

SUMMARY OF EXAMINERS' COMMENTS ON THE PERFORMANCE OF CANDIDATES

PAPER – 1 : ACCOUNTING

General Comments

The overall performance of the candidates, as commented by the examiners, was not satisfactory. 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. 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. Accounts from incomplete records: A fair attempt has been made by most of the candidates in solving this question. However, some of candidates misunderstood the closing balance of equipment as value after depreciation and wrongly calculated the value of new equipment purchased. Few candidates erred in working out the opening capitals of the individual partners.

Question 2.(a) Liquidation of companies: Performance of the candidates in this question was good. Some candidates got confused while ascertaining the liquidator's remuneration on payment to unsecured creditors and wrongly included amount of preferential creditors in the payment made to unsecured creditors. Some candidates failed to add unsecured portion of partly secured creditors, to total of unsecured creditors and thereby erred in calculation of percentage of payment made to unsecured creditors to total unsecured creditors.

Question 2.(b) Calculation of purchase consideration: Overall satisfactory performance has been observed in this part of the question. Almost all candidates calculated the value of assets correctly but few candidates made mistake in the calculation of liability by either not including the value of debentures or by not including the value of unrecorded liability.

Question 3. Accounts of Electricity Supply Companies: It seems that candidates lack complete understanding on this topic as poor performance has been noted. Many candidates not even attempted the question and those who attempted the question have scored only step markings.

Question 4. Accounting for Hire-purchase transactions: It has been observed that the question has been attempted by many candidates though the performance of the candidates was not upto the mark. Many candidates have committed mistakes in calculating the cost of repossessed stock/loss on repossessed stock. Also candidates erred in computing total number of instalments received and cash collection from hire purchase debtors. Few candidates got confused with two methods of presenting the hire purchase trading account and mixed both the methods in one account. Detailed working notes were also missing in their solutions.

Question 5. Admission of a Partner into a firm: Performance of the candidates was good in this question. However, few students made Revaluation account instead of Memorandum Revaluation account and consequently, showed assets and liabilities at revalued figures in the balance sheet.

Question 6. Theory Questions (including application of Accounting Standards): First two part (a) and (b) of the question were satisfactorily answered by many candidates. Few candidates were not able to explain the treasury functions in specific and gave vague answers for the same.

Parts (c) to (f) are based on the application of Accounting Standards. The performance of the candidates was average in these parts of the question. Many candidates did not apply correct provisions of Accounting Standards. Some of them were not able to support their answer with proper reasoning. Candidates were not able to express their views properly.

PAPER – 2 : AUDITING

General Comments

1. Many of the candidates lack command over English language and presentation skill.
2. The answers of the candidates showed lack of knowledge and understanding of the subject especially accounting standard, AAS and Companies Act.
3. A large section of the candidates did not even go through the instructions. Instead of answering the main questions and its sub-part in consecutive set of pages, they have scattered the answers to the sub-part all over the answer books.
4. Due to lack of knowledge of AAS, AS and Companies Act, candidates tend to give very general answers instead of to the point answers.
5. Proper time management is required. Tendency to give long answers to questions carrying low marks resulted in one full question or part question at the end being left out.
6. Handwriting of many candidates appeared illegible.

Specific Comments

Question 1. (a) Most of the candidates failed to understand and apply AS 10 in practical situation. Most of the candidates mentioned that the delivery van cannot be recognized as an asset in the books of the company as it has not been registered in the name of the company with the RTO. Many had wrongly stated that the amount of Rs. 1,50,000 should be written off as bad debts. Some candidates mentioned that Rs. 25000 should be either credited to P & L Account or transferred to Capital Reserve.

(b) The answers were not at all satisfactory. Many of the candidates were unaware of the provisions of sec. 293 of the Companies Act, 1956 regarding donation to charitable institutions.

Many of them misunderstood the question and wrote on exemption available under sec. 80G of the Income Tax Act, 1961.

(c) Only selected candidates answered the question in conformity with requirements of AS 5 which requires separate disclosure of items in special circumstances. Some candidates stated that the provision should be Rs. 27 lacs. Some stated that the net provision of Rs. 2 lacs was correct.

(d) The performance of the candidates was very poor and only a few could correlate the answer with AS 17, Segment Reporting. Most of them made guess work, and stated that it is for better presentation of accounts. Some candidates stated that such separate accounts cannot be prepared, as only one profitability statement is to be depicted as per schedule VI to the Companies Act.

Question 2. (a) By and large the performance of the candidates was satisfactory. However some candidates failed to refer to the provisions of section 228 of the Companies Act, 1956.

(b) Some of the candidates were unaware of the concept of auditor's lien. Some of the student stated that the auditor cannot retain the books of account of the company for non receipt of fees. However, some of the answers were correct and to the point.

(c) This question was satisfactorily answered by most of the candidates. However some of the candidates stated that A is disqualified to be an auditor as he was owing Rs. 2500 to the company on the opening day of the year.

(d) The overall performance was poor. Most of them agreed with the contention of the financial controller of AS Ltd. forgetting the mandatory requirements to disclose proposed dividend in the accounts.

Question 3. (a)(i) Many of the candidates did not have a proper concept of Analytical procedures as envisaged by AAS 14, and gave generalized answers.

(a)(ii) Most candidates correctly answered the concept of materiality and its factors.

(b) A majority of the candidates did not understand the question, and stated in detail, how to audit cash in hand, investment etc.

Question 4.(a) This part of the question was answered reasonably well by a majority of the candidates. However most of them failed to refer to the provision of sec. 295 of the Companies Act, 1956.

(b) Performance of the candidates in this part of the question was average. Many of them failed to refer to AS 11.

(c) Candidates generally attempted this question on correct line.

(d) Very few candidates had a proper concept of Deferred tax liability as per AS 22. Most of the candidates gave very general answers on how to verify provision for taxation in the accounts.

Question 5.(a) Almost all the candidates answered this part of question satisfactorily.

(b) Many of the candidates did not have a proper idea of propriety audit. A few candidates mixed up propriety audit with audit of property, or fixed assets.

Question 6.(a) This part of the question was answered quite satisfactorily by a majority of the candidates.

(b) The answers were not very satisfactory. Many of the candidates did not refer to the collection and accounting of entertainment tax, or collection from advertisements etc.

Question 7. (a) Some of the candidates did not have proper concept of clean and qualified Report. One or two candidates stated qualified Report means Quality Report.

(b) Most of the candidates answered this part of question satisfactorily.

Question 8. (a) The question on change in accounting policies was well attempted by most of the candidates.

(b) Most of the candidates did not have the proper knowledge of AAS 11 and gave general answers.

(c) The answers were generally satisfactory.

(d) The performance of the candidates was not upto the mark. Most of them did not know the meaning of Cut-off arrangement .

PAPER – 3 : BUSINESS AND CORPORATE LAWS

General Comments

The performance in general was "satisfactory". The following improvements are suggested:

- (a) Reference to sections should part of the answer.
- (b) Answers to practical problems should be concise and logical.
- (c) Improvement in the English Language.
- (d) Important case laws, if any and relevant to the answer should form part of the main answer.

Specific Comments

Question 1. The answers in general were satisfactory except relating to part (a) and (b). The problem based on Section 27 of the Indian Contract Act, 1872 (Agreement in restraint of Trade) whether void or not could not be correctly answered by majority. Similarly in respect of the problem based on the Sale of Goods Act, 1930, candidates were not clear as to when risk passes from seller to the buyer.

Question 2. In answering question (a) most of the candidates could not clearly distinguish between a stranger to a contract and a stranger to consideration and they were not aware that

under the Indian Contract Act, 1872, consideration may move from the promisee or any other person.

Question 3. This question was attempted by many candidates. In question (a), candidates did not solve the practical problem in logical manner based on the provisions contained in Section 42 of the Indian Contract Act, 1872.

Question 4. In question 4 (b), majority of the candidates were not aware that the under the Multi-State Co-operative Societies Act, 2002, liquidator is to be appointed by the Central Registrar and wrote that he is appointed by the Central Government.

Question 5. The answers to question on Employees' Deposit Linked Insurance Scheme under the E.P.F. & M.P. Act, 1952 were vague, based on guess work rather than on legal provisions.

Question 6 The quality of answers in general was average and students were lacking in knowledge of the legal provisions.

Question 7. The performance in most of the sub-parts of the questions on Company Law was average. Some of the candidates wrote that a special resolution requires 2/3rd majority (instead of stating that votes cast in favour of the resolution is at least three times more than the votes cast against). Further in question (c), candidates did not specifically wrote the circumstances under which reduction of share capital should be done as per section 100 of the Companies Act, 1956.

Question 8. The performance in both parts of the question was not satisfactory.

Question 9. The binding effect of pre-incorporation contracts on the company was not properly explained. Students were not aware that pre-incorporation contracts in general are void ab initio and hence not binding on the company.

Question 10. Candidates in general experienced difficulty in solving problems related to powers of directors in refusal to call an EGM requisitioned by the members and status of EGM where no quorum is presented within half an hour of the meeting.