

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES

PAPER – 1 : FINANCIAL REPORTING

Specific Comments

Question 1. This question is on preparation of consolidated balance sheet for post-acquisition period. A few examinees did not prepare the Consolidated Balance Sheet in format prescribed under Division II of Schedule III to the Companies Act, 2013 meant for Ind AS based Financial Statements. Many examinees wrongly included amount of assets and liabilities of Associate while consolidating line by line items. Many examinees struggled in solving this question and erred at several places resulting into incomplete preparation of consolidated balance sheet.

Question 2.(a) The question is on Ind AS 21 'Effects of Changes in Foreign Exchange Rates'. The purchase contract was to be separated using the 6-month ₹/USD forward exchange rate, as at the date of the contract (1 USD = ₹ 80). Some examinees struggled with the presentation of the solution, using incorrect account nomenclatures for journal entries, while others recorded incorrect journal entries altogether. Additionally, several examinees either failed to show their workings or provided incorrect calculations.

(b) This question was based on Ind AS 1 'Presentation of Financial Statements'. A very few examinees were not able to understand the question. Hence, they arrived at wrong conclusions stating the liability as non-current instead of current.

Question 3.(a) This question is based on Ind AS 116 'Leases'. Some of the examinees erred in computing correct lease liability on the modified lease date, while another section of the examinees used wrong incremental rate of borrowing as discounting factor for computing the present value of the lease liability either at initial date or on the modified lease date.

(b) This question is based on Ind AS 32 'Financial Instruments: Presentations'. Many examinees failed to mention that the instrument is a compound financial instrument which carries elements of both liability and equity. A few examinees erred in the calculation part wither while computing equity and liability component or finance cost.

Question 4.(a) This question is based on Ind AS 19 'Employee Benefits'. Some of the examinees were able to correctly compute the gain or loss on remeasurement and settlement of defined benefit obligations while erred in disclosure of gain or loss of the same in the financial statements i.e. statement of profit and loss, OCI and balance sheet. The majority of the examinees gave correct answers, albeit, with different presentations.

(b) This question is based on Ind AS 20 'Accounting for Government Grants'. Most of the examinees fared well in first two sub-parts of the question but in third sub-part they were not able to calculate the deferred income correctly. Some of the examinees mentioned 'Deferred Income' as 'Liability'. Some examinees stated that the grant should be debited or expensed off to P&L A/c.

Question 5.(a) This question is based on Ind AS 115 'Revenue from Contracts with Customers'. A few examinees were able to calculate standalone selling price but could not allocate the transaction price between product X and discount voucher.

(b) This question is based on Ind AS 101 'First Time Adoption of Ind AS'. It was noted that the examinees were not well versed in this Ind AS and hence gave vague answers.

(c) Either This question is based on Conceptual Framework for Financial Reporting for the recognition and de-recognition of an asset. The majority of the examinees answered in a haphazard manner. Some examinees mentioned about classification of assets, while some others referred to Schedule III. They primarily laid stress on Purchase, Sale and Depreciation of assets.

(c) Or This question is based on Roadmap for applicability of Ind AS to corporate entities. The majority of the examinees were confused between the exact dates and the entities covered, thus arriving at wrong answers. Many examinees unnecessarily discussed about Banks and NBFCs. A few examinees mistakenly understood 'net worth' as 'turnover' or 'capital'.

Question 6.(a) This question is based on Accounting and Technology. Some of the examinees omitted to mention about impact of cloud computing in accounting function and harped on challenges faced by the users of cloud computing. A few examinees mentioned only bullet points without giving any detailed explanation.

SUGGESTED ANSWER

EXAMINERS' COMMENTS

(c) This question is based on Ind AS 34 'Interim Financial Reporting'. The majority of the examinees provided correct computations and concepts but some of them omitted to give reasons with correct calculations.

PAPER – 2: ADVANCED FINANCIAL MANAGEMENT

Specific Comments

Question 1.(a) In this question based on the concept of Portfolio Management, the overall performance was average as most of the examinees could not answer the advisory part of the question in a correct manner. Even some examinees advised to buy the share ignoring the fact that the investor is already holding the same share.

(b) In this numerical question based on the concept of Mutual Fund, the performance was good.

(c) In this theoretical question overall there was poor performance as most of the examinees written broader point without any explanation. Even examinees could not write the required conclusion that both financial policy and functional policies could not work in isolation.

Question 2.(a) Although, in this question based on the concept of Technical Analysis, overall performance was above average. However, some examinees committed mistakes in calculations and failed to conclude that the investors should take short position.

(b) In this question based on the concept of International Financial Management, the overall performance was average as most of the examinees failed to calculate the cost of GDR correctly. Even some examinees considered net proceeds per GDR as ₹ 987 instead of ₹ 957.39.

(c) In this question based on the concept of Mutual Fund, overall performance was good.

Question 3.(a) In this question based on the concept of Interest Rate Risk Management, the overall performance was average as lack of knowledge of the concept of Interest Rate Collar was visible in most of the answers.

(b) In both the theoretical questions based on the concept of Startup Finance and Securitization, performance was good.

SUGGESTED ANSWER

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Question 4.(a) In this question based on the concept of Financial Derivative, overall performance was good. Although some examinees committed arithmetically errors despite being logically were correct.

(b) In this question based on the concept of Mergers and Acquisitions, overall performance was good.

(c) In this theoretical question on GIFT City, overall performance was poor as most of the examinees written generic answers exhibiting lack of required knowledge of the topic.

Question 5.(a) In this numerical question based on the concept of Portfolio Management, the performance was above average.

(b) Although, in this question based on the concept of Security Valuation, overall performance was above average, however some examinees committed mistake in using PV Factors.

Question 6.(a) In this question based on the concept of Optimum Replacement Cycle, overall performance was average as most of the examinees could not answer the question in full.

(b) In this question based on the concept of Mergers and Acquisitions, overall performance was good though in some cases examinees could not properly adjust the present value of saving of ₹ 25,00,000 in their answers.

**PAPER – 3 : ADVANCED AUDITING, ASSURANCE AND
PROFESSIONAL ETHICS**

Specific Comments

Question 1.(a) Acceptance and Continuance of Client Relationships: Majority of the examinees, while referring to the respective issues asked in the question have failed in elaborating and correlating the matters to be considered while deciding the Acceptance and Continuance of Client Relationships. While most of the examinees were able to state the relevant requirements pursuant to SQC-1/SA220, many of them failed to quote SQC1/SA220.

(b) Drafting of Opinion Paragraph and basis thereof along with disclosures of Note XX: Examinees were able to identify the unmodified opinion, however, failed to identify the applicability of Emphasis of Matter

SUGGESTED ANSWER

EXAMINERS' COMMENTS

Paragraph in the given case. Majority of the examinees failed to draft the Opinion and Basis for Opinion paragraph along with Emphasis of Matter Paragraph in the prescribed report format. Instead, they wrote in paragraph form as a whole mixing the points of opinion para with basis of opinion para and emphasis of matter para.

Question 2.(a) Obtaining Type 2 Report as per SA 402 and Using a Type 2 report as audit evidence that controls at the service organisation are operating effectively: Even though the examinees have identified to obtain Type 2 Report as per SA 402, majority of the examinees failed to explain how the user auditor shall determine whether the service auditor's report provides sufficient appropriate audit evidence about the effectiveness of the controls to support the user auditor's risk assessment.

Question 3.(a) Investigate the profitability of the business for judging the accuracy of the schedule of repayment furnished by the borrower: Majority of the Examinees could not explain the steps to be undertaken viz. preparation of the condensed income statement for the previous 5 years and a statement showing the trend of break-up of annual sales product wise.

(b) Written Representation covering all the period under audit and near to the date of audit report: Majority of the examinees mentioned about the Written Representation to be obtained covering all the period under the audit and concluded correctly about the implications on audit report in case management does not provide written representation as requested. However, examinees failed to explain requirements of SA 560 while referring that written Representations are dates as near as practicable to, but not after, the date of the auditor's report on the financial statements.

(c) Acceptance of appointment as Secretary of a metro project by Central Government not on a salary-cum-full-time basis: Majority of the examinees could not mention about the provision of Regulation 191. Most of the examinees have written the answer based on the provision of Clause (11) of Part I of First Schedule and concluded wrongly without correlating compliance of the provision of Regulation 191.

Question 4.(b) Compilation Engagement, its difference with Assurance Engagement and Applicability of SQC 1 in case of Compilation Engagement: Majority of the Examinees have listed out the difference of Compilation Engagement and Assurance Engagement along with applicability of SQC-1 in

case of Compilation Engagement. However, most of the examinees were unable to mention key issues to be considered for compilation engagement.

(c) Principle 1 – Ethics, Transparency and Accountability: Majority of the examinees were not able to mention the relevant provisions in accordance with Principle 1 – Ethics, Transparency and Accountability as per the requirement of the question.

Question 5.(a) Going Concern and Significant Uncertainties in case of Limited Review: Majority of the examinees have written correctly about conclusion in case disclosure is not made by the management of the company in case of Limited Review, however, many examinees could not conclude correctly in case of disclosure made by the management of the company.

(c) Difference between SA 250 and NOCLAR: Majority of the examinees could only mention about the stakeholders and/or consequences in financial or non-financial terms but failed to discuss other relevant differences between SA 250 and NOCLAR.

Question 6.(b) Key Areas for an Auditor to Understand IT Environment: Most of the examinees have written only heading of the key areas and failed to give the correct explanation of the key areas.

(c) Exception to restriction on Fees based on Percentage: Majority of the examinees failed to mention about the exception to restriction on fees based on percentage specified in Regulation 192. Whereas some examinees have written the answer based on the provision of Clause (10) of Part I of First Schedule and concluded wrongly without correlating compliance of the provision of Regulation 192.

OR

(c) Audit procedures to be undertaken to verify NBFC Prudential Norms: Few examinees opted this question and those who have answered were not able to explain all the prudential norms correctly.