

EXAMINERS' COMMENTS ON PERFORMANCE OF THE CANDIDATES

PAPER – 5 : ADVANCED ACCOUNTING

Question 1. Majority of the candidates performed fairly well in all parts of this question. However, few failed to give the assumption in part (ii) as to whether the sub-standard and doubtful assets are secured or unsecured.

Question 2. Dissolution of Partnership Firm: Many candidates failed to give correct working notes as a result of which they were not able to prepare correct realisation account and capital accounts.

Question 3. Redemption of Preference shares and Buy back of shares: Most of the candidates failed to prepare correct balance sheet because of wrong working notes.

Question 4.(a) Departmental Accounting: Overall performance of the candidates was above average. However, few candidates failed to compute correct amount of unrealised profit of respective department.

(b) Financial Statements of Insurance Companies: Overall performance was above average. However, some candidates failed to compute correct amount of net premium due to non-adjustment of change in unexpired risk reserve and some erred in the calculation of net claims due to wrong adjustment of opening and closing outstanding amount.

Question 5. Company Accounts-Amalgamations: Overall performance was good. However, many candidates failed to give required ledger accounts.

Question 6.(a) Financial Statements of Banking Companies: Overall performance of the candidates was good in this part of the question.

(b) Financial Statements of Electricity Companies: The performance was average indicating less preparedness of the topic.

Question 7. Except part (e), in all other parts, the performance of the candidates was average reflecting lack of knowledge of Accounting Standards. Majority of candidates failed to compute impact of stock option on equity capital and consequently arrived at wrong Diluted EPS. Few candidates failed to bifurcate between preferential and non-preferential creditors at the time of liquidation of a company.

PAPER – 6 : AUDITING AND ASSURANCE

Question1.(a) Relying on work performed by others: Some candidates failed to point out the exact responsibility on the part of Mr. Y. Few candidates got confused since the date of the death of Mr. X i.e. 31.03.10 was given. Under the circumstances some of them presumed that the firm might have only two partners, and the same may be dissolved. Very few candidates had given reference of the provision of SA 200 (Formerly known as AAS-1) on "Basic Principles governing an Audit".

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(b) Appointment of Special auditor: Generally well attempted and candidates showed good understanding of the topic and relevant provision of the section 233A of the Companies Act, 1956.

(c) Accounting for Government Grant: Most of the candidates failed to explain the two alternative for Government Grants as per AS-12

(d) Disqualification of auditors [u/s 226(3) and 226(4)]: The answers given by the candidates have exhibited a good understanding of this topic and the relevant section of the Companies Act, 1956 on disqualification.

Question 2.(a) Internal Control Questionnaire: Most of the candidates have simply discussed the technique of "Internal Control Questionnaire" but they failed to explain its usefulness in proper evaluation of Internal Control.

(b) Auditing through the computer: Many candidates failed to mention the various circumstances under which Auditing through the computer should be used and instead focused on computerization.

(c) Sufficient Appropriate audit evidence: Majority of the candidates did not have an idea of the relevant factors that help the auditor to ascertain what is appropriate audit evidence.

Question 3.(a) Sampling Risk: Majority of the candidates have answered in a general way, the various types of risk in auditing environment.

(b) Extent of reliance on analytical procedure: Most of the Candidates failed to mention the various factors that determine the extent of reliance on analytical procedure and answered on various techniques of analytical procedure.

Question 4.(a) Reliability of external confirmation: The answers of most of the candidates failed to highlight the various factors affecting the reliability of external confirmation.

(b) Physical verification of assets at reasonable intervals: Some of the candidates indicated this as an auditor's responsibility to make verification on yearly basis and very few mentioned the relevant requirement of CARO, 2003.

(c) Verification of credit sales: Candidates in general have a fair knowledge of the topic.

(d) Factors governing mode of communication with those charged with governance: This part was attempted by very few candidates and even they failed to understand the requirement of the question and gave a general answer on the need for communication instead of the factors governing the mode of communication.

(e) Procedure to be performed in expressing opinion on going concern assumption: Most of the candidates have answered this part in general way without highlighting the various procedures to be followed in assessing the going concern assumption as required in the question.

Question 5.(a) Audit of Club: Majority of the candidates have good knowledge of the topic and highlighted important aspects to be considered by an auditor.

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(b) Income of NGO: Candidates have fair knowledge of the topic and mentioned the various sources of income of an NGO

(c) Disclaimer of opinion: Many candidates highlighted the various conditions upon which disclaimer of opinion can be issued.

Question 6.(a) Shifting of books of accounts [Section 209(1) of the Companies Act, 1956]: Most of the candidates mentioned about resolution of the shareholder instead of Board and also failed to mention the exact time period within which it is to be submitted to ROC. Some of them even wrongly explained that since the company shifted its registered office, therefore, there is no legal bar in shifting books of accounts.

(b) Disclosure of revalued fixed assets of a partnership firm: None of the candidates could bring out the relevant disclosure requirement as per AS-10, and they related the revaluation to change in constitution of a partnership firm without concentrating on disclosure aspect.

(c) Ownership and custody of audit working papers: Many candidates have a good understanding of the topic.

(d) Management's responsibility for determining quantity and value of inventory Majority of the candidates have given a general answer and failed to relate the answer to the requirement of CARO, 2003 and "Valuation of Inventory".

Question 7.(a) Auditing an account of bought ledger having debit balance: Some of the candidates could not explain the reasons for having debit balance in bought ledger

(b) Removal of first auditor [Sec.224(5) (7)] : Most of the candidates have correctly mentioned that consent of Central Government is not required but wrongly answered that mentioned that BOD has the power to remove the first auditor.

(c) Audit engagement letter: Majority of the candidates did not have an idea of audit engagement letter and its important contents. Some candidates instead of drafting a letter, answered the question in theoretical way.

PAPER – 7 : INFORMATION TECHNOLOGY AND STRATEGIC MANAGEMENT

SECTION – A : INFORMATION TECHNOLOGY

The overall performance of the candidates was below average and there is a scope for improvement.

Question 1.(a) – (e) - Almost all the Candidates answered this question. Most of them were not able to explain the concepts especially part (c), (d) and (e).

Question 2.(a), & (b) - Most of the candidates answered part (a) satisfactorily. For part (b), majority of the candidates gave vague answers.

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Question 3. Most of the answers given by the candidates exhibited lack of technical knowledge.

Question 4. Most of the candidates answered this question very well.

Question 5. Many candidates answered this question very well.

Question 6. Very few candidates could answer this question on expected lines.

Question 7.(a) – (e) Most of the candidates attempted this question, however only few could answer part (d) & (e) correctly.

SECTION – B : STRATEGIC MANAGEMENT

Question 8. There were four questions asked at the end of the case study. Diverse answers were written by them. Part (a) was correctly answered by a large number of candidates. In part (b) answers were not satisfactory. Most of the candidates had misinterpreted Destructive Innovation as a negative concept and mentioned it as one of the weaknesses. In part (c) the performance was average to good. In part (d) the performance was fairly good.

Question 9.(a)(i) A large number of candidates have been able to explain the requirement of a strategy in non-profit organizations. Overall performance was satisfactory.

(ii) Answers were general as most of the students could not answer the three levels and their role in control alongwith formulation and implementation.

(b)(i) Most of the candidates failed to relate the factory as making cosmetics with drugstore as hopes.

(ii)&(iii) Majority of the candidates were able to provide answers correctly.

Question 10. The performance was extremely poor indicating that the candidates have not understood the concept well. It was basically an application oriented question to test the understanding of commonly used concepts in Strategic Management.

Question 11.(a) A large majority of candidates had drawn the matrix correctly. But the advices of available options are not satisfactory.

(b) The performance was extremely poor indicating that the candidates have not understood the concept well. It was basically an application oriented question to test the understanding of concepts.

Question 12. Majority of the candidates wrote answers in general manner and made them too simple. They could hardly co-relate it with competitive scenario.

Question 13.(a) The answer of the candidates reflected that most of them were not aware about the top-down and bottom-up strategic planning. They have written the answers in a general manner.

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(b) A large number of candidates have done well. However, a few candidates have merely guessed and have wrongly mentioned the three levels of strategic formulation.

Question 14.(a) Majority of the candidates attempted this question but only few of them were able to explain network structure correctly. They misinterpreted the word network with reference to IT infrastructure. The overall performance of the candidates in this question was poor.

(b) Candidates were having good understanding of elements of marketing mix. The overall performance was satisfactory.

