

SUMMARY OF EXAMINERS' COMMENTS ON THE PERFORMANCE OF CANDIDATES

PAPER – 1 : ACCOUNTING

General Comments

Candidates exhibited lack of conceptual knowledge as they were not able to provide their solutions in direct and crisp manner. Also most of the candidates have not presented the solutions to computational problems stepwise in proper order. In many cases, answers of sub-questions were not in proper sequences and were scattered through the paper. In general, question numbering provided by the candidates is not in line with the question given in the question paper. One should take care of such mistakes. Read the question carefully more than once before starting the answer to understand very clearly as to what is required by the paper-setter. 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.

Specific Comments:

Question 1: Cash Flow Statement: Candidates had performed fairly well in this question. Almost all of the candidates had attempted the question and secured good marks. Some candidates failed in the treatment of interest on 14% debentures which should have been added back to net profit before tax and should have separately been shown as cash flow from financing activity. Also some have shown proposed dividend of current year Rs.4,80,000 as payment during the year instead of dividend of previous year Rs.3,00,000. Due to such mistakes, closing cash and bank balance was not tallied at the end.

Few candidates erred in solving the question from old method i.e. by preparing the cash flow statement without bifurcating the items into operating, investing and financing activities.

Question 2.(a) Introduction of Partnership Accounts: Below average performance had been noted in this part of the question. This question was a combination of single entry and adjustments inter se amongst the partners. Many candidates have not understood the question properly. Closing capital was calculated correctly but adjustment for interest on capital which has to be worked out only for half year i.e. for the period 1.1.08 to 30.6.08 was wrongly calculated for the whole year. This led to wrong calculation of profit for the half year ending 30.6.2008.

Question 2.(b) Internal Reconstruction of a company: Performance of the candidates in this part of the question was quite commendable. Almost every candidate attempted the question and solved it correctly. However, few of them made mistake in the treatment of reconstruction expenses of Rs. 5,000 which was shown as liability instead of deduction from cash balance.

Question 3.(a) Branch Accounts: This question seeks about preparing branch accounts under "stock and debtors system". However, the candidates have not taken care of the required method and prepared only "branch account". Candidates also committed error of principle by posting the entries on wrong side. Lack of conceptual clarity, has been observed in this part of the question.

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Many candidates did not attempt the question completely. Therefore, only step marks were secured by them. Overall poor performance has been stated by the examiners.

Question 3.(b) Dissolution of Partnership Firm : Average performance of the candidates has been observed in this part of the question. Many candidates failed to deal with unrecorded asset and its value. This caused to series of mistakes in calculation of realisation profit, balance of partners' capitals and final payment to them. Candidates, in general, secured step marks for this question also.

Question 4.(a) Underwriting of shares: This part of the question was attempted by almost every candidate but few of them were able to solve it correctly. Some students have started the question in amount instead of liability in shares. Unmarked applications with firm underwriting was not dealt in properly. Performance of the candidates was average according to the examiners.

(b) Liquidation of a Company: This question seeks preparation of statement of affairs in proper format. Many candidates prepared Liquidator's Statement of Account and exhibited their ignorance. Some candidates have confused it with deficiency of individual and partnership whereas it was related to company. Most of the candidates have not taken the lists into consideration. Some candidates have wrongly taken both liability for bill discounted Rs. 2,00,000 and excise duty demands Rs.3,00,000 as preferential creditors instead of only excise duty demand of Rs.3,00,000. Below average performance by the candidates was observed and only few answers were accurate along with working notes. Calculation of deficiency and other related workings are the areas where candidates are not aware about the concept and methodology of calculation and presentation.

Question 5.(a) Accounts of Banking Companies: Satisfactory performance has been given by the candidates in this part of the question. Some candidates were not able to distinguish between the rebate on bills discounted and discount income while few have ignored the dates and calculated rebate on bills discounted directly. At some places, Journal entries provided by the candidates were also incorrect.

(b) Accounts of Insurance Companies: Many candidates have not performed satisfactorily in this part of the question as their answer was not in the proper format. Some candidates committed mistake in treating interest and dividend as expense rather as income and some were not able to properly present the change in the unexpired risk reserve in the schedule for premium earned.

Question 6. Questions based on Accounting Standards and Theory of the Subject: This question has six sub-parts out of which three parts were on accounting standards, one part relates to change in partners' profit sharing ratio, and the other two were meant to test the theoretical base of the candidates. In part (a) of the question, few candidates have wrongly written that sale of property registered after balance sheet date should be disclosed as "notes to accounts" without supporting their answer. In part (b) of the question, few candidates were able to calculate loss or gain due to change in profit sharing ratio but were not able to pass the adjusting entry through capital accounts of the partners. In part (c), many candidates stated only three main parts of the Government Accounts without further elaborating those parts. In part d(ii), partial replacement of a part of machinery Rs. 75,000 was also wrongly capitalised by some candidates. And in part (f)

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though question clearly mentioned that entry for insurance claim has not been passed, still few candidates stated reduction in stock by Rs. 5,00,000 in the year 2008-09. Only a small number of candidates were able to give direct, crisp and correct answers while many have generalised their answers by reflecting lack of conceptual clarity on the topic.

PAPER – 2 : AUDITING

General comments

Overall performance of the examinees was average. Majority of the examinees did not understand the questions. Lack of command of English language and poor presentation skill of the examinees were displayed. Many of the examinees did not have knowledge of the Companies Act, Accounting Standards and Auditing and Assurance Standards. A few examinees have written vague and irrelevant answers. Many of the examinees answered the questions in a general manner. It was observed that some the examinees lack conceptual clarity, analytical ability and working knowledge of the subject.

Specific Comments

Question 1.(a) Many candidates have failed to give correct answer.

(b) Many candidates failed to explain properly the provisions of AS 10.

(c) Many candidates have misinterpreted the provisions of AAS 10 (SA 600).

(d) The performance of the students was found satisfactory in this part of the question.

Question 2.(a) Many candidates have unnecessarily explained the provisions of Section 224(2) and 225(1) of the Companies Act, 1956. And failed to state the steps to be taken before commencement of the audit.

(b) Many candidates have failed to refer to AAS 23 (SA 550) on Related Parties.

(c) Many candidates failed to explain the provisions of Para 4(x) of the CARO, 2003. Poor performance of the candidates could be witnessed in this part of the question.

(d) Most of the candidates failed to answer correctly.

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Question 4.(a) Most of the students have done this part well.

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(b) Many students have unnecessarily gone on elaborating their answers.

Question 5.(a) Some candidates have answered in general and failed to discuss the procedure of audit of transport charges.

(b) Average performance of the students was found in this part of the question.

Question 6.(a) Some candidates have answered in general and failed to discuss the procedure of audit of transport charges.

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Question 7.(a) Some candidates have answered in general and failed to discuss the procedure of audit of transport charges.

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PAPER – 3 : BUSINESS AND CORPORATE LAWS

General Comments

With regard to practical questions, the overall performance of the candidates gives an impression that the candidates have not put in enough preparation. A large number of candidates have given correct answers without any supporting reasons for coming to their conclusions. This could be remedied by making use of Bare Acts. Candidates are also advised to improve their English language skills so that they can express themselves lucidly.

Specific Comments

Question 1.(a) Almost all the candidates have answered the Question correctly, but without referring to the relevant provisions of the Indian Contract Act, 1872.

(b) to (e) The answers were generally satisfactory, though with regard to question 1(d), some candidates were found to be ignorant of the expression 'without recourse'.

(f) A good number of students have not attempted this question and those who attempted this question could not answer satisfactorily, as they have not correctly mentioned the provisions of Employees Provident Funds and Miscellaneous Provisions Act, 1952.

Question 2.(a) The Question is related to agreements in restraint of trade specified under Section 27 of the Indian Contract Act, 1872. Most of the candidates have answered the question correctly though some of the candidates could not answer satisfactorily because of wrong reference to legal provisions.

(b) The overall performance is satisfactory, though a few candidates were unaware of the requirement of transfer of 25% of the current profits to the Reserve Fund.

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Question 3.(a) & (b) The performance is satisfactory.

Question 4.(a) As regards the liability of N a good number of the candidates have answered satisfactorily but ultimately who has to suffer the loss was not answered satisfactorily.

(b) The performance is satisfactory.

Question 5.(a) & (b) The performance is satisfactory.

Question 6.(a) The performance is satisfactory.

(b) The overall performance in all the parts of this question is quite satisfactory. The candidates have correctly answered referring to the provisions of Section 8, 9 and 32 of the Payment of Bonus Act, 1965.

Question 7.(a) Though the performance of the candidates is satisfactory, some candidates have wrongly stated that after retirement of five persons from an illegal association, the status of the illegal Association will become a legal one as the number of members has decreased from 13 to 8, which is incorrect because once an Association becomes an illegal Association under Section 11 of the Companies Act, 1956 it will continue to be an illegal association even after the number of members is reduced below 10 in banking business.

(b),(c), (d) & (e) The performance is satisfactory.

Question 8.(a) The performance of the candidates was very poor as they could not understand the thrust of the question. Instead of outlining the defences available to the company, a large number of candidates have tried explaining why the proceedings of the AGM are invalid.

(b) A large number of the candidates have answered the question correctly, but without referring to the provisions of Companies Act, 1956.

Question 9.(b) The performance is satisfactory.

Question 10.(a) The performance is satisfactory.

(b) Most of the candidates have not answered satisfactorily. A contract made by a public company before the date of the issue of certificate of commencement of the business shall be a provisional contract only and does not bind the company unless the said contract is entered into afresh after the commencement of business certificate is obtained. Since the company went into liquidation before the date of certificate of commencement of business, the contract is not binding on the company or the liquidator.