

REVISION TEST PAPER, MAY 2012 – OBJECTIVE & APPROACH

(Students are advised to go through the following paragraphs carefully to derive maximum benefit out of this RTP)

I Objective of Revision Test Paper

Revision Test Papers are one among the many educational inputs provided by the Board of Studies (BOS) to its students. Popularly referred to as RTP by the students, it is one of the very old publications of the BOS whose significance and relevance from the examination perspective has stood the test of time.

RTPs provide glimpses of not only the desirable ways in which examination questions are to be answered but also of the professional quality and standard of the answers expected of students in the examination. Further, aspirants can assess their level of preparation for the examination by answering various questions given in the RTP and can also update themselves with the latest developments in the various subjects relevant from the examination point of view.

The primary objectives of the RTP are:

- To help students get an insight of their preparedness for the forthcoming examination;
- To provide an opportunity for a student to find all the latest developments relevant for the forthcoming examination at one place;
- To supplement earlier studies;
- To enhance the confidence level of the students adequately; and
- To leverage the preparation of the students by giving guidance on how to approach the examinations.

RTPs contain the following:

- (i) Planning and preparing for examination
- (ii) Subject-wise guidance – An overview
- (iii) Updates applicable for a particular exam in the relevant subjects
- (iv) Topic-wise questions and detailed answers thereof in respect of each paper
- (v) Relevant publications/announcement applicable for the particular examination

Students must bear in mind that the RTP contains a variety of questions based on different sections of the syllabi and thus a comprehensive study of the entire syllabus is a pre-requisite before answering the questions of the RTP. In other words, in order to derive maximum benefit out of the RTPs, it is advised that before proceeding to solve the questions given in the RTP, students ought to have thoroughly read the Study Materials,

solved the questions given in the Practice Manual and gone through the Suggested Answers of the earlier examinations. It is important to remember that there can be large number of other complex questions which are not covered in the RTP. In fact, questions contained herein are only illustrative in nature.

The topics on which the questions are set herein have been carefully selected and meticulous attention has been paid in framing different types of questions. Detailed answers are provided to enable the students to do a self-assessment and have a focused approach for effective preparation.

Students are welcome to send their suggestions for fine tuning the RTP to the Director, Board of Studies, The Institute of Chartered Accountants of India, A-29, Sector-62, Noida 201 309 (Uttar Pradesh). RTP is also available on the Institute's website www.icai.org under the BOS knowledge portal in students section for downloading.

II. Planning and preparing for examination

Ideally, when you receive the RTP, you should have completed the entire syllabus of all the subjects at least once. RTP is an effective tool to revise and refresh your concepts and knowledge gained through the first round of study of the whole course. When the RTP reaches your hand, your study plan should have been completed as under:

v *Study Materials*

You must have finished reading the relevant Study Materials of all the subjects. The Study Materials relevant in each paper are announced well in advance by the BOS through Students Journal and Institute's website. Make sure you go through the Study Material as they cover the syllabus comprehensively.

v *Other Educational Inputs*

In case of papers on Taxation, you must have carefully perused the Supplementary Study paper containing the latest amendments made through the relevant Finance Act and notifications and circulars issued from time to time which are applicable for the forthcoming examinations.

v *Practice Manuals*

Practice Manuals are an excellent medium of understanding the practical aspects of the various provisions learnt through the Study Materials. Solving the Practice Manual at least once before proceeding to the RTP will ensure that you have a grasp of the application and computational aspect of the syllabus as well.

v *Suggested Answers*

Giving an honest attempt to solve the previous attempts suggested answers on your own, will give you a flavour of the pattern of question paper and type of questions which are being asked in the examination.

After completing the above process, you should go through the Updates provided in the RTP and then proceed to solve the questions given in the RTP on your own. RTPs are provided to you to check your preparation standards and hence it must be solved on your own in a time-bound manner.

The stratagem and the fine points requiring careful consideration in respect of preparation for the CA examinations are explained in comprehensive details in BOS' publication "How to face CA Examinations? A Matrix of Winning Strategies". The publication may be referred to when you start preparing for a subject.

Examination tips

How well a student fares in the examination depends upon the level and depth of his preparation. However, there are certain important points which can help a student better his performance in the examination. These useful tips are given below:

- Reach examination hall well in time.
- As soon as you get the question paper, read it carefully and thoroughly. You are given separate 15 minutes for reading the question paper.
- Plan your time so that appropriate time is awarded for each question. Keep sometime for revision as well.
- First impression is the last impression. The question which you can answer in the best manner should be attempted first.
- Always attempt to do all questions. Remember that six average answers fetch more marks than five best answers. Therefore, it is important that you must finish each question within allocated time.
- Read the question carefully more than once before starting the answer to understand very clearly as to what is required.
- Answer all parts of a question one after the other; do not answer different parts of the same question at different places.
- Write in a neat and legible hand-writing.
- Always be concise and write to the point and do not try to fill pages unnecessarily.
- There must be logical expression of the answer.
- In case a question is not clear, you may state your assumptions and then answer the question.
- While writing answers in respect of essay-type questions, try to make sub-headings so that it catches the examiner's eye.
- Revise your answers carefully and underline important points before leaving the examination hall.

III. Subject-wise Guidance – An Overview

Paper 1: Financial Reporting

The Revisionary Test Paper (RTP) of Financial Reporting is divided into two parts viz Part I - Relevant Amendments, Announcements and Notifications for May, 2012 examination and Part II –Questions and Answers.

Part I of the Revisionary Test Paper consists of the information, which is not given in the study material of January, 2011 edition but is applicable for the students appearing in the May, 2012 examination. It consists of the 'Relevant Amendments, Announcements and Notifications applicable and not applicable' for May, 2012 examination. The purpose of this information in the RTP is to apprise the students with the latest developments applicable for May, 2012 examination. The brief summary of the same has been tabulated as under:

A. Applicable for May, 2012 examination:

Amendments

<i>Notification No.</i>	<i>Date</i>	<i>Topic</i>
<i>LAD-NRO/GN/2011-12/17/26149</i>	<i>16th August, 2011</i>	<i>Securities and Exchange Board of India (Merchant Bankers) (Second Amendment) Regulations, 2011</i>
<i>No. LAD-NRO/GN/2011-12/19/26273</i>	<i>17th August, 2011</i>	<i>Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) (Second Amendment) Regulations, 2011</i>
<i>LAD-NRO/GN/2011-12/27668</i>	<i>30th August, 2011</i>	<i>Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2011</i>

Announcement

Application of AS 30, Financial Instruments: Recognition and Measurement, for the accounting periods ending on or before 31st March 2011 and from 1st April, 2011 onwards.

Notifications

<i>Notification No.</i>	<i>Date</i>	<i>Topic</i>
<i>DNBS.PD.CC.No.207/03.02.002/2010-11</i>	<i>January 17, 2011</i>	<i>Provision of 0.25% for standard assets of all NBFCs</i>

<i>DNBS.PD/CC.No.211 /03.02.002/2010-11</i>	<i>February 17, 2011</i>	<i>All Deposit Taking NBFCs - CRAR Fifteen percent w.e.f March 31, 2012</i>
<i>DNBS.(PD).CC.No.213/03.10.001/2010-2011</i>	<i>March 16, 2011</i>	<i>Amendment to Definition of Infrastructure Loan under Non-Banking Financial (Non-Deposit/Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007</i>

B. Not applicable for May 2012 examination :

- (i) Schedule VI revised by the Ministry of Corporate Affairs
- (ii) Ind ASs issued by the Ministry of Corporate Affairs
- (iii) Inflation Accounting

Part II of the Revisionary Test Paper carries twenty questions and their answers. First 4 questions (containing 4 to 5 sub-parts in each question) are based on Accounting Standards and Guidance Notes. Each of the sub-questions is based on different accounting standards. For easy reference the accounting standard number has also been quoted at the top of each sub-question. Also, at the end of each question on Accounting Standard, hints have been provided. These hints are basically the particular paragraph numbers of the Accounting Standards, the provisions of which can be referred while answering the questions. Remaining sixteen questions are based on different topics discussed in the study material. The questions in the RTP have been arranged in the same sequence as prescribed in the study material to facilitate easy revision by the students. The details of topics, on which questions in the RTP are based, are as under:

<i>Question No.</i>	<i>Topic</i>
<i>1 to 4 (consisting of 17 sub-parts)</i>	<i>Accounting Standards and Guidance Notes</i>
<i>5</i>	<i>International Financial Reporting Standards, Their Interpretations and US GAAPs-An Overview</i>
<i>6</i>	<i>Corporate Financial Reporting</i>
<i>7</i>	<i>Corporate Restructuring-Internal Reconstruction</i>
<i>8</i>	<i>Corporate Restructuring-Amalgamation</i>
<i>9</i>	<i>Corporate Restructuring-Demerger</i>
<i>10</i>	<i>Consolidated Financial Statements</i>

11	<i>Treatment of Investment in Associates</i>
12	<i>Accounting and Reporting of Financial Instruments</i>
13	<i>Share Based Payments</i>
14	<i>Mutual Fund</i>
15	<i>Non Banking Finance Company</i>
16	<i>Valuation of Goodwill</i>
17	<i>Valuation of Shares</i>
18	<i>Value Added Statements</i>
19	<i>Economic Value Added</i>
20	<i>Human Resource Accounting</i>

Answers to the questions have been given in detail along with the working notes for easy understanding and comprehending the steps in solving the problems. The answers to the questions have been presented in the manner which is expected from the students in the examination. The students are expected to solve the questions under examination conditions and then compare their solutions with the solutions given in the Revisionary Test Paper and further strategize their preparation for scoring more marks in the examination.

Paper 2: Strategic Financial Management

Basically the subject of Strategic Financial Management is the application of financial management techniques in strategic decisions of business. The major topics from which practical questions are normally asked are as follows:

- Capital Budgeting Decisions (with Risk Analysis) including the Leasing Decisions
- Dividend Divisions
- Indian Capital markets including Derivatives, Swaps and FRAs etc.
- Security Analysis and Portfolio Management
- Financial Services
- Mutual Funds
- Foreign Exchange Management
- Mergers and Acquisitions and Valuation of Business

Accordingly, the detail of the topics, on which questions (randomly distributed) in this Revisionary Test Paper are based is as follows:

Question No.	Topic
1	Portfolio Management
2	Foreign Exchange Management
3	Foreign Exchange Management
4	Futures (Derivatives)
5	Leasing
6	Economic Value Added (Security Analysis)
7	Options (Derivatives)
8	Mergers and Acquisitions
9	Dividend Decisions
10	Capital Budgeting with Risk Analysis
11	Simulation Analysis (Capital Budgeting with Risk Analysis)
12	Mutual Fund
13	Valuation of Business
14	Security Analysis
15	Financial Services
16	Bond Valuation (Security Analysis)
17	Efficient Market Hypothesis (Security Analysis)
18	Swap (Indian Capital Market)
19	Repurchase of Share (Security Valuation)
20	A blend of short notes of theoretical concepts as without it their application in practical situations becomes impossible.

Paper 3: Advanced Auditing and Professional Ethics

This RTP of Advanced Auditing and Professional Ethics is relevant for May, 2012 examination.

It has been divided into two parts:

Part I: Academic Update (Significant Notifications and Circulars)

Part II: Questions and Answers

Part I of the Revisionary Test Paper consists of the 'Relevant Notifications, Amendments, Announcements etc.' applicable and not applicable for May, 2012

examination. This part consists of the information, which is not given in the study material but is applicable for the students appearing in the May, 2012 examination. The purpose of this information in the RTP is to apprise the students with the latest developments applicable for May, 2012 examination.

Notifications / Circular

Notification / Circular No.	Date	Topic
General Circular No: 15/2011 issued by MCA	11-04-20011	Revised procedure for appointment of cost auditor by companies under section 233B of the Companies Act, 1956 - Audit of cost accounts in certain cases
General Circular No: 10/2011 issued by MCA	04-04-20011	Interpretation of the word "Partnership" for the purpose of Chartered Accountants Act, 1949, Cost and Works Accountants Act, 1959 and Company Secretaries Act, 1980.

Amendments in Central Council Guidelines, 2008:

1. Chapter-XII Minimum Audit Fee in respect of Audit of the Council General Guidelines, 2008 appended to the ICAI publication titled " The Chartered Accountants Act, 1949" has been repealed.
2. Definition of Relative in Chapter-IV of the Council General Guidelines, 2008.
3. Chapter IV - Opinion on financial statements when there is substantial interest.

Part II Consists of total 20 questions which have been taken from the entire syllabus. The syllabus is divided into twenty two chapter along with engagement and quality control standards, Statement on CARO, 2003, Guidance notes etc discussed in the study material.

These 20 questions are taken from different topics like Standards on Auditing, Statements and Guidance notes, audit strategy planning and programming, risk assessment and internal control, audit under CIS environment, Company Audit, liabilities of auditors, Audit Report, Professional Ethics, miscellaneous audits etc of different level. Some of the questions given in the RTP are descriptive i.e. direct theory questions whereas some of them are practical case studies based i.e. application oriented theory question. Two short notes type questions are also given in this RTP. The chapter's name is also clearly indicated before each question. RTP is a tool to refresh your knowledge which you have acquired while doing your conceptual study from Study Material, Practice Manual and other modes of knowledge like newsletters, bare acts etc.

Paper 4 : Corporate And Allied Laws

In the paper of Corporate and Allied Laws, students should be able to pinpoint the legal point or issue involved in any problem and synchronize the same with the relevant legal provisions in a clear and logical manner. Also, language is an important area of concern for the students. A common feedback from the Examiners was that students are generally weak in english language though they are thorough in the subject. As a result, the presentation of answers is not up to the mark. This problem can be overcome only by writing the answers under examination conditions and also undertaking self-assessment by going through Revisionary Test Papers (RTP).

RTP is divided into two parts:

Part I: Relevant amendments applicable for May 2012.

Part II: Topic wise questions with detailed answers

Part I talks about the applicability of various Circulars, Notifications, Regulations issued by various authorities for May 2012 examinations. This contains the amendments in the Companies Act, 1956, SEBI Act, 1992 and Competition Act, 2002.

Students can also, if possible, access to Internet at several websites for the latest updates, amendments in the related Acts, and for other relevant information. Some of the major websites are

- Ø ICAI: Institute's website - www.icaai.org which provides useful information and also useful link to other Government websites.
- Ø Ministry of Corporate Affairs: www.mca.gov.in (for matters relating to Company Law).
- Ø SEBI: www.sebi.gov.in (for SEBI Act, 1992 and SCRA Act, 1956)
- Ø Reserve Bank of India: www.rbi.org.in (for FEMA, 1999)
- Ø Competition Commission of India: www.cci.gov.in (for Competition Act, 2002)

Part II contains 25 Questions with their detailed answers. Many questions are divided into sub parts. The topics amongst which these questions are divided are as follows:

QUESTION NO.	TOPIC
1	Accounts
2	Audit
3	Dividend
4	Director
5	Director

6	Director
7	Meetings, Powers of the Boards and Related Party Transaction
8	Meetings, Powers of the Boards and Related Party Transaction
9	Inspection and Investigation
10	Compromise, Arrangements and Reconstructions
11	Prevention of Oppression and Mismanagement
12	Prevention of Oppression and Mismanagement
13	Corporate Winding Up and Dissolution
14	Producer Company
15	E-Governance
16	Companies Incorporated outside India
17	Corporate Secretarial Practice
18	The Securities Exchange Board of India Act, 1992
19	The Securities Exchange Board of India Act, 1992
20	The Securities Contracts (Regulation) Act, 1956
21	The Foreign Exchange Management Act, 1999
22	The Competition Act, 2002
23	Interpretation of Statutes, Deeds and Documents
24	Banking Regulation Act, 1949, The Insurance Act, 1938, The Insurance Regulatory and Development Authority Act, 1999, The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002
25	Prevention of Money Laundering Act, 2002

Guidance on Sections and Case Laws: It is imperative for Final students to remember major Section numbers and relevant case laws. Extra efforts are to be made in this direction. If by any chance, students do not remember the Section numbers and Case Law while answering any question in the examination paper on the subject, they may not lose heart on this score. They may otherwise strengthen their answer by appropriate reasoning and examples. However, they may desist from citing wrong Section numbers or irrelevant Case laws.