Clear CA Final

The charm of the CA course is the unique way it is structured. When Engineering, Medicine etc. are primarily entry restricted course. On the stark opposite, CA is exit restricted. The Final exam is the ultimate hurdle. It stands between an aspiring CA who has toiled 3 years during articleship and affixing the words "CA"

Let me try to debunk 3 popular myths here before we dwell on the specifics:

1. <u>CA exam is not really very tough:</u> When I joined the course, many people gave serious dhamkis on the tough correction and unending CA Final syllabus. Only when I wrote, I discovered for myself that it is not something to be feared. It is an animal which can be tackled with proper preparation.
2. <u>"The Cool off" Effect:</u> When you write IPCC, the last exam you would have written an exam the last year itself. The feeling of sitting and writing an exam will not be new. Life changes, when we take up articles. Most of work involves typing on computers. The hand-mind coordination will be rusty when you come to face the exam hall after a gap of 3 years. You would have cooled off by now. Mock tests are important for that reason.
3. <u>Single strategy to clear CA Final works for all:</u> There cannot be a single best plan that would work for everyone across the board to clear CA Final. We need to understand that the environment each one of us are in, the abilities are highly unique. FR could be easy for someone who had good exposure to consolidation or AS. Someone could be writing for the first time will deal it differently than someone who's writing for the nth time. Everyone needs to find their authentic balance to crack CA in the first go.

So, in the article I will try to pitch broad ideas based on which your study could be aligned.

1. ## Financial Reporting:
   At IPCC Level, Accounts is like digging 20 wells each 10 feet deep. In Final, it is like digging 5 wells, 100 feet deep. FR at final level contains broadly 6 segments.
   a. <u>Accounting Standards:</u> These are the crux of the paper. Nearly 30(20+16) marks are allocated to AS. At Final level, mastery is expected out of students. Most of the second generation standards are bulky and requires considerable concentration. Let me try to put in what I think should not be left out in the AS (Refer IPCC guide for remaining AS)

AS	Remarks
AS 15 Employee Benefits	Treatment of various types of benefits, Defined Benefit Plan- Entire concept
AS 17 Segment Reporting	The 5 tests for determining reportable segments, Comparatives for Segments, Segment Reports
AS 18 Related Party Transactions	Various relationships and disclosure requirements
AS 22 Accounting for Taxes	DTA and DTL recognition, Reversal, In Tax holiday periods, Disclosure
AS 24 Discontinuing operations	How to identify as DCO, Disclosure requirements
AS 25 Interim Financial Reporting	Absolute clarity on discrete approach(items which should come in FS)
AS 26 Intangible Assets	Research and Development, Intangible Items, Goodwill Treatment

AS 28 Impairment of Assets	Impairment Loss testing, Cash Generating Units, Allocation of Goodwill to CGU (Top Down & Bottom Up),Write backs
AS 30 31 32 Financial Instruments	Exploring these in detail is recommended. If you don't have time, cover the models in Practice Manual at least.

A word on IndAS and IFRS: Lot of misconceptions on the existing AS system is visible in student fraternity. IFRS was always a part of the syllabus. The change in existing syllabus is by removing IFRS and including IndAS in the syllabus. IndAS is desi version of IFRS. The existing AS will continue to apply for smaller companies and non-corporates. There is no difference between them except for carve-outs and carve-ins.

b. <u>**Consolidation:**</u> This chapter guarantees almost 16 marks each exam. Different questions get asked. Consolidation might be broadly classified into:
    a. Consolidation of Subsidiaries
        i. Plain Vanilla
        ii. Triangle Holding
        iii. Multiple Stages of Acquisition
        iv. Chain Holding
        v. Cross holding
        vi. Multiple Subsidiaries
        vii. Foreign Subsidiaries
    b. Associates(AS 23)
    c. Joint Ventures (AS 27)

    That is not all in consolidation. The problems in exam couple the models like subsidiary with multiple stages and a foreign subsidiary .Inclusion of special points like Bonus Shares, an upstream/downstream transaction etc. is common. Being absolutely clear regarding the adjustments is extremely important.

c. <u>**Amalgamation:**</u> Amalgamation is just a step above what was explored in IPC level. It includes absorption, amalgamation, buy back, internal reconstruction and other models. Investment by Purchasing company in selling company and vice versa, Cross holding are prominent. Typical exam questions revolve around any model and preparing Balance Sheet.
d. <u>**Valuation:**</u> Valuation is probably the single chunk in FR, where everyone can arrive at different answers; yet all are right. Valuation can be asked for
    a. Goodwill
    b. Shares
    c. Business
    d. Brand
    e. Any other asset

    Valuation is a very dynamic chapter. It demands from you absolute clarity with basics.
e. <u>**Miscellaneous Topics:**</u> This chunk of topics is easy marks to grab. The heading of miscellaneous should not belittle the importance of these topics. This segment includes:
    a. Value Added Statements

   b. Economic Value Added
   c. Share Based Payments
   d. Financial Institutions reporting (MF, NBFC etc)
   e. Guidance Notes

f. Schedule III (Revised Schedule VI) is an implicit part of syllabus.

   Approach Ideas:

   - Pick the low hanging apples first. Miscellaneous topics should be worked completely. Never miss a ball from that.
   - AS are another sure shot way to get marks. With a weightage of almost 36 marks, AS should get your attention.
   - Be good with Amalgamation and Valuation. Amalgamation takes 24-25 min for a 16 Mark question. Valuation on the other hand takes 10-12 min. Cover all the models in Amalgamation and Valuation.
   - Consolidation can consume about 30-40 min depending on the question. Spend no more than 35 minutes in the exam. Revision also might be put to the last. Some look to leave consolidation for choice. Instead, be prepared to tackle it in the exam. Depending on the exam question and time estimated, take a decision in the exam hall.

2. **Strategic Financial Management**:

   The earlier MAFA/SFM paper is considered abstruse by many students. Especially when it comes to segments like Derivatives, it is perceived to be difficult and unreal. Reduce the animosity towards the subject. Try to see it as a window into the unexplored financial world. The syllabus can be segmented into:

   a. Capital Budgeting and Risk Analysis:
   b. Derivatives
   c. Forex Management
   d. Derivatives
   e. CAPM and Portfolio Management
   f. Bond Valuation
   g. Leasing
   h. Mutual Funds
   i. Dividend Decisions
   j. Theory

   Most of the topics are based on formulas. Have a summary of formulas for all the topics. It could be extremely useful in the 11th Hr. With respect to each segment, understand the theory proposed and the way to apply it. Be crystal clear on aspects like Derivatives what is exactly a future or a forward and how they are different from each other. Being conversant with these, would distinguish you from the rest.

   Approach Ideas:

   Try to analyze your level of comfort with each chapter. Take up any standard reference book and solve the problems. Don't neglect theory. Keep revising formulas to make them stick.

3. **Auditing and Professional Ethics:**

   For someone who will be called an auditor in future, the paper on auditing is of pivotal importance. This paper is structured as:

a. <u>Professional Ethics (20M)</u>: These are guaranteed marks in this paper. Questions are asked from CA Act 1949 and Schedules for professional misconduct. Be totally clear with the Schedules, clause numbers and the offences.

b. <u>Advanced Auditing(80M):</u> Auditing can be classified into the following topics:

i. **Standards on Auditing:** Remembering all the standards with their names is required in Final Level. Be very clear with reporting series of SA 700. Studying reverse in order of 600,500,400,300,200 could also be an approach. These standards generally find their place in compulsory question. They are mostly asked in relation to application in a given scenario.
ii. **Company Audit:** The syllabus includes Sections 128-147 along with the corresponding rules. Company audit questions are based on plethora of topics like disqualifications of auditors, contents of audit report, books to be maintained, internal audit requirement etc.
iii. **Bank Audit:** Have an idea about the format of financial statements of Bank. The questions in the exam would be on various aspects like NPA recognition, provisioning of assets, verification of certain items like Balances to foreign companies etc.
iv. **General Insurance Company Audit:** Have an idea about financial statements of General insurance company. Questions are asked on how do you audit insurance ceded or claims paid or unexpired risk reserve etc.
v. **Co-operative Society Audit:** The questions are mostly theory based with emphasis on certain points like Verification of Bad Debts or Loans etc. Cover all the questions here.
vi. **Audit under Fiscal Laws:** Tax Audit u/s 44AB and Audits under Central Excise and Service tax are covered here. Have a good knowledge of all the clauses in audit report to quote in the questions.
vii. **Cost Audit:** Section 148
viii. Investigation, Due Diligence
ix. Internal, Management and Operational Audit
x. Peer review
xi. Audit in Computerized Environment
xii. Audit planning and Risk Assessment

<u>Approach Ideas:</u>
Concentrate more on the first few chapters and SAs. Be comfortable with theory in remaining chapters. Answering the questions from Company Audit with sections increases the chance of getting good marks. The preparation of AS for FR paper is good enough to tackle questions here. Keep revising sections to keep them fresh.

4. Corporate and Allied Laws

Corporate Law is a scoring paper in all the theoretical papers. It can be dichotomized into:

a. <u>Corporate Laws (70M):</u>
Companies Act 2013 along with Rules and the corresponding parts of Companies Act 1956 are tested in the exam. The following are the chapters:

i. Dividend
ii. Accounts and Audit: Preparation for Auditing paper is enough to handle the questions here.
iii. Directors
iv. Board Meetings
v. Inspection, Inquiry and Investigation
vi. Oppression and Mismanagement
vii. Winding Up
viii. Producer Companies
ix. Foreign Companies
x. Penalties
xi. Secretarial Practice

All the sections in the initial 5 chapters are from the new Act. The next 5 chapters from

b. <u>Allied Laws(30M)</u>
   i. SEBI Act and ICDR Rules
   ii. SCRA Act , 1956
   iii. FEMA, 1999
   iv. Competition Act 2002
   v. Interpretation of Statutes
   vi. Other Acts:
      1. Banking Act, 1949
      2. Insurance Act,1938
      3. IRDA Act, 1999
      4. SARFAESI Act,2002
      5. PMLA, 2002

<u>Approach Ideas:</u>

- In Corporate Laws, have an idea of as many sections as possible especially in the initial 5 chapters. Make a list of the limits for applicability of sections like Internal Audit, Women Director etc. for easy revision. Keep a list of penalties for easy reference. Keep revising.
- In Allied Laws, for the 5 big chunks prepare diligently. When it comes to Other acts, prepare only main sections which have scope of being asked in exam.

5. Advanced Management Accounting

AMA is among the most prejudiced subjects in the Final course. AMA can be tackled easily with the right mindset. AMA can be dissected into 3 chunks:

a. <u>Traditional Costing</u>
   i. Standard Costing
   ii. Marginal Costing
   iii. Transfer Pricing
   iv. Relevant Costing
   v. Pricing
   vi. Budgets and Budgetary Control
   vii. Costing in Service Sector

b. <u>Modern Costing</u>

i. ABC
ii. Costing Theory based on ABC :
    1. TQM
    2. Throughput costing
    3. Target Costing
    4. Uniform costing
    5. Value Chain Analysis
    6. Performance Measurement

c. <u>Operational Research</u>
    i. LPP
    ii. Transportation
    iii. Assignment
    iv. Network Analysis
    v. Simulation
    vi. Learning Curve

<u>Approach Ideas:</u>

- For traditional costing chunk, understand the concept very clearly. Chapters like relevant costing, transfer pricing are entirely understanding based. Standard costing is format based. Other chapters like Marginal Costing, Transfer pricing .Solving problems cements the understanding of the concept.
- When it comes to modern costing, ABC is the only part which contains problems. For the remaining chapters, focus on theory and concepts there. You must have an understanding of the basic theories involved in each of the chapters.
- For OR, it all boils down to knowing the procedure and understanding what it stands for. Keep the concepts correct and revise them regularly.

6. Information Systems and Control Audit:

ISCA has the dubious distinction of being the subject with highest failure percentage. Lot of examinees can't clear group 2 due to ISCA. Let me tell you that it is the subject with a huge scope to score well. For the May 2015 exam, AIR 1 holder got 98 in ISCA, which boosted her score. Let me be unambiguous here in telling that, ISCA can be done with enough preparation and personalized plan. The syllabus consists of 8 chapters:

a. Governance of IT
b. Information System concepts
c. Protection of IS
d. BCP and DRP
e. SDLC
f. Auditing of IS
g. IT Regulatory Issues
h. Emerging Technologies

<u>Approach Ideas:</u>

As I mentioned it should be personalized. Chapter 2,3,5 are larger compared to others. I referred only the practice manual for studying. I would read each chapter and write the questions after reading. It took about 2 revisions to be comfortable to write an exam. You can be very different. So, get your own plan of action.

7. ## Direct Tax Laws

With removal of Wealth Tax, the entire 100 marks are dedicated to single direct tax: Income Tax. Specifically dealing with DT syllabus would be lengthy. So let me summarize from a higher level:

Major chapters in the syllabus are

a. 5 Heads of Income
b. Chapter VI A deductions
c. Exemptions
d. Clubbing
e. Set off & Carry Forward
f. Transfer Pricing
g. Double Taxation
h. TDS and Recovery of Tax
i. Other Theory Chapters:
    i. Assessment Procedures
    ii. Advance Ruling
    iii. Settlement Commission
    iv. Appeals, Revision
    v. Offences, Prosecution
    vi. Other chapters

<u>Approach Ideas:</u>

- Try to refer the chapter and from a good reference book you have been following. Try to apply the theory to solve the problems given. Keep revising to get the section names.
- <u>Sections and Case Laws:</u> Most of the questions which are tested in the exam are based on a concept and a case law. Quoting a case law brings credibility to the answer. Reading the case laws book would help deal with those questions.
- <u>Keep pace with Amendments:</u> About 10-15% of paper is devoted to amendments. Check the recent amendments and last 2-3 Finance Acts.
- <u>Dealing with Theory:</u> Have your own way to tackle theory. I read the sections from the reference book and referred practice manual for revision.

8. ## Indirect Tax Laws

IDT as a subject has evolved over the time. It comprises right now of 3 chunks:

a. <u>Service Tax(50M)</u>
   Be absolutely sure with Service Tax. It counts for half of the marks. The syllabus can be classified into:
    i. Basics of Service Tax
    ii. Negative List
    iii. Rules: Point of Taxation & Place of Provision of Service Rules
    iv. Abatements, Exemptions
    v. Valuation
    vi. Procedural aspects

Try to recollect all the sections and Rules (PPS, POT, Cenvat Credit etc.). Try the problems to see how much you have applied the theory.

b. <u>Excise (25M):</u> The initial part of excise consists a lot of cases on what is a manufacture and what is not. You should be able to distinguish between what is important and could be asked in the exam. We can classify as:
   i. Basics
   ii. Valuation
   iii. Classification
   iv. CENVAT Credit
   v. SSI and Warehousing
   vi. General Procedures & Theory

c. <u>Customs and FTP(25M):</u>
   FTP is a recent addition to syllabus which contains the various schemes in foreign trade policy. Customs can be split into:
   i. Basics and Types of Duty
   ii. Classification
   iii. Valuation
   iv. Export, Import and Warehousing Procedures
   v. Illegal Import/Export ,Confiscation & Related Provisions
   vi. Other theory

<u>Approach Ideas:</u>

- Wrap up Service Tax first and give it 100% coverage. Don't miss anything. Look at the recent cases. Be very sure with abatements, exemptions and know how to cross link them.
- Excise is heavily case law driven. In the initial chapters, especially on exciseablility of a product there are many. Be clear with Valuation under different sections and applicability of Excise Valuation rules. Procedural aspects might be read from Practice manual.
- Have an idea of all the policies in FTP. You might pick them from Practice Manual. When it comes to Customs, focus on all the chapters and have a fair idea of the theory.
- The combined theory on Demand, Adjudication and Appeals can be combined and read together.

<u>Reference Sources:</u>

Just like everyone might like a different brew of coffee, there could be personal preferences when it comes to the reference material. I am only going to mention the materials I followed and probably why.

Subject	Author	Remarks
Financial Reporting	MP Vijay Kumar	If you have been to MP Vijay Kumar's Classes, his book will sync better.

		Even if you haven't it is good to start.
Accounting Standards	DS Rawat or MP Vijay Kumar	All the books in market are almost same. Only the names change.
Advanced Auditing and Professional Ethics	Surbhi Bhansal	SAs are aptly described. The theory is also put in clearly.
Corporate and Allied Laws	Munish Bhandari	The question wise presentation makes it easy to refer for the exams.
Advanced Management Accounting	Padhukas	The numerous questions give you the confidence needed in the exams. Very comprehensive book.
Information Systems and Control Audit	Dinesh Madan or Practice manual	The practice manual is best when it comes to these subjects.
Direct Taxation	TN Manoharan or VK Singhania	TN Manhoharan has very lucid and systematic presentation of concepts, but few problems. VK Singhania is heavy on problems to practice.
Indirect Tax	Bhangar	Bhangar has lucid explanation of theory, enough problems and bare act portions.
Information Technology and Strategic Management	IT: Dinesh Madan SM: Practice manual	The practice manual is best when it comes to these subjects.