets i.e. qualifying or non-qualifying. Many candidates capitalized interest on machinery portion which was incorrect. In part (b), many candidates ignored the concept of weighted average number of equity shares while calculating EPS. In part (c), candidates failed to correlate the information given in the question with the provisions of AS 9 'Revenue Recognition' and gave irrelevant answers.

Question 2. Many candidates wrongly considered settlement of debtors & creditors for computation of purchase consideration and consequently gave wrong journal entries and the balance sheet.

Question 3. Few candidates failed to understand that the amount defalcated by cashier was recoverable and wrongly treated it as a loss in the profit and loss account.

Question 4. In part (a) of the question, many candidates failed to calculate the correct provision for income-tax although the provisioning against non performing assets was correctly made. In part (b), majority of the candidates did not consider red ink interest for the two bills of exchange dated October 23, 2010 and December 03, 2010.

Question 5. In part (a), some of the candidates failed to calculate the amount to be capitalized by Jaipur Electric Company Limited. In part (b), classification of cash flows into operating, investing and financing activities was not done properly by few candidates.

Question 6. In part (a), mistakes were made by the candidates in calculation of stock reserve and closing stock. Moreover, adequate working notes for calculation of closing stock of head office and branch was not given by some candidates. In part (b) of the question, some

SUMMARY OF EXAMINERS' COMMENTS

candidates could not ascertain the correct amount payable/receivable by the underwriters. Few candidates also erred in the calculation of commission paid to underwriters.

Question 7. In part (a) and (c), solution provided by the candidates was not given with reference to the relevant accounting standards. Also in the second requirement of part (c), candidates explained the accounting treatment in reference to prior period & extraordinary item instead of events occurring after the balance sheet date. In part (e), most of the candidates made mistake in differentiating between cost & revenue due to lack of understanding of AS 7.

PAPER – 2 : AUDITING AND ASSURANCE

General Comments

The overall performance of the candidates has been below par. Many candidates neither refer the relevant Standards on Auditing (SAs) nor gave due explanation of SAs. As contemplated by the examiners, spelling mistakes and poor usage of grammar was the common problem among the candidates. Also, most of the answers lacked proper presentation, good expression, clarity and precision. The command over language was very poor and lots of grammatical mistakes were committed. In many cases, answers of sub-questions were not in proper sequence and were scattered throughout the answer-sheet. These mistakes may affect marking. Therefore, one should take care of it in future. Read the question carefully more than once before starting the answer to understand very clearly as to what is required in the question. Always be concise and write to the point and do not try to fill pages unnecessarily. It is also suggested that the candidates should go through the study material thoroughly.

Specific Comments

Question 1.(a) Majority of the candidates could not understand the question regarding reviewing the work performed by assistant and mostly answered it in a general way as guidance to assistants and taking expert advice. Although they agreed that the statement is true however, they were not able to write how the work of assistants shall be reviewed and checked.

(b) Most of the candidates explained the general purposes of audit documentation alongwith its definition instead of stating its additional purposes.

(c) Many candidates answered consideration of laws and regulations in audit as implementation of internal control, internal audit and management's responsibility towards the same. Some candidates explained Auditor's duties in case of non compliance rather than emphasizing the role of the management.

Question 2.(a) Some candidates mentioned the types of evidences rather than the methods of obtaining audit evidence.

PROFESSIONAL COMPETENCE EXAMINATION : MAY, 2011

(b) Most of the candidates failed to mention the various circumstances and mechanism through which fraud can be committed by ledger keeper. Their answer was on the various types of errors and its impact on profit.

Question 3.(a) Some of the candidates did not have an idea of the basic limitations that hinders an auditor and gave general constraints of time, cost and scope. Some candidates mystify it with problems faced by the auditor to perform his duty with due care and skills.

(b) Most of the candidates mentioned only half of the relevant points regarding fundamental principles to be possessed by an auditor. Further, they unnecessarily added auditing techniques and methods in their answer. Moreover, many candidates wrote the basic principles governing an audit instead of auditor.

Question 4.(a) Few candidates were not able to iterate factors which increase gross profit and drafted the answer in a very vague manner.

(b) Some of the candidates mentioned the methods of charging depreciation instead of stating the various purposes of charging depreciation.

Question 6.(a) Majority of the candidates were not able to write the satisfactory answer of the Joint Audit and its relative advantages and disadvantages.

(b) Some of the candidates failed to present required provisions of section 77A

Question 7.(a) Majority of the candidates could not bring out the relevant provisions and requirement in re-issuing the redeemed debentures.

(b) Candidates in general failed to describe the problems in implementation of internal control in a small business and instead discussed the methods and techniques to introduce the same.

(c) Many candidates discussed the definition of sampling, benefits and methods of test checking instead of explaining the stratified sampling.

(d) Few candidates explained balance sheet audit of Government Entrepreneurs in place of Audit of expenditure in Government audit.

(e) Most of the candidates gave general answer and failed to mention the need and area to be applied for cut-off procedure.

PAPER – 3 : LAW, ETHICS AND COMMUNICATION

General Comments

1. The performance in general was satisfactory.
2. Considering the level of knowledge that is expected from the candidates in this paper i.e. working knowledge, candidates are required to write answers based on provisions of the

SUMMARY OF EXAMINERS' COMMENTS

law, wherever necessary and in this connection, they are advised to read the study material.

3. Candidates are further advised to read the subject with a practical orientation and writing answers based on general view should be avoided.

Specific Comments

Question 1.(a) Instead of writing answer on the determination of compensation on the breach of contract, candidates described different types of breach of contract and provisions as contained in Section 73 of the Indian Contract Act, 1872 were not known to many.

(b) & (c) The performance to the multiple objective questions was found excellent.

(d) On the law and procedure relating to registration of a non-profit organisation as a company under the Companies Act, 1956, answers were general in nature and provisions of section 25 were not mentioned.

Question 2.(a) The problem was based on provisions as contained in the Payment of Bonus Act, 1965 was well answered by many candidates, though they could refer the relevant case law and section in the said Act.

(b) In stating the elements which create discrimination in employment in the business organisations, answers were in general and the performance was average.

Question 3.(a) While the candidates correctly mentioned the amount of gratuity payable to employees in a seasonal as well as other establishments, under the payment of Gratuity Act, 1972, the basis on which it is calculated were not correctly written. Amendment in the ceiling regarding maximum gratuity payable was correctly mentioned by many candidates.

(b) Tips for improving inter-personal skills in a business organisation were not specific and it is evident that candidates did not read the study material.

Question 4. The performance to the question in general was average. Candidates did not explain the purposes for which the Securities Premium Account can be used. On the second part of the question relating to ethics, it seems that candidates are having some difficulty in answers, either due to less attention being paid or in understanding the subject.

Question 5. The performance of the candidates in general to the various sub-parts of the question was satisfactory.

Question 6. The procedure for converting a private company into a public company under the provisions of the Companies Act, 1956 were not listed out in order and they were general in nature. In respect of questions relating to guidelines for managing ethics, need for whistle-blowing in the work place and characteristics of group personality, very few candidates could write correct answers and many of them even did not attempted it.

Question 7. On the composition and functions of the Central Board of Trustees under E.P.F & M.P. Act, 1952, very few could write correct answers. On the documents to be filed with ROC at the time of registration of a company under the Companies Act, 1956, many of them

PROFESSIONAL COMPETENCE EXAMINATION : MAY, 2011

were not aware of documents other than Memorandum and Articles of Association. Based on performance to this question and other related questions related to company law portion, candidates have to equip their working knowledge in the subject.

The performance to the second alternative choice question on company law and ethics was average.

The answers to the third alternative choice questions based on ethics was not upto the mark.

The fourth alternative choice questions relating to communication were written in general.