

**EXAMINERS' COMMENTS  
FALL (WINTER) 2007 EXAMINATIONS**

**FUNDAMENTALS OF FINANCIAL ACCOUNTING  
Stage – 1**

**Question No.1 - MCQs**

Good performance was noted in this question.

**Question No.2**

**(a) Computation and filling of missing figures of owner's equity, assets, liabilities, drawings, revenue and expenses in the extracts of financial statements of four companies.**

- The data of this question comprised of three sections. In first and second sections, opening and closing balances from balance sheets of four companies were given, whereas in third section, the data was taken from the statement of changes in owner's equity of the four companies. Using accounting equation, first and second sections of the question could have been solved easily, therefore, majority of the examinees was able to calculate the missing figures for these two sections correctly. However, very few examinees were able to correctly compute the missing figures for section-three i.e., changes in owner's equity during the year. This shows that the students do not have the perception and knowledge of this basic and important topic and they do not know how the statement of changes in equity is prepared.

**(b) Definition of "Bill of Exchange" and listing of parties to a "Bill of Exchange".**

- Answer to this question was very simple and also in very few words, whereas, most of the examinees were not able to provide correct and relevant answer.
- Examinees did not have concept of "Bill of Exchange" and mixed up the same with "Promissory Note" and other negotiable instruments. Many examinees even did not know the concept of parties to "Bill of Exchange".

**Question No.3**

**(a) Description of the requirements of IAS-18, regarding recognition of revenue from sale of goods.**

- Not a single examinee was able to give correct answer of this part of the question. Many of the examinees had written long stories and got no marks, as their answers were irrelevant. It seems that examinees generally do not give any attention to relevant IASs.

**(b) Description of the objectives of internal control over payroll.**

- Although, this was a very simple question, but most of the examinees were unable to give correct and relevant answer. A large number of examinees had written the procedure for internal control for payroll, whereas, the question had asked to write the objectives of internal control over payroll.
- Majority of examinees did not even know the meaning of internal control.

**(c) (i & ii) Determination of the estimated cost of the ending inventory as at September 30, 2006 and as at December 31, 2006 respectively using retail inventory method.**

- Most of the examinees were unable to provide correct answer to the question. Very few examinees were able to give correct answer to the question, which shows that examinees had not prepared themselves and had ignored this topic.
- Majority of the examinees had calculated, only the cost of ending inventory as at September 30, 2006 correctly.
- Many of the examinees did not know the concept of cost of goods available for sale, cost of goods sold and gross profit percentage / rate.

**Question No.4**

**(a-i) Computation of depreciation, using:**

**(a) Units of output method.**

**(b) Fixed percentage of 20% applied on diminishing balance method.**

**(a-ii) Passing of journal entries to record depreciation for first year under each of the above two methods.**

- Average performance was displayed by the examinees in this part of the question. Majority of the examinees was able to answer the question correctly, however, a good number of examinees could not perform well in such an easy question. Although journal entries to record depreciation expense for first year only, under each of the two methods were required, however, many examinees had passed journal entries for eight years and lost their valuable time.
- Some of the examinees had incorrectly calculated the annual depreciation charge under both the methods, as they did not know the treatment of residual value under fixed percentage method.

**(b) Posting of transactions into cash receipt journal.**

- Very few examinees were able to post the transactions correctly in the respective columns. Not a single examinee used the cost of goods sold column in the sales receipt journal. If they had used little common sense and have thought about the cost of sales figures given for all sales transactions in the question, they should have opened a cost of sales / cost of good sold column in the sales receipt journal and could have posted all the four sales transactions into cost of goods sold column also.
- Surprisingly enough, few of the examinees had passed the journal entries, instead of preparing the sales receipt journal and posting the transactions in the respective columns.
- Many examinees were unable to prepare the correct format of the sales receipt journal.

**Question No.5**

**(a) Computation of un-collectible accounts and passing of adjusting and closing journal entries to record bad debts expense.**

- This was an average question, however, most of the examinees were able to compute the amount of un-collectible accounts for the year correctly. Most of the examinees did not know the treatment of debit balance of Rs. 1,600/= in the allowance for bad debts account, and almost all the examinees subtracted the debit balance from the amount calculated by them under requirement (i) of the question instead of adding it.

**(b) Discussion of objectives of cash control.**

- Answer to this part of the question was in few words, whereas, most of the examinees had written long and irrelevant stories and could not earn any marks.

**(c) Preparation of bank reconciliation statement and passing of necessary adjusting entries.**

- Average performance was noted in this part of the question. Many of the examinees were able to prepare the bank reconciliation statement correctly as per the requirements of the question, however, a good number of the examinees, even did not have the basic knowledge of bank reconciliation statement, and did not know which item had to be adjusted in cash book and which had to be adjusted against the balance as per bank statement. They mixed up the items and adjusted these incorrectly.
- Majority of the examinees was unable to pass required adjusting journal entries.

**Question No.6**

**Preparation of profit and loss account and balance sheet from the data as given in the question, and computation of current and quick ratios.**

- Important part of this question was year-end adjustments, which were to be incorporated in the given data, before preparation of profit and loss account and balance sheet. These adjustments were very easy, but most of the examinees could not understand the technique of certain adjustments such as general repairs and maintenance expenses, and depreciation expense. It was also noted that most of the examinees even do not know the format of profit and loss account and balance sheet and the sequence of items appearing in these two statements.
- Almost all the examinees were unable to compute current and quick ratios, which shows that they did not have the slightest of idea of these ratios.

**EXAMINERS' COMMENTS  
FALL (WINTER) 2007 EXAMINATIONS**

**BUSINESS ECONOMICS  
STAGE-1**

Majority of the examinees appeared in this examination could not qualify the required standard of the subject. The general submission of matter, clarity of concepts, presentation of related topics is below the mark. To sum up the examinees' professional standard, is discouraging towards the subject. The marks gained by the examinees reflect the poor and quite unsatisfactory performance. It was all due to lack of knowledge about the subject. The examinees proved themselves ignorant to the questions asked in this paper, although the questions were of normal standard.

**QUESTION NO. 2**

Examinees attempted this question in a very casual manner. Their presentation and language was very poor. It appeared that examinees did not study properly and with due concentration showing no desire to prove themselves a professional Cost and Management Accountant. This question is divided into three parts a, b & c. The presentation of part (a) and (c) is very poor and below the mark.

**(a) "Production Possibility Frontier" and "Opportunity Costs".**

None of the examinees has given the satisfactory answer of Production Possibility Frontier (PPF). Majority had given the answer wrongly without using any table. Very few had given the concept of Opportunity Cost (OC) correctly. The need is to give the concept clarification of PPF, with the help of a schedule and the curve has to be drawn. The graph and schedule regarding PPF and OC was not provided by majority and the explanation and diagram in respect of OC was also found sub-standard.

**(b) Law of Supply.**

Most of the examinees remained unable to explain the Law of Supply with the help of schedule and diagram.

**(c) Cardinal and Ordinal approaches of Utility Measurement.**

Very few had mentioned the correct meaning of Cardinal and Ordinal approaches. Some of them without giving the meaning of Ordinal approach discussed in detail the Indifference Curve analysis and for Cardinal approach, the Law of Diminishing Marginal Utility was discussed in detail. Only few examinees mentioned the name of the economist, which is a pre-requisite of the question. This shows that they did not study with proper understanding of the concept and clarity of thought. The examinees took a casual view regarding answering the question.

**QUESTION NO. 3**

Majority was confused in making the schedule and drawing of figures of Marginal Cost (MC) and average cost (AC). Overall the submission was below average, which shows that concepts were not clear.

**(a) Average Cost and Marginal Cost**

The schedule used to explain the answers by the examinees was not properly drawn. Ambiguous figures were chosen that did not reflect the concept of Marginal Cost (MC) and Average Cost (AC).

**(b) Price Discrimination and Consumer Surplus**

None of the examinees was able to explain the relationship between Price Discrimination and Consumer Surplus. Very few were able only to give the concept of Price Discrimination. The examinees demonstrated a very careless attitude in preparing the question. Their poor knowledge has defeated the very purpose of suspect of Economics.

#### **QUESTION NO. 4**

Mostly examinees did not attempt this question. The concept of all three parts was not clear to the examinees.

##### **(a) Balance of Trade and Balance of Payment**

Few examinees were able only to distinguish the concept of Balance of Trade (BOT) and Balance of Payment (BOP) by using visible and invisible items without giving even the list of invisible items. The examinees handled it very casually and replied on the basis of their general understanding of the subject. The requirement of the question to differentiate between Balance of Trade and Balance of Payment was not fully understood.

##### **(b) Balance of Payment**

Majority had answered this part correctly but then listed the methods only without any explanation. The knowledge regarding any four methods to correct adverse Balance of Payment (BOP) was found very poor and examinees did not study this important topic, which is the backbone of Economics. Based on general knowledge, it was not properly answered by the examinees.

##### **(c) "Exchange Rate Determination"**

Very few examinees wrote the correct answers to this part. Remaining all wrote vague answers, which were not related to the requirements of the question. The examinees did not explain the theory of Exchange Rate Determination and also did not provide any graphical presentation. They were lacking very badly in this area of knowledge.

#### **QUESTION NO. 5**

A sizeable number of the examinees selected their own ways of answering this question. In general the attempt was below average. Majority was confused in discussing the concept and drawing the figures.

##### **(a) Commercial Banks**

Some of the examinees answered this part with correct version, otherwise majority replied the question without having any understanding of Credit Creators. The question required the meaning of credit creation, the methods and finally the process by which Commercial Banks Created Credit. There was a need to give a mathematical example to explain the whole process. Examinees did not mention all three ways by which Commercial Banks Create Credit, but discussed only one method mostly. They did not exemplify their replies as required in the question.

##### **(b) Inflationary and Deflationary Gaps**

Majority of the examinees did not mention the term full employment level. Examinees either did not understand the Inflationary and Deflationary Gaps or did not explain with the help of a Diagram and failed to define the gaps.

#### **QUESTION NO. 6**

##### **(a) "Trade not Aid"**

Without using the concept of development and growth of the economy, the examinees attempted this question and were not able to explain the trade to be preferred. The examinees neither elaborate the statement correctly "To Trade not Aid", nor did explain the advantages and disadvantages of International trade correctly.

##### **(b) Privatisation of State Owned Enterprises (SOEs) in Pakistan**

It had been observed that the examinees were quoting the advantages and disadvantages of privatisation in Pakistan whereas they were required to mention the objectives of Privatisation of State Owned Enterprises (SOEs) in Pakistan. The overall performance was poor. Examinees who attempted the question did not mention all their points as the knowledge was lacking far behind as privatisation objects (SOEs) in Pakistan scheduled should be well known to examinees.

**EXAMINERS' COMMENTS  
FALL (WINTER) 2007 EXAMINATION**

**BUSINESS LAWS  
STAGE-1**

**SECTION 'A'**

**QUESTION NO. 2**

**Legal Terms:**

The examinees were asked to explain (a) Garnishee (b) Injunction (c) Quorum (d) Locus standi and (e) Defamation. All these legal terms are ordinary terms but majority of examinees had not attempted this question. Those who had attempted, gave wrong explanation. Some examinees explained "Quorum", as if it is pertaining only to meetings of national / provincial assemblies.

**QUESTION NO. 3**

**(a) Discharge or Termination of Contract :**

Some examinees explained the process involved in formation of a contract or features of a valid contract. Others dealt it with enforcement or operation of contract or performance contract. Even mode of discharge of a contract had not been correctly mentioned which was an extremely easy topic.

**(b) Promise for Donation :**

Many examinees were unable to find the correct answer i.e., secretary cannot claim for the recovery. Some provided the correct answer but they were based on wrong reason of premise that it was not in written form, whereas the lack of consideration is the actual reason.

**(c) Continuing Guarantee :**

Examinees generally explained simple guarantee instead of the continuing one. Few examinees wrongly assumed that such guarantee is for unlimited period. Few thought that it is the same as warranties on products.

**(d) Insurance Contract :**

Poor performance was noticed in this part of the question. Examinees generally explained simple insurance contract instead of replying with reference to Indemnity Contract.

**QUESTION NO. 4**

**(a) (i) Doctrine of Caveat Emptor :**

**Most of the examinees had attempted this part of the question but the desired clarification is missing. Few examinees were able to specify the exceptions to this maxim. Some of the examinees wrongly assumed that seller is primarily responsible to disclose the quality or suitability of the good.**

**(ii) Sale by auction :**

Examinees did not completely describe the rules for the auction as contained in Section 64 of the Sale of Goods Act, 1930. They omitted points like pretended bidding by seller, sale on credit, postponement of auction date and condition of reserve price etc. Some examinees wrongly assumed that auction can take place only for recovery of loan against the mortgaged property.

**(iii) Essentials of pledge :**

Examinees gave more emphasis on the nature of pledge and less on its essentials. Many examinees did not mention the features of 'delivery of possession' and the purpose of providing security through the pledge.

**(b) Difference between sub-agent and substituted agent :**

Majority of the examinees mixed up both the concepts. Some thought, sub-agent is an employee or personal assistant of agent. Some added the details about the agent, which was not asked for. Although a number of examinees had given difference between sub-agent and substituted agent, but failed to illustrate the scenario.

**QUESTION NO. 5**

**(a) Test used to determine remuneration is a part of wages or not under the Social Security Ordinance 1965 :**

Majority of examinees could be able to clearly state the various tests to be applied to decide why a particular component of remuneration shall be treated as part of wages. Some examinees described components of wages rather than the test for ascertaining whether an item would be part of wages or not. Some described the features of Social Security benefits, which were not asked for.

**(b) When employer is not responsible for the payment of Compensation under the Workmens's Compensation Act, 1923:**

It was the easiest part of the question but the reply from examinees has not been equally good. Examinees mentioned irrelevant matters like compensation admissible only to permanent employees, social security benefits available, position of accident happening outside the factory etc.

**QUESTION NO. 6**

**(a) Daily and weekly working hours for adult and child under the Factories Act, 1934:**

Examinees attended this part of the question in large scale and generally had information in the matter. The timings for child worker was, however, not described properly. The restrictions for work within the specified timings, the applicable age and certification aspects of child worker were not mentioned in the majority of cases. It was noted that much fabricated information had been extended to.

**(b) Unfair labour practices on the part of workmen under the Industrial Relations Ordinance, 2002:**

Unfair labour practices on the part of workmen has also been widely and correctly attempted. Examinees mostly relied on their general perception instead of points of law. Some of examinees discussed code of ethics or necessity of good conduct and others described the responsibilities of the employer.

**EXAMINERS' COMMENTS  
FALL (WINTER) 2007 EXAMINATIONS**

**BUSINESS ENGLISH  
STAGE-1**

**QUESTION NO. 2**

**(a) Change the sentences, (b) clause & conjunction**

The examinees response reflected this to be a difficult concept. Very few examinees had attempted one or two options correctly out of the total four. Very few examinees got the sentences converted correctly. Everyone ended up changing the meaning completely while they transformed the sentence type. While joining sentences the students ignored the punctuation changes and certain other structural changes to be brought to the final sentence.

**QUESTION NO. 3**

**(a) Word usage**

Most of the examinees lost marks in this question. Hardly 25% of the examinees managed to get one item correctly. One observation was that examinees brought changes to a variety of words, and sentence parts were missing out from the question completely.

**(b) Forms of verbs**

Examinees first of all did not consider the possibility of any sentence being already correct and needed no changes; secondly it was the verb that needed a possible correction.

**QUESTION NO. 4**

**Comprehension**

In the present case, the examinees, in majority, ignored that answers were to be framed in their own wordings to prove their understanding of the passage and its application to given questions. Only short, relevant and to the point answers would meet the real objectives of this exercise as otherwise, simply lifting of this part of the passage as answer for the questions would not serve any purpose. Generally examinees' comprehension answers were merely writing word by word to the ideas from the given passage. Their ability was to understand the question and locate the answer for which partial marks were awarded. Those who tried to write on their own, even they managed to change partially and did not reflect to answer the questions in their own words.

(a) The first question demanded a precise definition based on examinees' understanding of the concept presented in the passage. However, the examinees ended up writing 10-15 lines long (mostly copied from the text) answer. (b) Examinees mostly got the second question right on advantages of teleworking. (c) Their answer to this question was partially correct. (d) The last question needed a title, examinees ended up suggested the conventional "title: Tele-working". Hardly any examinee gave a unique understanding and reflection of the passage through the title.

**QUESTION NO. 5**

**Essay**

The examinees' essays revealed the following shortcomings:

Lacking of relevant and suitable contents/arguments/support; absence of the thesis statement and the structure; poor organisation and development of the material; and dearth of technical formal language and ideas.

The primary objective of the given exercise – Essay writing – is to measure how well an examinee is able to communicate his/her ideas in writing when judged. It is found that very few succeeded in putting facts into proper form of expressions. The examinees should know that there is a little correlation between length of writing and impressiveness. They need to know that merit lies in relevance and brevity. The prevalent tendency to expand an essay believing that who evaluates it would favourably disposed towards bulk should be avoided. One who reads and evaluates an essay is much more impressed by pertinent material economically worded.

#### **QUESTION NO. 6**

##### **Letter Writing**

The examinees' letters reflected a grave problem where it was learnt that professionals were not equipped with the technical language of the organisations. Official correspondence requires technical skill and one cannot take the same approach as taken towards grammar or comprehension or even writing an essay. In the given letter, situations were common workplace communications and examinees inability to attempt and score well on such types of questions clearly reflects a serious professional impediment. Most of the examinees made mistakes that revealed as if they have never seen a formal letter since if they had, they would have put the elements at the right place, not writing letters as essays or putting date after signature. The message of a letter is an effect, a theme, and as such it must be governed by requirements of good theme writing, clarity, force, correctness and appropriateness.

#### **QUESTION NO. 7**

##### **Notice and Memo Writing**

The organisation, coherence and presentation of conceived details were, however, poor. Poor penmanship, spelling faults, use of word short forms, ignoring rules of punctuation, spacing and margins etc., further spoiled these writings. Majority of the examinees could not differentiate between a notice and a memo, therefore they mixed-up both formats and lost marks.



**EXAMINERS' COMMENTS**  
**Fall (Winter) 2007 EXAMINATIONS**

**FUNDAMENTALS OF COST AND MANAGEMENT ACCOUNTING**  
**Stage – 2**

**QUESTION NO.1 - MCQs**

Good performance was displayed by examinees in this question.

**QUESTION NO.2**

**(a-i) Discussion of, how labour efficiency is measured ?**

- Majority of the examinees could not understand the concept of “measuring of labour efficiency” and instead of discussing the measurement of labour efficiency, they had discussed the labour efficiency variance and how it is calculated.
- It was a simple question on the concept of direct labour cost, but the examinees failed to provide up- to the mark answers. Most of them confined themselves to labour efficiency variance, instead of explaining how to measure the labour efficiency.

**(a-ii) Discussion of the statement “All wage payments are ultimately limited and are usually based directly or indirectly on the productivity of workers”.**

- It was a simple question to relate efficiency and productivity of labour to the wages. Contribution of the labour in revenue generation, through sales was to be discussed and explained as a concept thought. In all such cases it may not be measurable exactly.
- This part of the question was not attempted correctly by majority of the examinees. A good number of examinees wrote the answers in their own way without knowing the requirements of the question.
- Many of the examinees had discussed the various wage plans in their answers, which were absolutely irrelevant and incorrect answers.
- Few of the examinees had discussed the concept of “Direct” and “Indirect labour”.

**(b) Computation of rate and amount of bonus paid to a group of workers and basic and gross wages inclusive of bonus of two workers.**

- Majority of the examinees failed to provide correct calculations for rate and amount of bonus payable to the group of workers.
- It was a simple numerical question on calculation of standard weekly production, determining excess and actual production in comparison with standard production and to work out rates and amount of bonus under a group bonus scheme and to apply the rate to compute total weekly wages for two workers. However, except for a very small number of examinees, almost all of the examinees failed to answer the question correctly and completely.
- Major errors were, incorrect calculation of standard production, excess production and eventually incorrect bonus calculation.

**QUESTION NO.3**

**(a) Discussion of effect on cost, due to change in capacity levels from 70% to 90%.**

- It was a simple question on theoretical concept of effect on fixed cost with a change in capacity levels. Majority of the examinees related change in capacity levels with increase in costs rather than focusing on decrease in per unit cost. Hardly any examinees was able to discuss the change in application of factory overhead rate, if change in capacity is expected to continue for a long time.

**(b) Preparation of cost of production report.**

- It was a simple numerical exercise on process costing. Majority of the examinees was able to attempt this question satisfactorily. However, few of the examinees were not able to comprehend the treatment of abnormal loss, and a good number of examinees failed to compute the equivalent production figures correctly, and consequently per unit cost for all cost elements was incorrectly determined.

**QUESTION NO.4**

**(a) Discussion of difference between cost and Management Accounting and Financial Accounting.**

- It was a theoretical question, asking to differentiate between Management Accounting and Financial Accounting. Average performance was noted in this part of the question, however, most of the examinees had tried to define the Cost and

Management Accounting and to a limited extent, Financial Accounting, but without stressing the areas which distinguish the two areas of accounting.

- Many examinees had consumed one to two pages of answer scripts with irrelevant and incorrect answers. Almost all the examinees failed to distinguish between Cost and Management Accounting and Financial Accounting. Few examinees limited the Cost and Management Accounting to the term "Costing".

**(b) Computation of EOQ, total economic cost, and discount and presentation of a statement of comparative cost to avail discount schemes using the data as given in the question.**

- Almost all of the examinees failed to answer the question correctly and completely. The ordering and carrying costs when buying in different quantities and the financial benefits and savings attached with buying in higher quantities with discounts offered could not be worked out by the examinees.
- It was surprising to note that majority of the examinees did not possess the basic knowledge of computing ordering and carrying costs.

**QUESTION NO.5**

**(a) Definition of cost system and discussion of fundamental knowledge required for establishing a cost accounting information system.**

- The examinees failed to discuss the points on which a thorough fundamental knowledge is required while designing a cost system. Almost all the examinees discussed cost classification.
- Most of the examinees had discussed and defined "cost" instead of the "cost system".
- Majority of the examinees could not understand the cost system and the requirements for establishing a cost accounting information system. The question demanded a conceptual answer, which could not be replied by almost all of the examinees.

**(b) Computation of final amount of estimated overheads of each of two service departments after transfer of overhead on reciprocal basis, and computation of total overheads of each producing department after transfer of service departments' cost.**

- Almost all of the examinees displayed very good performance in this part of the question and scored good marks.

**(c) Definition of the terms:**

- **Marginal cost**
- **Contribution margin**
- **Marginal costing**
- Average performance was noted in this part of the question, where correct definition of contribution margin was provided by the examinees, however, most of the examinees were not able to provide correct definitions of "marginal cost" and "marginal costing".
- Few examinees instead of writing definition have provided formula for computing contribution margin.

**QUESTION NO.6**

**(a) Computation of:**

- **Breakeven sales in rupees**
- **Margin of safety in rupees and in percentage, and**
- **Minimum units to be sold**
- Almost all of the examinees were able to perform well and were able to provide correct answer to this part of the question.

**(b) Computation of material cost variance and price and usage variance.**

- Answer to this part of the question was mostly correct, except, that, while computing the total material cost variance, the examinees, did not independently work out the variance by comparing the standard material cost with the actual cost, they combined the material price variance and material usage variance which is a recapitulation step.

**EXAMINERS' COMMENTS  
FALL (WINTER) 2007 EXAMINATIONS**

**MANAGEMENT AND MARKETING  
STAGE – 2**

**(SECTION –A-MANAGEMENT)**

**QUESTION NO. 2: -**

**(a) Authority and its types:**

A substantial number of examinees gave irrelevant, inappropriate arguments while explaining the “level of managements”. The examinees explained “types of managers” and “bases of power” instead of correct types of authority. Only few of the examinees were able to define ‘authority’ correctly. However a sizeable number of examinees could not explain types of authorities with examples. Although the question was simple but many examinees were confused regarding types of authority.

**(b) Delegation and three advantages of Delegation**

Very poor responses delivered by the examinees. The reflection and expression of thoughts in English language was also very weak, especially the English grammar as well as the spellings were hopeless.

**(c) Management can be applied to any kind of organization**

The examinees offered their comments very unsatisfactorily on the statements “Management can be applied to any kind of Organisation”. However, all the examinees tried to attempt this part of the question, many examinees gave very elaborated but irrelevant and inappropriate arguments / answers.

**QUESTION NO. 3: -**

**(a) Six Sigma**

A fairly large number of examinees tried to attempt this part of the question, but there were very few who explained the correct meaning of Six Sigma and explained the term in satisfactory manner.

**(b) Key advantages of Six Sigma**

The examinees, who attempted this part of question, had fair concept of key advantages of Six Sigma as well as what is TQM but there was hardly any examinee who could explain the difference between Six Sigma and TQM correctly and impressively.

**(c) Operations Management and core functions of Operations Management**

Majority did not explain the “Operation Management” correctly. Hardly any examinee either correctly defined ‘Operations Management’ or listed traditional core functions of Operations Management. Although most of the examinees tried to attempt this question on the basis of guess work and defined ‘Management’, ‘Function of Management’, and process involved in converting the raw material into finished goods etc., but no exact definition could be furnished.

**(SECTION – B- MARKETING)**

**QUESTION NO. 4: -**

**(a) Marketing Management**

Examinees did not understand the question properly and provided vague answers regarding the importance for a marketer to understand and apply marketing management.

**(b) Different Strategies of Target Marketing**

Majority of the examinees were completely unaware of the subject and gave wrong definitions of different strategies of target marketing.

**(c) Importance of “Market Positioning”**

Mostly the examinees were not in a position to explain the importance of Market Positioning. The examinees attempted the question but the answers were unsatisfactory. Again it seemed that the topic was not studied properly.

**QUESTION NO. 5: -**

**(a) Services Comparison of '3Ps' of services to '4Ps' of tangible products.**

Very poor responses given by the examinees to respond this part of the question on services and comparison of '3Ps' of Services to '4Ps' of tangible products. However this topic can be answered well on the basis of general knowledge and common understanding. The concept of '3Ps' and '4Ps' was not clear to the examinees and irrelevant answers were given. Many examinees attempted the first part of the question on the definition of "Services" satisfactorily. However, it was noted that they were unable to explain 'additional 3Ps' as compared to '4Ps' of tangible products. The question desired details regarding additional 3Ps but a number of examinees mentioned place, price and promotion, which in fact are not additional 3Ps. These are very much part of 4Ps tangible products.

**(b) Five important Marketing Characteristics of Services**

Irrelevant answers were given by the examinees, reflecting poor knowledge on the subject. They totally ignored intangibility, variability, inseparability, and perishability of services, while attempting this part of the question.

**(c) Marketing Plan**

Vague replies regarding Marketing Plan were produced by the examinees. They should know that while chalking out a Marketing Plan, current marketing situation, opportunity and issue analysis, objectives, marketing strategy, action programs, financial projection and implementation controls, should be considered.

**EXAMINERS' COMMENTS  
FALL (WINTER) 2007 EXAMINATION**

**BUSINESS MATHEMATICS & STATISTICS  
STAGE – 2**

**QUESTION NO. 2:-**

- (a) This part of the question is based on a problem of solving and drawing inequality. The examinees solved the inequality but could not find the correct roots. Even if they had found the roots correctly but could not draw the sketch correctly.
- (b) Very easy and simple part of the question question but most of the examinees did not attempt it correctly. The common mistake they made is that they only equated with positive value and ignored the negative equality due to which they were penalised.
- (c) Very easy and concept based question but majority of the examinees were not able to do it correctly. Most of the examinees have attempted this part of question correctly but some did not understand this part of the question in which "in-house cost per line of code for the two options" to be equally costly', was asked.
- (d) Very tricky question on Matrices based on inverse and multiplication of the Matrices only. Although this was very easy question, but the common mistake the examinees made was of B-1. Some examinees just multiplied the two matrices A & B and found the value of X.

**QUESTION NO. 3:-**

- (a) Very basic question on derivative. Most examinees had tried to attempt it correctly.
- (b) A difficult derivative but normally highly expected questions. Examinees must be prepared for such type of derivatives. Most of the examinees started the problem in correct direction but could not end up in the same direction. Some were confused about using the appropriate formula.
- (c) Very conceptual and applied part of Business Mathematics, not much difficult but examinees did not attempt it correctly. Such type of easy questions of worth 5 marks definitely facilitates examinees to improve their marks but unfortunately examinees were not able to get marks except for few.
- (d) Very easy question on geometric means, some used very direct approach and some went to the wrong directions.

**QUESTION NO. 4:-**

- (a) This part of the question was based on probability, where examinees faced a lot of trouble to understand the concept of probability, specially language of probability. It required practice of law of addition and law of multiplication problems. Unfortunately only few examinees attempted it correctly. They could not understand what was asked and what was given.
- (b) Very simple and straight forward question and examinees should have been able to solve it, but unfortunately majority failed to interpret the meaning of correlation and determination. Most of the examinees did not know what was  $r^2$  and how to calculate it, except few examinees, which indicates that their basic concepts were very weak.

**QUESTION NO. 5:-**

- (a) This part of the question required the definition of index number, which was very easy and straight forward, but most of the examinees were not able to define it correctly.
- (b) Very simple question of index number and did not involve any tricks and complication. The examinees did not remember the correct formula of weighted aggregate index number and not performed well. Some examinees used correct formula but they committed calculation mistake.

**QUESTION NO. 6:-**

A very simple question on 'Networking Techniques' but just a few examinees were able to do it correctly. All the parts of question i.e., (a) Critical Path (b) Floats and (c) Probability were a little bit technical but could be solved. Some examinees tried to find the correct initial path but could not calculate the floats of network; some attempted both parts correctly but could not find the part (c) on probability.

**QUESTION NO. 7:-**

- (a) Definition of linear programming was very simple. It consisted of just two lines definition. Their performance showed very loose grip of examinees on simple method. The iterations were not performed correctly.
- (b) It was a very conceptual and expected question on solving linear programming model by Simplex Method, but only few examinees did it correctly.

**EXAMINERS' COMMENTS  
FALL (WINTER) 2007 EXAMINATION**

**INTRODUCTION TO INFORMATION TECHNOLOGY (THEORY)  
STAGE – 2**

**QUESTION NO. 2:-**

**(a) Input devices**

Most of the examinees answered this part correctly as simple description of 'input devices' was asked. Most of the examinees easily described all four devices. However, some of them did not sufficiently elaborate the 'pointing device'.

**(b) Output devices**

Simple differentiations of 'I/O devices' were asked. Almost all the examinees were able to answer this part of the question correctly. But some of them could not differentiate between 'impact printer' and 'non-impact printer'.

**QUESTION NO. 3:-**

**(a) Multimedia Technology**

It was an easy part of the question, but most of the examinees did not answer properly. They mixed up the concept with multimedia projector. However, only a handful were able to do justice by explaining it correctly. Similarly a very few could appropriately describe the business applications of multimedia technology.

**(b) Terms of display unit of computer**

A simple definition / term in relation to Visual Display Units was asked. Majority of the examinees was able to answer this question correctly. However, some of the examinees gave the same answer in 'Refresh Rate' and 'Resolution' different words.

**QUESTION NO.4:-**

**(a) Features of different software packages**

In this part, the salient features of four given 'software types' were asked and except for Antivirus, mostly answers were wrong. Unfortunately the lack of proper studies led them to believe that just by writing few irrelevant sentences would be sufficient. Most of the examinees had no idea of latest business softwares, used by different organizations / companies.

**(b) Difference between Procedural and Non-Procedural Languages**

Majority of the examinees had no idea about 'Procedural and Non-Procedural languages'. It clearly shows their lack of seriousness towards the subject had been the main reason for their failure. Only few could properly differentiate between procedural and non-procedural languages.

**QUESTION NO. 5:-**

**(a) Definition of system software and its types**

This part of the question was answered correctly by almost all of the examinees. It has been observed that most of the examinees had a clear concept of 'system software'. However, while describing the types of system software, they mixed up "Application Software" with "System Software", which is not correct. Some examinees discussed utility software in detail, which was not asked in this part of the question.

**(b) Definition of low – Level Language and HTML.**

The performance of majority of the examinees remained average in this part of the question. Some of the examinees described the feature of internet in HTML. Some of the examinees missed the definition of Low-Level language and just mentioned the examples only.

**QUESTION NO. 6:-**

**(a) Network devices**

A majority had the clear concepts of 'Router and Network Terminal'. However, they could not remain focussed on the core concepts while elaborating their answers. Some of the examinees mentioned the features of 'switch' instead of 'Router'.

**(b) OSI (Open Systems Interconnections) Model**

Majority answered this part of the question totally wrong. Some went so far as to start describing design models. It has been observed that the majority did not have the concrete knowledge of the OSI model. Some of the examinees mixed up the functions of transport and network layers and gave the answer in general term. Hardly few were able to list down all the seven layers instead of elaborating that why OSI Model was needed.



**EXAMINERS' COMMENTS  
FALL (WINTER) 2007 EXAMINATION**

**INTRODUCTION TO INFORMATION TECHNOLOGY (PRACTICAL)  
STAGE – 2**

**WORD PROCESSING**

This question comprised two parts. In first part there were five MCQs. In this portion, the performance of most of the examinees was average. However, in the second part where some text in a table was given to be typed, the performance of the examinees remained slightly better than Part 1. The mistakes committed by the examinees were about not making the text bold, italic, sizing and formatting of the text etc. However, many examinees did not insert the 'system date' which was required to be printed on top of the text.

**SPREADSHEET**

The overall performance in this question remained average. However, in many cases the performance of the examinees was better.

The examinees were given a worksheet. After creating the same worksheet with the given data under MS-Excel, they were required to apply some arithmetic operations, apply formulas on the given data, prepare a result and make the bar chart in the end. Some examinees could not handle or design the bar chart in an adequate shape. In some cases, the unnecessary fields were selected while making bar charts. It has been noted that in other cases, mistakes committed at an early stage by entering wrong data or using wrong formula propagated and led to wrong results at the later stages. Never-the-less, majority of examinees secured good marks in this question.

**DATABASE / PEACHTREE ACCOUNTING**

Under option between Database and Peachtree, majority attempted Peachtree. Those who attempted Database portion could only obtain just passing marks in this question. In Peachtree, most of the examinees could correctly provide the 'Chart of Account' only. The other reports like General Journal, General Leger Trial Balance, and Balance sheet did not have the correct entries, instead of selecting / creating specific company, they selected a sample company. As a result their chart of account showed hundreds of unnecessary accounts that were not needed in the solution. The overall performances in Peachtree Accounting remained therefore below the average.

**POWERPOINT**

This was the easiest question of the paper for most of the examinees. The performance of most of the examinees in this question, remained above average. However, in many cases, the text formatting and alignment were not adequate. In some cases picture was not inserted. It has been observed that most of the examinees did not select the exact font type and size that were required in the slide, specially in the paper with heading 'Pros and Cons' where most of examinees used Times New Roman Font throughout the slide instead of the font provided in the paper to print.

**EXAMINERS' COMMENTS**  
**Fall (Winter) 2007 EXAMINATIONS**

**FINANCIAL ACCOUNTING**  
**Stage – 3**

**Question No.1 - MCQs**

Above average performance was noted in this question.

**Question No.2**

**(a) ROYALTIES – Passing of journal entries in the books of lessor to record transactions for four years.**

- The question was conceptual and simple. Many of the examinees had answered the question without reading the question and its requirements carefully. The requirement was to pass journal entries in the books of the LESSOR, but many of the examinees had passed the journal entries in the books of LESSEE (Baluchistan Mines), which was not the requirement of the question.

**(b) IAS-10 and IAS-1**

**Definition of the “adjusting events after balance sheet date” (IAS-10) and explanation of the terms “materiality” and “Consistency” (IAS-1).**

- It is regretted to note that almost all of the examinees were unable to provide correct answer to this part of question. It seems that examinees do not study the relevant IASs.

**Question No.3**

**PREPARATION OF FINANCIAL STATEMENTS FROM INCOMPLETE RECORDS.**

**(i) Computation of income, expenses, assets and liabilities figures**

**(ii) Preparation of income statement, and**

**(iii) Preparation of balance sheet**

- Most of the examinees were unable to answer the question correctly.
- The critical points in the question were the computation of:
  - Opening balance of capital
  - Closing balances of:
    - Cash
    - Bank
    - Accounts payable
    - Accounts receivable, and
  - Fixed assets
- Very, very few examinees were able to provide correct answer to this question. Overall performance was found to be below average.
- Many examinees were found confused in the treatment of cash purchases, and payments to suppliers.
- Almost all of the examinees could not understand the adjustment of bad debt expenses of Rs. 300/=, and as a result, they failed to compute the correct balance of accounts receivable, and total sales.

**Question No.4**

**(a) ACCOUNTING FOR JOINT VENTURE – Preparation of joint venturer’s account and co-venturer’s account.**

- Majority of the examinees could not produce the complete and correct answer to this part of the question.
- Examinees, among other computations were also required to compute the proceeds received from Afaq & Brothers (consignee), but most of the examinees could not understand the simple computation.

**(b) CONSIGNMENTS:**

**Explanation of the terms:**

(i) **Del credere commission**

(ii) **Account sales**

- Answer of each of the above terms was required in few words, but most of the examinees had written long stories and their answers were irrelevant.
- A large number of examinees had explained the term “Account Sale” as “Account Sale is a sale on credit basis”.
- From the answers it was evident that most of the students were not aware of these terms.

**Question No.5**

**PARTNERSHIP – DISSOLUTION**

- A very important topic of “Partnership” dissolution was covered in this question. Examinees were required to prepare realization account, cash account and partners’ capital accounts in columnar form. Most of the examinees were able to provide correct answer to the question, however, many of the examinees were not able to answer the question completely and correctly.
- Most of the examinees were unable to arrive at the correct amount of profit / loss on realization and its distribution amongst partners.
- A large number of the examinees could not understand the treatment of joint life policy.

**Question No.6**

**PREPARATION OF FINANCIAL STATEMENTS AS PER REQUIREMENTS OF RELEVANT IAS AND COMPANIES ORDINANCE, 1984.**

- **PREPARATION OF:**
  - **Profit and loss account**
  - **Balance sheet**
  - **Statement of changes in equity, and**
  - **Schedule of fixed assets**
- Response to this question was very disappointing. Not a single examinee was able to solve this question correctly and completely, and according to the legal requirements. From the answers it was evident that either the examinees did not comprehend the requirements of questions or they did not know, how financial statements are prepared as per the requirements of IAS-1, and the Companies Ordinance 1984.
- Although it was clearly written in the instructions to the question that Notes to Account are not required, but few examinees had wasted their time in writing detailed notes.
- It was observed that most of the examinees did not have the concept of presenting rupee values in the financial statements, consistently. The examinees had reported few figures in “000” and few figures in full figures on the same statement.
- It is a core topic of the course, and a question on this topic is normally included in the question paper regularly, but it is regretted to point out that majority of the examinees did not give due importance to this topic.
- Many of the examinees had not attempted this question at all. From the answers of those who had tried to attempt the question, it was observed that examinees did not know the very basic calculation of cost of goods sold, administrative and selling and distribution expenses. The examinees were unable to identify, which items are part of cost of sales, and which are part of administrative and selling expenses. Calculation of depreciation was also wrong.
- Following common mistakes were also noted from the answers:
  - No knowledge of drawing of balance sheet, profit and loss account, statement of changes in equity and schedule of fixed assets.
  - No concept to differentiate between reserve and long-term liabilities.

**EXAMINERS' COMMENTS**  
**Fall (Winter) 2007 EXAMINATIONS**

**BUSINESS TAXATION**  
**Stage – 3 / Professional – II**

**Question No.1 - MCQs**

Poor performance was noted in this question.

**Question No.2**

**(a) Discussion of legal provisions under Income Tax Ordinance, 2001 of medical facility provided by an employer to its employees in the following manner:**

- Free medical treatment or hospitalisation.
- Re-imbursement of medical expenses incurred by an employee, and
- Payment of medical allowance instead of providing medical facility.

- It appeared from the answers that examinees had not read the requirements of the question carefully. Instead of discussing the legal provisions of treatment of the facility under Income Tax Ordinance, 2001, the examinees had discussed the definition and the procedure for payment of medical bills / allowance with reference to employer's point of view which was not required.
- The examinees gave a general answer that medical facilities are exempt or are tax free. Actually law has put certain conditions in this regard, but most of the examinees could not answer part (i) and (ii), correctly. Answer to part (iii) of the question was better replied by majority of the students.

**(b) Computation of Income chargeable under the head of salary income and capital gain upon exercise of shares option scheme by an employee, as per data given in the question.**

- This question was very simple and short, however, majority of the examinees was not able to provide correct answer.
- It was frustrating to note that few examinees had written in their replies that salary data had not been provided in the question. Few of the examinees tried to calculate the taxes payable rather than computing the income or gain as required in the question.

**(c) Definition of the term "Trust" as per Income Tax Ordinance, 2001.**

- Answer to this part of the question was in few words, i.e., just to define the term "Trust", but majority of the examinee could not give proper answer as per requirements of the law. It is regretted to note that few examinees even wrote about the trust placed on employees by their employers.
- Many of the examinees instead of defining the term "Trust" as per Income Tax Ordinance, 2001 had tried to explain the functions and objectives of "Trust" which was not a correct answer.
- It appeared from the answers that candidates did not have correct understanding of the provisions of Law and formulated their answers according to their general understanding e.g., the trust is a not- for-profit organisation etc., instead of defining it as per law.

**(d) Definition of the terms (i) Pre-commencement expenditure under Section-25, and (ii) Rent "under Section-15, chargeable under the head income from property".**

- It was again a simple question which required definition of the two terms as per Income Tax Ordinance, 2001, but the examinees could not define the terms as per law.
- Majority, rather than 90% examinees had tried to answer the terms as per their accounting knowledge and not as per the definitions as given in the Income Tax Ordinance. They discussed in their answers, all expenditures normally incurred before start of business, both capital and revenue nature.

**Question No.3**

**(a) Description of legal provisions for exemption from tax of "profit on debt" received by a non-resident person under Section-46 of the Income Tax Ordinance, 2001.**

- Replies of the examinees showed that majority of the examinees was un-aware of the provisions of Section-46. Nearly all the examinees gave irrelevant and incorrect answers.
- Few of the examinees had discussed the provisions of the law with reference to foreign source of salary of the residents, which was irrelevant and incorrect answer.

**(b) Explanation of the following under Income Tax Ordinance, 2001:**

- **Why and who can prefer an appeal to Income Tax Appellate Tribunal?**
- **What is the time limitation to give effect to an appeal on an appellate order under Section-129, where direct relief has been provided in such order?**
- **What are the circumstances under which Commissioner of Income Tax shall not revise any order of a Taxation Officer ?**
- Although this was very easy and marks earning question, but, not a single examinee was able to earn good marks. Had the examinees read this Section from the Ordinance only for once with clear perception and concentration, they could have given correct answers to all the requirements of the question.
- Specific answer was required with reference to different provisions of the Income Tax Ordinance 2001, relating to "Appeals", but the examinees did not know the correct answer and tried to cover this shortcoming by their own interpretation of the law e.g., they mentioned the composition of the tribunal, adjudication process of the tribunal etc.

**(c) Discussion of the provisions of Section-162 of the Income Tax Ordinance, 2001 regarding recovering of tax from the person from whom tax was not collected or deducted.**

- Section-162 is very common in practical life and every accountant or person dealing with processing and payments of bills is aware of the requirements of withholding tax, but it is regretted to point out that majority of the examinees was not aware of it.
- Many of the examinees discussed various possibilities under which assessment is made and the procedure to be followed in this regard. Furthermore, many of the examinees had explained the provisions relating to penalties, offences and prosecution which was not required.

**Question No.4**

**Computation of tax liability of an association of persons (AOP) and its members for tax year 2008.**

- It was an easy and simple question, but it is regretted to note that performance of the examinees in this numerical question was found to be very poor. Not a single examinee knew the treatment of supplies and how to apportion its profit for tax purposes. All of the examinees took it as advance tax and deducted it from the tax calculated on net profit.
- Many examinees had calculated the tax on property income of a member correctly, but did not treat it as a separate block of income.
- Majority of the examinees failed to adjust the inadmissible expenses, similarly admissible expenses were also not adjusted correctly.
- The examinees did not pick-up the key point of the question, that is the bifurcation of profit into two parts i.e., profit relevant to supplies which comes under Presumptive Tax Regime and profit relevant to other sales which comes under Normal Tax Regime.
- **Other major mistakes were:**
  - Adjustment of commission paid to Mr. Arif, and
  - Non adjustment of 75% rebate in tax admissible to Mr. Baqar, who is a teacher and is entitled to this rebate.

**Question No.5**

**(a) Discussion of the requirements and contents of a sales tax invoice under Section-23 of the Sales Tax Act, 1990.**

- Majority of the examinees was unable to give comprehensive and correct answer to this part of the question. They have tried to write what could be on an invoice.

**(b) Discussion of penalty for failure to furnish sales tax return within the due date.**

- Answer to this question was just only in two or three lines, but the examinees wrote very detailed irrelevant and incorrect answers. It is very practical and every one who files a monthly Sales Tax Return must know about the penalty for failure to furnish Sales Tax Return within due date.
- Most of the examinee did not know the correct answer and offered different percentages of the principal amount as penalty or simply mentioned the amount required to be paid as penalty as per **Income Tax Ordinance 2001**, whereas question was on Sales Tax Return, under **Sales Tax Act, 1990**.

**Question No.6**

**(a) Definition of the following terms as used in Federal Excise Act, 2005:**

- (i) **Non-tariff area**
- (ii) **Establishment**
- (iii) **Import and Export**

**(b) Definition of the following terms as per customs Act, 1969:**

- (i) **Seize**
  - (ii) **Smuggle**
- From the answers it was evident that all of the examinees had never read the Federal Excise Act, 2005 and Customs Act, 1969, as they had written what they had understood by the terms on their own and not as per law.

**EXAMINERS' COMMENTS**  
**Fall (Winter) 2007 EXAMINATIONS**

**COST AND MANAGEMENT ACCOUNTING – PERFORMANCE APPRAISAL /  
OPERATIONAL COST ACCOUNTING**  
**Stage – 3 / Professional - II**

**Question No.1 - MCQs**

Average performance was displayed by the examinees in this question.

**Question No.2**

**(b) STANDARD COSTING – DISPOSAL OF VARIANCES.**

**Computation of:**

- (i) Direct material price variance apportioned to finished goods.**
- (ii) Total amount of direct material in the finished goods inventory after apportionment of all variances, and**
- (iii) Total amount of direct labour in the finished goods inventory after apportionment of all variances, and**
- (iv) Total cost of sales.**
  - In requirement (i), although price variance of Rs. 20,000/= was given in the question, but most of the examinees failed in calculating correct percentage to be applied to finished goods inventory.
  - In requirement (ii) of the question, majority of the examinees ignored the correct requirement of the question of calculating the amount of direct material in the finished goods inventory after apportionment of all variances. They had tried to calculate the variances, which were already given in the question.
  - In requirement (iii) of the question, examinees were required to compute the total amount of direct labour in the finished goods inventory after apportionment of all variances, and required to compute the correct percentage of labour included in finished goods inventory and cost of sales. Majority of the students either did not attempt this part / requirement or were unable to compute correct percentage, which resulted in incorrect answers.
  - In requirement (iv) of the question, the examinees were required to compute the actual cost of sales after all variances have been apportioned. It required correct amounts of all cost elements i.e., direct materials, direct labour and factory overhead. However, very few examinees were able to provide correct answers.
  - Majority of the examinees did not apply the correct approach in attempting the question.
  - The question was simple, but due to lack of knowledge and proper study, the examinees were found confused and overall performance in this question was very poor.
  - Many examinees could not differentiate between favourable and unfavourable variances.

### **Question No.3 – PROCESS COSTING**

#### **(a) DEFINITION OF:**

- Normal loss
- Abnormal loss, and
- Abnormal gain

This was a very simple and basic question, and almost all of the examinees performed very well in this part of the question.

#### **(b) Computation of:**

- Equivalent production schedule
  - Cost per equivalent unit
  - Cost of work done on work-in-process - beginning
  - Cost of fully worked units
  - Cost of work done on work-in-process – ending, and
  - Preparation of process account
- Examinees generally failed to prepare the correct equivalent production schedule using FIFO method, due to lack of concept and applications, which resulted in incorrect computation of cost per equivalent unit and assignment of cost to work-in-process – beginning, units started and finished and work-in-process – ending. Debit entries in process account were correctly posted, but credit entries in process account were incorrect.
  - It was surprising to note that many of the examinees even did not have the basic knowledge of the debit and credit in passing of the journal entries.

### **Question No.4 - RATE OF RETURN ON CAPITAL EMPLOYED**

#### **(a) Identification of factors involved in measuring management activities in determining rate of return on capital employed.**

- Examinees, although were not to the point in answering this question, but somehow in detailed answers they had covered directly or indirectly some of the points required to answer the question.
- Few of the examinees, instead of discussing the factors as required by the question, had given the formula of calculation of “return on capital employed”.

#### **(b) Working for missing figures, percentages or ratios for three divisions (A, B & C) of a company.**

- Examinees could not correctly calculate the amounts of sales, profit, capital employed, capital employed turnover rate and return on capital employed for divisions B and C.
- It was apparent from the answers that examinees had not carefully read the requirements of the question, as they were not able to prepare and present the required workings / computations.

#### **(c) Comments on the performance of divisions A, B and C.**

- Examinees failed to offer specific comments on the performance of each of the three divisions.
- Due to incorrect calculation of different figures as required under requirement (b) of the question, the examinees were unable to offer correct and specific comments.



### **Question No.5 – FLEXIBLE BUDGET**

#### **(i) Preparation of flexible factory overhead budget at 80, 90 and 100% capacity levels.**

- The examinees were required to prepare factory overhead budget at different levels of activities with categorization of each of the overhead items into fixed and variable portion by applying the technique of “high” and “low” point method. Below average performance was given by the examinees.
- The major mistake committed by majority of the examinees was inclusion of “direct labour” cost into the variable overheads. Examinees did not realize that “direct labour” is part of prime cost and is not part of overheads. The inclusion of “direct labour” cost into variable overheads resulted in the incorrect figures for variable overhead and consequently resulted in incorrect calculation of the amounts and rates of variable and total overheads. Many examinees also failed to correctly calculate the fixed and variable amounts of heat, light and power, inspection and “others” using the “high” and “low” point method.

#### **(ii) Computation of variable fixed and total overhead rates.**

- Due to incorrect calculation of fixed and variable budget at different capacity levels under requirement (i), the answer to this part of the question was also wrong.

### **Question No.6 – BUDGETING AND ABSORPTION AND MARGINAL COSTING**

#### **(a) Definition and advantages and limitations of Zero – Based Budgeting (ZBB).**

- Examinees were able to define the “Zero Based Budgeting” (ZBB) as a laymen, but they were unable to discuss its advantages and limitations.
- Few of the examinees had written irrelevant and lengthy answers and wasted their time by giving unnecessary and repetitive answers.

#### **(b) Preparation of income statements under absorption costing and marginal costing methods and reconciliation of difference in profits under the two methods.**

- Examinees faced difficulty in the treatment of fixed cost under absorption costing, due to factory overhead application rate and capacity variance, which affected the valuation of ending inventory. Profit under marginal costing were generally correct. Due to incorrect calculation of profit under absorption costing method, the difference in profit under the two techniques was also wrong.
- Majority of the examinees was not able to correctly calculate the value of opening inventory.
- Examinees were found confused in the treatment of excessive incurrence of variable cost, and instead of adding, had deducted it from the cost of goods sold.
- Few of the examinees had also mixed-up the fixed and variable cost in the income statement under marginal costing method.
- Surprisingly few of the examinees had added the distribution expenses to cost of goods sold.
- Other common mistakes were:
  - Ignoring value of opening inventory of 2,500 units under both the methods.
  - Incorrect treatment of variable operating variances in both the methods
  - Ignoring volume variance of Rs. 20,000 under absorption costing

**EXAMINERS' COMMENTS  
FALL (WINTER) 2007 EXAMINATIONS**

**PRESENTATION & COMMUNICATION SKILLS  
STAGE-3**

**QUESTION NO. 2: -**

- (a) Interview and types of interviews**
- (b) Interview Preparation**

This question was about interview, types of interviews and checklists for interview preparation. Majority of the examinees appeared to be ignorant about types of interviews. Their answers clearly reflected that they did not study the topic that is an alarming situation. They should know that among the types of interviews, structured, open ended, and group interview are vital.

**QUESTION NO. 3: -**

**Planning Steps for effective business message**

This question was about planning steps for effective business message. This is a fundamental concept. However, majority of the examinees could not relate this topic with the real life situation. Most of them used bookish answers and failed to incorporate the steps for a solicited sales letter. The writing process of an effective business message comprises three steps, planning, writing and completing.

**QUESTION NO. 4: -**

**Selection of Channel and Medium for a message**

This question was about selection of channel and medium for effectiveness of a business message. There are certain elements involved in selection of channel and medium. Most of the examinees listed different channels and mediums but did not understand the requirement of the question.

**QUESTION NO. 5: -**

**Summary Report**

This question was about report writing on short-listing of candidates for a vacant post in the organization based on an imaginary criteria. Hardly five to ten percent examinees knew the format of a memo report. The rest were completely unaware of such a significant area of business communication.

**QUESTION NO. 6: -**

**Complaint Letter**

The examinees had to write a complaint letter on a given situation, where a software vendor has provided unlicensed software against the agreement of providing licensed software. The formats furnished were somewhat acceptable but examinees could not properly present the letter, convincingly.

**EXAMINERS' COMMENTS**  
**Fall (Winter) 2007 EXAMINATIONS**

**ADVANCED FINANCIAL ACCOUNTING AND ANALYSIS**  
**/ ADVANCED FINANCIAL ACCOUNTING**  
**Stage-4 / Professional-II**

**Question No.1 - MCQs**

Average performance was noted in this question.

**Question No.2 - CONSOLIDATION**

**Preparation of consolidated profit and loss account and extract from the statement of changes in equity.**

- The question was attempted by almost all of the examinees, but not a single examinee was able to calculate the correct amount of goodwill. Most of the examinees were also not able to prepare the consolidated profit and loss account and extract from the statement of changes in equity.
- A large number of the examinees simply added the profit and loss line items from both parent and subsidiary without taking into consideration the intra-group adjustment.
- Almost all of the examinees were unable to correctly calculate the subsidiary's portion of the opening equity (past acquisition reserve of the subsidiary plus the intra-group adjustments.)
- A significant number of the examinees were able to correctly compute the Intra-group profit adjustment on closing stock, but few of the examinees realized that the adjustment was also required in respect of the opening stock.
- Following short comings were also noted:
  - Failure to eliminate intra-group sales while calculating total sales, which consequently affected the calculation of cost of goods sold and gross profit.
  - Incorrect calculation or intra-group investment income (dividends) on ordinary and preference shares.
  - Incorrect calculation or inability to correctly compute the amount of amortization of goodwill and the amount charged to profit and loss account both for current and previous years.

**Question No.3 - COMBINATION**

**(i) Preparation of balance sheet**

**(ii) Statement of cash paid and received by new company and the liquidators of liquidating company, and**

**(iii) Preparation of shareholders' accounts in the books of liquidating companies.**

- The first part of the question was attempted correctly by almost all of the examinees, however, they were not able to post the amount of goodwill correctly.
- A common mistake was the reporting of the SUKUKS on discounted basis. It was more appropriate to show SUKUKS at gross amount and to show the discount as deferred cost.
- Preparation of statement of cash paid and received was attempted incorrectly by almost all of the examinees.
- Examinees were found confused with preparation of the statement of cash receipts and payments. The requirement was to prepare cash statements for liquidating companies, whereas some of the examinees had prepared cash statement for the new company only.
- The third requirement of the question was very poorly attempted by almost all of the examinees as most of the examinees had prepared other accounts other than shareholders' accounts.
- Following other weaknesses were also noted:

- Incorrect computation of the amount of purchase consideration.
- Incorrect computation of compensation paid to shareholders of liquidating companies in exchange of ordinary and preference shares in the new company.

#### **Question No.4 - ETHICS**

**Listing down and brief explanation of the standards of ethical conduct of practitioners of Management Accounting and Financial Management.**

- Examinees could not attempt the question properly. Their answers were irrelevant and illogical.
- Many of the examinees were found confused on the requirements of the question. Although, question had clearly asked to list down the standards for ethical practitioners of Management Accounting and Financial Accounting, whereas few examinees went on to explain the difference between the two branches of accounting.

#### **Question No.5 - CONSTRUCTION CONTRACTS**

**Preparation of summary of the contract, showing the amounts transferred to profit and loss account for two years.**

- Most of the examinees were unable to compute the contract price, which also resulted in the incorrect amounts of profit and loss on the contract.
- Computations of the following figures were also incorrect in most of the answers:
  - Amount of cost of work certified in 2005-06 and 2006-07.
  - Amount of profit for both the years.
  - Carry forward balances of cost of plant, stock and work-in-progress as on June 30, 2006 to contract account for the year 2006-07.

#### **Question No.6**

##### **(a) DEFERRED TAXATION**

**Computation of provision for deferred tax to be reported on the balance sheet and amount to be charged / credited to profit and loss account for the year ended June 30, 2007.**

- This part of the question was not found popular with the examinees. Few examinees had only considered the depreciation on fixed assets as temporary differences and had ignored the impact of deferred tax on other items.
- A large number of examinees had committed mistake in the computation of deferred tax asset on "provision for fines". Very few examinees realized that it was a permanent difference and no deferred tax should be calculated.
- Very few examinees were able to compute the correct deferred tax for 2007 and the amount to be credited to profit and loss account for the year 2007.
- Many of the examinees had applied the tax rate incorrectly although the tax rates for both the years were clearly mentioned in the question.

##### **(b) Explanation of the terms:**

- **Equity method of accounting for investment, and**
- **Interest rate implicit in the lease**
- Majority of the examinees was able to correctly discuss the "Equity method of accounting for investment", but on the other, most of the examinees were not able to explain the term "Interest rate implicit in lease".

**EXAMINERS' COMMENTS  
FALL (WINTER) 2007 EXAMINATIONS**

**INTEGRATED MANAGEMENT  
STAGE-4**

**QUESTION NO. 2**

- (a) Strategy and Strategic Management.**
- (b) Strategic Management helps complex, competitive businesses**

Poor responses provided to this question. Around 50% examinees did not have enough expression ability to put their review across, specially the examples given by them. It appears that they were taught in language other than English. Majority did not have the ability to write their thoughts in own words. Most examinees resorted to crammed up reply "how strategy is developed", but could not apply to situation given in the question.

**QUESTION NO. 3**

- (a) Stages of meaningful objectives**
- (b) Organization culture, its origin and change**

Majority examinees did not understand this question well and got confused to reply formulating new strategy or Decision Making process. Hardly any examinee has scored passing marks in this question. Examinees had not attained the competency level in this question. Examinees neither had any idea of 'origins of culture' nor demonstrated knowledge about the 'condition that may justify large scale cultural changes in an organisation'.

**QUESTION NO. 4**

- (a) Reasons for Failure of projects**

Many examinees had not prepared the topic and answered the question based on their general knowledge and experience. Some examinees narrated irrelevant details / inappropriate causes for failure of project.

- (b) Conflict**

A large number of examinees did not attempt this part well. Examinees could not understand the question fully and considered positive affects of conflict within team were almost impossible / out of question. The level of competence attained by the examinees was not satisfactory. Clarity of exposition, logic of arguments, presentation and language were not demonstrated by the majority. Moreover, lengthy and irrelevant details along with examples were invariably quoted.

**QUESTION NO. 5**

- (a) Difference between Project and Project Management**

Almost all the examinees attempted this question in fairly good manner and secured above average marks accordingly. They explained well and provided the relevant details. Examinees were also had to differentiate between project and project management, which they explained quite well.

- (b) Maylor's 7s Model for Project Management**

Many examinees enlisted the Maylor's 7s Model but poor explanation and inappropriate details affected the quality of answer / arguments expressed by the examinees.

## **QUESTION NO. 6**

### **(a) Bases of power**

Bases of power was not explained impressively by the majority, who did not have fair idea about the subject and they expressed 'level of management' instead of power bases. Spelling mistakes and illegible handwritings were also observed.

### **(b) Difference between Position Power and Personal Power**

Majority of the examinees attempted this question on the basis of general knowledge and could not differentiate between Position Power and Personal Power. Those who mentioned that personal power is more effective as compared to position power were wrong and they lost marks for this part.

## **QUESTION NO. 7**

### **(a) Leadership (Fiedler's Contingency Model of Leadership)**

Examinees had not prepared the "Fiedler's Contingency Model of Leadership Effectiveness". Hardly any examinee correctly attempted the question. A large number of examinees did not even touch the contingency model. However, those who tried to attempt it had no idea about the contents of the question. Many examinees had written a couple of pages explaining "leadership" which was not asked for.

### **(b) Matrix Organization Design**

Almost all the examinees who attempted this question did not have any fair idea about the Matrix Organisation Design. A majority of examinees tried to answer the question mentioning the word Matrix Organisation Design entirely based on their guesswork. The question was carrying six marks but nobody had scored more than three marks, which indicates that examinees had not prepared this topic.

**EXAMINERS' COMMENTS  
FALL (WINTER) 2007 EXAMINATION**

**CORPORATE LAWS AND SECRETARIAL PRACTICES  
PROFESSIONAL – II / STAGE–4**

**SECTION 'A'**

**QUESTION NO. 2:-**

**(a) Special Resolution :**

Many examinees mentioned the ordinary businesses (not asked for) as part of special businesses for Special Resolution. Only a few mentioned the statement of material facts concerning any item of special business that is required to be sent to members under S/160(1)(b). Some examinees even had no clear idea about the special resolution that it is passed by the members not by the directors.

**(b) Voluntary winding up:**

**i) The circumstances for the winding up.**

Circumstances of winding up were to be given in the context of voluntary winding up as clearly mentioned in the question, but examinees unnecessarily discussed other circumstances of winding up like those related to court. Some even discussed the process of actual winding up, which was not asked for.

**ii) Declaration of solvency.**

The debt payment period of 12 months, 5 weeks timing for submission of declaration to registrar and submission of auditors report were not mentioned in many instances.

**QUESTION NO. 3:-**

**(a) The persons who cannot become or remain as elected director.**

The ineligibility conditions relating to directors of listed companies were invariably ignored.

**(b) Objects for which a company may alter its memorandum.**

Many examinees un-necessarily discussed other aspects of changes rather than the objects for which a company may alter its memorandum. Some even discussed the process for the changes.

**(c) Can the directors of a public company refuse to transfer shares.**

Many examinees did not mention the time limit of 30 days for refusal to transfer shares and the opportunity to file appeal before the Commission. Some even contended that transfer could not be refused at all.

**SECTION 'B'**

**QUESTION NO. 4:-**

**(a) Forms of businesses under NBFC:**

The list of businesses for which NBFC can be formed, was incomplete in many instances. Some of the examinees even mentioned the business which cannot be formed.

**(b) Business activities not allowed as per NBFC Rules:**

Majority of examinees did not attempt this part of the question. The examinees' replies regarding the list of business activities not allowed to be undertaken by a venture capital, was incomplete.

**(c) Composition of the Securities and Exchange Policy Board:**

Many lapses were noted on the part of examinees such as the composition of policy board not mentioned correctly. The area of four private sector members were not specified, the names of ministries for the ex-officio public sector members were incorrectly mentioned. The functions / working of the board was unnecessarily discussed in some instances and some

examinees confused themselves with the Management of SECP, provided irrelevant details in the answer to this part of the question.

### SECTION 'C'

#### QUESTION NO. 5:-

**(a) Eligibility of a company secretary of a listed company.**

The qualification required from company secretary were generally not properly identified. Many examinees omitted the membership of recognized body of corporate or chartered secretaries.

**(b) List of ordinary business of an annual general meeting of a company.**

This part of the question required the listing of ordinary business of an Annual General Meeting (AGM) of a company. Those examinees who had an opportunity to see the published Financial Statements of Listed Companies and studied the Notice of Meeting of companies in newspapers, gave very perfect answer to this part of question. Few put very irrelevant substance relating to Annual General Meetings (AGM) of a company which was not asked.

#### QUESTION NO. 6:-

**Dividends and its provisions in the Companies Ordinance, 1984.**

Most of the examinees had knowledge about date of Declaration of Dividend, time limit for payment of dividend but were totally ignorant about the penalty and liability for non-payment and defences available for non-payment of dividend. They resorted to irrelevant details and unnecessarily put lengthy details, which were not useful in any way.

**(a) Declaration of dividend and date of declaration.**

Examinees generally ignored the situation of interim dividend.

**(b) Time limit for payment of dividend.**

The period for dividend payment was generally discussed for the listed company only.

**(c) Penalty and liability for non-payment within the prescribed time.**

Very few examinees could correctly mention the exact amount of penalty and duration of imprisonment.

**(d) Defences available against non-payment of dividend.**

Various situations for non-payment of dividend were not completely identified and discussed.



**EXAMINERS' COMMENTS**  
**Fall (Winter) 2007 EXAMINATIONS**

**FINANCIAL REPORTING**  
**Stage-5 / Professional-III**

**Question No.1 - MCQs**

Very poor performance was displayed by the examinees in this question.

**Question No.2**

**(a) Discussion of cash and cash equivalents, and the benefits of cash flow information.**

- Average performance was noted in this part of the question. A large number of the examinees were unable to discuss the cash and cash equivalents and the benefits of cash flow information properly.

**(b) Preparation of cash flow statement.**

- Majority of the examinees failed to take into account the impact of acquisition of the company on cash flow during the year.
- Common mistake noted in most of the answers was the failure of examinees to realize that group cash flows are prepared from the point view of the group as a whole and as such group transactions (inter-company dividends) are eliminated while preparing the consolidated cash flows.
- Many of the examinees were unable to calculate the goodwill correctly.

**Question No.3- LOSS ON IMPAIRMENT OF ASSETS**

**(a) Discussion of the recognition of impairment loss for cash generating units.**

- Majority of the examinees was not clear about the requirement of the question. Not a single examinee was able to provide correct answer to the question.

**(b) Determination and allocation of impairment loss to be recognised for a disposal group in accordance with IFRS-5.**

- Examinees were found confused in picking up the carrying value for comparison with fair value.
- Few examinees incorrectly allocated impairment loss to stock and financial assets which should have been ignored.

**Question No.4**

**(a) Determination of the obligation payable to an employee upon retirement from service under IAS-19-Employee Benefits.**

- Almost all calculations were totally incorrect.
- Few of the examinees were able to correctly calculate the final salary for the year 2013, however, they incorrectly calculated the lump sum benefit @ 1% of each year's salary instead of final salary for 2013.

**(b) Discussion of categories of users of financial statements.**

- This part of the question was attempted by almost all of the examinees and they were able to earn above average marks. However, few of the examinees chose to discuss utility of various statements included in financial statements rather than categories of users and their information needs.

**CASE STUDY**

- Examinees gave a satisfactory performance in the case study question. However, many of the examinees had wasted their time in computing those ratios, which were not required. Many answers were DITTO copy of each other. Few of the examinees had wasted their time on preparation of Profit and loss account and balance sheet and on irrelevant detailed answers.

**EXAMINERS' COMMENTS**  
**Fall (Winter) 2007 EXAMINATIONS**

**MANAGEMENT ACCOUNTING – DECISION MAKING**  
**Stage - 5**

**QUESTION NO.1 - MCQs**

Impressive performance was displayed by the examinees in this question.

**QUESTION NO.2 – Cost – Volume - Profit Analysis.**

**(a) Discussion of “Cost-profit-volume” analysis.**

- Overall performance in this part of the question was found to be satisfactory. Many of the examinees were, however, unable to express the concept clearly.

**(b) (i) Computation of contribution margin per unit of service and contribution margin ratio.**

**(ii) Annual break-even point in units of service and in rupees of service revenue, and**

**(iii) Number of guests required to earn a target profit of Rs. 1,440,000.**

- This was a simple and straight forward question and was answered well. However, many examinees were unable to correctly determine the desired contribution to earn the targeted profit.

**QUESTION NO. 3 - Evaluation of alternatives.**

**Analysis of buying or renting alternatives of aircrafts by an aviation company.**

**(i) Buying alternative.**

- **Computation of present value per aircraft for five years and total PV per aircraft.**

**(ii) Renting alternative.**

**Computation of present value factor, present value and present value factor for revised contribution per hour, and present value of revised contribution.**

**(iii) Computation of average flying hours per year required to make buying and renting an aircraft equally viable proportion.**

**(iv) Determination of number of aircrafts and how to be acquired (buying or renting) on the basis of flying hour requirements' forecast of 5, 750 hours per year for five years.**

- The question was not attempted by the examinees as per requirements of the question. Following shortcomings / weaknesses were noted from the answers:

**(i) - Present value calculations were incorrect**

- Cost of three aircrafts was used instead of using the cost of one air craft in all the computations.
- Overhauling cost was to be taken at the end of the third year, whereas examinees had taken it for each year.
- Contribution per hour was not calculated correctly.
- Minimum average flying hours per year were not calculated correctly.

**(ii) - In computing contribution per hour, the variable charges of Rs. 18,050 per flying hour were totally ignored.**

- The present value of rent which was payable in advance was incorrectly calculated.

**(iii) - Indifference point between renting and buying was completely missed by the examinees.**

**(iv) - Examinees were unable to find out number of aircrafts required, and how many to be bought and how many to be rented out.**

**QUESTION NO.4 - Pricing decisions - Target Pricing.**

**Computation of percentages of:**

- **Material plus labour**
- **Variable production cost**
- **Total production cost**
- **All variable costs, and**
- **All costs**

- Examinees could not attempt this question successfully due to lack of knowledge of topic and unclear concepts.

- It was a simple question but the examinees performed very badly.
- Following shortcomings / weaknesses were also noted from the answers:
  - Examinees were unable to calculate the desired revenue, therefore, all other calculations also went wrong.
  - Percentage of variable production was also incorrectly calculated.

**QUESTION NO. 5 - Capital budgeting - Identifying relevant cash flows.**

**Computation of:**

**(i) Net annual flows**

**(ii) Net present value of new ferry**

**(iii) Net present value of old ferry**

**(iv) Net present value in favour of buying the new ferry.**

- It was a simple question, but examinees took a wrong approach, starting from year-0 to year-10. Cash flow and present value were also incorrectly calculated.
- Repair expenses were to be incurred in year-5, but the examinees had included the repairs expenses each year from year 1 to 5.
- In computing the cash inflow / outflow for new ferry, the examinees had ignored the cash inflow of Rs. 700,000 from sale of old ferry.

**QUESTION NO.6-Cost reduction techniques.**

**Computation of:**

**(i) Number of Patient days**

**(ii) Bed occupancy percentage**

**(iii) Billing for nursing charges and cost of nursing**

**(iv) Cost per patient day for the year**

**(v) Break-even in number of patient days without consultants' fee**

**(vi) Break-even in number of patient days with consultants' fees, and**

**(vii) Margin of safety percentage for last year**

- Majority of the examinees was able to calculate only the first three items correctly. They were unable to understand the requirements from item (iv) to (vii) and attempted these incorrectly.
- In item (iv)-cost per patient day, the examinees were required to determine the total cost including variable cost, fixed cost, nurses' cost and consultants' cost and to divide it by number of patient days as calculated in requirement (i) above, but the examinees were unable to determine the total cost correctly.
- Item (v) – Break-even in number of patient days without consultants fee, required the calculation of contribution margin percentage, contribution margin, and to divide the total fixed cost (fixed cost plus, nurses' cost) by contribution margin percentage. Examinees were unable to calculate the correct amount of fixed cost and contribution margin percentage.
- Item – vi – Break-even in number of patient days with consultants' fees, required the computation of contribution margin percentage, contribution margin and to divide the total fixed costs (fixed costs plus nurses' cost and consultants' cost) by contribution margin percentage, but the examinees were unable to correctly calculate the amount of total fixed cost and contribution margin percentage.
- Since examinees had committed mistakes in computation of items (iv) to (vi) above, therefore, answer to part (vii) of question was also wrong.
- Bed occupancy percentage in requirement (ii) was incorrectly calculated based on 360 days, whereas hospital remains open for all the 365 days of a year.

**EXAMINERS' COMMENTS**  
**Fall (Winter) 2007 EXAMINATIONS**

**RISK MANAGEMENT AND AUDIT**  
**Stage-5**

**Question No.1 - MCQs**

Very very disappointing performance was noted in this question.

**Question No.2**

**(a) Discussion of methods of risk measuring.**

- From the answers to this part of the question, it was evident that examinees did not have any idea of methods of risk measuring.
- Most of the examinees did not discuss the direct probability approach and weighted matrices.

**(b) Discussion of assessment of risk and risk assessment process.**

- The examinees were unable to explain as how to deal with the risks assessed, especially the concept of sharing of the risk.
- Risk management involving the following three processes were not adequately discussed by the examinees:
  - Understanding the risks and their consequences
  - Risk measurement involving the impact and significance of risks, and
  - Risk prioritisation, that is ranking the results, to place more management efforts on the highest risks.
- Discussion as to dealing with assessed risk was improper and inadequate.

**(c) Discussion of credit risk mitigation techniques.**

- Majority of the examinees failed to discuss credit risk mitigation techniques. Not a single examinee was able to demonstrate the embedded put options, netting technique, and termination or reassignment, and guarantees and letters of credit issued by the banks.

**Question No.3**

**(a) Discussion of the term “Assurance Engagement” and its types and elements.**

- Answer to this part of question was not satisfactorily answered.
- Elements of assurance engagements were not satisfactorily discussed.

**(b) Discussion of principles of professional ethics.**

- Satisfactory performance was witnessed in this part of the question; however, reference to technical standards was rarely explained.

**Question No.4**

**(a) Definition and discussion of “Engagement letter”, and who sends it and why and when it is sent.**

- Satisfactory performance was displayed by the examinees in this part of the question, and examinees were able to earn good marks.

**(b) Drafting of appropriate “Engagement Letters” for the client.**

- Majority of the examinees failed to state the complete contents of “Engagement Letter”.
- Majority of the examinees was found confused, as they were not aware of the contents and objects of the “Engagement Letter”.

#### Question No.5

**(a) Discussion of basic elements of audit report.**

- The examinees failed to explain completely, what is included in the auditor's report. Majority of the examinees failed to clearly explain the scope paragraph describing the nature of an audit.

**(b) Discussion of importance of working papers.**

- Satisfactory performance was displayed by the examinees in this part of the question.

**(c) Discussion of statement "when designing an audit sample, the auditor should consider the objectives of the audit procedures and the attributes of the population from which the sample is drawn".**

- Majority of the examinees failed to elaborate the statement correctly.
- Pages after pages were written on explaining the attributes of the population from which the auditor draws a sample. This part of the question was not professionally answered. Condition constituting an error by reference to the audit objectives of the audit procedures were not explained.
- Majority of the examinees was not aware of the sample designing techniques.

#### Question No.6

**(a) Definition of the scope of cost audit.**

- Examinees were unable to define the scope of cost audit under companies ordinance 1984.

**(b) Listing down of particulars to be included in cost auditor's report.**

- Examinees were unable to give specific and to the point answer to this part of the question. Many of the examinees had defined the auditor's report, whereas some of the examinees attempted to prepare specimen of auditor's report.

**(c) Definition of various types of cost auditor's observations and conclusions.**

- Examinees were unable to manage their answers according to requirements of the question. insufficient knowledge of the topic showed the lack of study on the part of the examinees.

**EXAMINERS' COMMENTS**  
**Fall (Winter) 2007 EXAMINATIONS**

**STRATEGIC FINANCIAL MANAGEMENT**  
**STAGE-6 / PROFESSIONAL-IV**

**Question No.1 - MCQs**

Highly commendable performance was noted in this question.

**Question No.2 - Computation of cost of capital of a company using "market value weights".**

- Examinees did not properly follow the required steps needed to attempt the question. Many examinees had used the number of common and preference shares and number of debentures to calculate the weightage instead of using market value of these securities. WACC equation was neither mentioned in the answer nor properly applied by the examinees.
- Answers of the examinees were not upto the mark, as most of the examinees could only do the individual valuation of preference shares and debentures, while majority failed to calculate cost of equity, reflecting lack of grasp of the topic.
- Many of the examinees had the idea of WACC and were able to work out the same, but with wrong input for the cost of equity.
- There were certain blunders, as few of the examinees had applied tax deduction on the equity as well as on preference shares, depicting lack of understanding of the topic.

Following common mistakes / shortcomings were also noted from the answers:

- Failure to understand the cost of equity (Ex-dividend) and placing the values of shares with dividend.
- Omission of expected rate of growth in dividend.
- Cost of preference share was to remain unchanged, however few of the examinees had revised it.

**Question No.3 - Evaluation of lease or buy alternatives for XYZ Farming Company.**

(i) **Buying option.**  
**Computation of:**

- **Tax allowable depreciation**
- **Net present value of cash flows for 0-5 years, and**
- **Determination of final net present value**

(ii) **Lease option.**

- **Determination of net present value for 0-4 years.**
- **Determination of final net present value.**

**BUYING OPTION:**

- Examinees committed mistakes in the computation of amount of yearly depreciation, using the reducing balance method, and particularly in fourth year in which WDV of the plant was to be written off. This error resulted in incorrect calculation of tax shield and net present value of cash flows.
- Majority of the examinees had prepared loan amortization schedule and had calculated tax shield on interest expense also, which was not required at all, since the borrowing cost of 13% was after tax, which was clearly mentioned in the question.
- The concept of balancing charge of depreciation / WDV was not known to most of the examinees.

## **LEASE OPTION**

- This option was correctly attempted by most of the examinees.
- Many examinees were, however, not able to attempt this part of question correctly, as they had committed mistakes in correct treatment of yearly lease rentals, which were payable in advance.
- Another major mistake was ignoring the impact of tax relief in year four.

### **Question No.4 - Merger and acquisition.**

#### **Evaluation of an acquisition proposal.**

- (i) Determination of appropriate discount rate for valuing acquisition.**
  - (ii) Computation of value of the company being acquired.**
  - (iii) Computation of maximum price per share to be offered to the shareholders of the company being acquired.**
  - (iv) Evaluation / Comments, if the acquiring company offers Rs. 32.625 per share to the shareholders of the company being acquired.**
- Examinees displayed very poor performance in this question.
  - Almost all of the examinees failed to adjust equity Beta of the company for financial risk. Due to incorrect calculation of discount rate, the net present value of cash flow was also incorrectly calculated, which ultimately affected the answers to other parts of the question.
  - Examinees were found ignorant of the concept of adjustment of Beta factor for two differently structured companies. They had incorrectly calculated the adjusted Beta and have used the incorrect discount rate using the CAPM.

### **Question No.5 - Calculation of return on equity under three different alternatives and comparison with existing arrangement.**

- Examinees committed silly mistakes in answering this easy and mark earning question. Many of the examinees had calculated the return on equity on the value of common shares only rather than on the total value of equity. Net profit after tax was not correctly calculated for all of the alternatives by many of the examinees, due to incorrect calculation of interest expense and interest income.
- Many examinees did not work out the existing / current scenario.
- No one could secure full marks allocated for suggestion and reasoning for best alternative. Writing skills of most of the examinees were found to be very poor.
- Few of the examinees had tried to calculate "Earnings per share" whereas requirement was to calculate return on equity.
- While calculating return on equity under alternative – 1, the examinees had ignored the inclusion of interest income in total income. Similarly in alternative-2, interest on debt (revised) was incorrectly calculated which led to incorrect answer.
- Many examinees could not comprehend the applicability of discount under alternate –3, which resulted in incorrect answer.

**Question No.6 - Preparation of balance sheet using the financial ratios and other given data in the question.**

- It was a bonus question and almost all of the examinees scored full marks in this question.
- Few of the examinees were, however, unable to correctly calculate the inventory and cash figures.
- Following mistakes were also noted from few of the answer scripts:
  - Use of 365 days' a year instead of 360 days as clearly mentioned in the question.
  - Calculation of debtors using cost of sales.
  - Incorrect or non-calculation of cash and current liabilities.



**EXAMINERS' COMMENTS  
FALL (WINTER) 2007 EXAMINATION**

**INFORMATION SYSTEMS & I.T. AUDIT (THEORY)  
STAGE-6**

**SECTION – A**

**QUESTION. NO:- 2**

**(a) Business Process Characteristic**

Few examinees discussed the process and information systems. Question clearly asked for characteristics of process rather than systems. Majority failed to define characteristics. The answers must be substantiated with examples but most examinees did not provide examples.

**(b) Type of database**

It was surprising to see how examinees attempted this part of question. The major mistakes were of two types; using incorrect terminologies and English writing skills, were extremely poor. Only few examinees mentioned the reasons for popularity of relational database. There may be case where examinees knew what to write but could not and hence were not able to gain marks.

**QUESTION. NO:- 3**

**(a) Proposed suitable architecture**

Most of the examinees were unable to understand this part of the question. It asked for a proposition with reasoning and description. Majority explained the IS or IT department. Several defined system flow. Only few used basic “centralized vs. decentralised” composition of proposed system as argument, however, they were failed to describe these architectures.

**(b) “ Denial of Service” attack**

Most of the examinees were pathetic to the response of this part of the question. It seemed that very few examinees had read it and tried to define it in their own words. Most of examinees used the term “denial” and write their own theories. From conceptual perspective majority was failed.

**SECTION – B**

**QUESTION. NO:- 4**

**(a) Auditing Infrastructure and Operation**

The question required examinees to explain auditing of (i) Hardware Reviews and (ii) Network Operating Control Review. Most of the examinees had no idea what they were writing and what it meant. Some of examinees filled their answers with hardware checklist, instead of auditing perspective and same was noticed in replies of ‘Network Operating Control’.

**(b) Lights - out - operations**

Examinees did not have clear idea about ‘light – out operation’, where the majority failed to answer.

**QUESTION. NO:- 5**

**(a) Threats and vulnerabilities to wireless network**

In answering this part of the question examinees relied on their own logic and observations, which was not required. Most of the examinees wrote the characteristic of wireless network instead the threats and vulnerabilities to wireless network.

**(b) Core components of Business Impact Analysis (BIA)**

Most of the examinees were failed to respond correctly this part of the question due to non-understanding of the question properly. They went after general concept and analysis of overall business. Proper and in-depth studies might have given the examinees an idea about real impact of BIA on business continuity plan (BCP).

**EXAMINERS' COMMENTS**  
**Fall (Winter) 2007 EXAMINATIONS**

**MANAGEMENT ACCOUNTING – BUSINESS STRATEGY**  
**STAGE-6**

**Question No.1 - MCQs**

Very very disappointing performance was displayed by the examinees in this question.

**Question No.2 - Discussion of the role of Management Accountant in the strength and weaknesses analysis.**

- Majority of the examinees had written long and irrelevant answers and had wasted their valuable time without earning any marks.
- Many of the examinees were found defending the Management Accountant instead of analysing strategically strong points and the weak areas.
- Very few could comprehend that analysis demands from Management Accountants to be conscious of cost, product quality and attitudes.

**Question No.3 - Discussion of internal and environmental factors that can have an impact on decisions made by strategic managers.**

- Almost all examinees had made an attempt to answer the question. But from the answers it was evident that they did understand the requirements of the question, and started to answer the question in the right direction, but due to lack of required knowledge and details, they got carried away and could not score good marks.
- Most of the examinees could not carry on with the idea that values are those which they bring from different walks of life.
- Examinees also failed to answer ethics in its true sense which is infact the outcome of community relationship.

**Question No.4 - Discussion of six common pitfalls of Strategic Management process.**

- Except very few, all of the examinees attempted the question very poorly. Instead of discussing the pitfalls, the examinees had discussed the formation of strategy. Answers, either were very short or were very long and irrelevant.
- The question was attempted by almost all the examinees, however, very few had clear concept of the topic.

**Question No.5 - Discussion of problems of pricing of intra-group company transfers, and the importance of the policy adopted for the profitability shown by individual company.**

- Most of the examinees had attempted the question correctly, however, in some of the answers, examinees were found off the track as they had included irrelevant material in their answers.
- From few of the answers it was evident that examinee knew the three pricing methods, but were not clear on the objectives.

**Question No.6 - Measuring relevant costs and revenues for decision making.**

- (i) Preparation of profit statement**
  - (ii) Working and recommendation of profit for the production mix**
  - (iii) Recommendation to gardener**
  - (iv) Calculation of profit based on recommendation, and**
  - (v) Calculation of break-even sales in rupees**
- Good performance was witnessed in this question, however, major mistake committed by the examinees was incorrect calculation of profit for recommended mix. Examinees could not segregate the minimum acres utilization for attaining maximum contribution. Higher profit yielding product was “carrot” with highest contribution margin per acre.

**EXAMINERS' COMMENTS**  
**Fall (Winter) 2007 EXAMINATIONS**

**STRATEGIC MANAGEMENT ACCOUNTING**  
**Professional-III**

**Question No.1 - MCQs**

Very poor performance was displayed by the examinees in this question.

**Question No.2 - RELEVANT COSTS**

**(i) Preparation of statement showing the comparative relevant cost for two alternatives.**

**(ii) Working notes and comments on the acceptance or otherwise of offer by the company.**

- Examinees were required to prepare a comparative statement for two alternatives showing all relevant costs for next three years for each of the two alternatives, to find out whether the company should use its own distribution division or outsource the distribution work of its products. Examinees failed to identify all of the relevant costs and accounted for apportioned corporate costs only.

Following major shortcomings were also noted from the answers:

- The salvage value of existing fleet in both the alternatives was incorrectly calculated.
- The recommendation for viable alternative on the basis of cash flows was also incorrect.
- The book loss on disposal of existing fleet of eight vehicles was not considered.
- Reduction in accounting profit on outsourcing alternative was incorrectly calculated.

**Question No.3 - FLEXIBLE BUDGETING AND STANDARD COSTING.**

**(a) Preparation of statement for overhead items as given in the question, and**

**(b) Comments on each variance having a value of Rs. 5,000/= or more by suggesting possible reasons for the variance and steps to be taken for improvement.**

- Examinees were required to prepare fixed and variable budgets and to compute actual overheads, and variances. Examinees were not able to calculate the variance for each of the factory overhead items correctly and could not differentiate between favourable or unfavourable variance. Computation of spending and volume variance were also incorrect.

**Question No.4**

**(a) Discussion of how the use of JIT inventory methods reduce or eliminate the difference in reported operating income between "absorption" and "variable costing".**

- Examinees were unable to explain the effect of JIT inventory system on operating income under absorption and marginal costing systems. Answers were irrelevant and not to the point.

**(b) Selection of capital project from amongst five projects.**

- The first step of the question to find out net present value of all the five projects was correctly attempted by most of the examinees, however, examinees could not perform well in the second step, where, ranking of the projects was required to be done using the profitability index.
- It appeared from the answers that examinees did not have any idea of the topic.

### **Question No.5**

#### **(a) Discussion of allocation of joint costs among joint products.**

- Examinees were asked to discuss whether joint costs be allocated among joint products from decision making point of view. Majority of the examinees replied in affirmative. They went on to explain the methods and benefits of allocation of joint costs to joint products. They did not appreciate that from decision making point of view, the joint cost is treated as sunk cost and is irrelevant.

#### **(b) Cost- Volume - Profit analysis:**

- This part of the question was on cost - profit - volume analysis and required to calculate, break-even sales, P. V. ratio and margin of safety. Examinees were able to calculate the break-even point and P. V. ratio correctly, but most of the examinees were unable to correctly calculate the margin of safety.
- Examinees were unable to determine the change in sale price and variable cost, and therefore, were unable to compute the revised contribution margin which was the basis of further calculations.

**EXAMINERS' COMMENTS  
FALL (WINTER) 2007 EXAMINATIONS**

**ORGANISATIONAL BEHAVIOUR & STRATEGIC MANAGEMENT  
PROFESSIONAL - III**

**QUESTION No. 2: -**

**(a) Communication between a Manager and his/her Subordinates.**

This part of the question was totally misunderstood by the examinees. Almost all the examinees wrote vague and irrelevant details. Points such as readers' perception, contents of messages and impact of relationship had been ignored while attempting the question.

**(b) Interactive Communication.**

The performance of the examinees in this part of the question on interactive communication was below average. Because vary purpose of meetings such as problem solving, information sharing and conflict resolution were not discussed by the majority.

**(c) Organizational Behaviour Model.**

Examinees could not discuss the steps for applying organizational behaviour model adequately and lost marks. Steps may also include among others identification of performance behaviour and its measurement.

**QUESTION No. 3: -**

**(a) Decision Making Models.**

There was hardly any examinee who could draw continuum of decision making, which contains ecological model at one extreme and social model on another extreme. It was unfortunate to mention that it had clearly given that 'no description is required' for answering this question, even then examinees gave description.

**(b) Leading through Empowerment.**

None of the examinees had given the satisfactory answer for leading through empowerment. Examinees did not know even the meaning of "empowerment", therefore the answers produced were incorrect. Examinees should know that it is all about sharing powers as well as responsibilities with employees to enhance commitment.

**(c) Big Five Personality Models.**

Very few examinees scored good marks in this part as well. Instead of explaining big five personality models, examinees explained general personality traits, which was uncalled for.

**QUESTION No. 4: -**

**(a) Stages of Internationalisation.**

The examinees literally had no idea about internationalisation. It was a very easy question and based on general business knowledge. Stages involved are exporting, licensing, franchising, joint venture etc.

**(b) Identification of Problem Alerts.**

Examinees gave vague answers on identification of problem alerts. Deviations from past experiences and from a set plan are vital ones among other indicators.

**(c) Team Cohesiveness.**

Majority had no idea what did 'cohesiveness' mean. Examinees must understand the concept, which says that cohesiveness is a degree of solidarity and positive feeling by individual towards group.

**QUESTION No. 5: -**

- (a) '7s' Model for successful Strategy.**
- (b) Flat and Tall Structure Organizations.**
- (c) Entrepreneurial Behaviour of people setting up Small / Medium Enterprises.**

Majority of the examinees showed very poor performance. Examinees did not attempt all parts of this question. (a) Perhaps they never studied '7s' Model. Structure, strategy, system, style, staff, skills and superordinate goals comprise the 7S Model. (b) The concept of flat and tall structure was also not fully understood by the examinees. The implication of the structure includes personal contact, level of communication and decentralisation. (c) Similarly the dimension of entrepreneurial behaviour was perhaps an unknown concept to examinees. Among such behaviours, locus of control, tolerance for risk and ambiguity are most vital ones.

**EXAMINERS' COMMENTS**  
**Fall (Winter) 2007 EXAMINATIONS**

**AUDITING**  
**Professional-III**

**QUESTION NO.1 - MCQs**

Good performance was displayed by examinees in this question.

**QUESTION NO.2 - Listing down of steps to be carried out for verification of following expenses:**

- **Insurance premium paid**
  - **Payments under hire-purchase**
  - **Freight and carriage paid**
  - **Bill receivable dishonoured expenses, and**
  - **Directors' fees paid**
- The question was attempted by almost all of the examinees, however, only few could attempt it properly. Most of the answers included the general audit steps or characteristics of the documents / records to be examined, such as authorization / approval, and lacked the specific documents / records required for verification, such as insurance policy, hire – purchase agreement etc. Answers also lacked the identification of specific audit steps to be performed on each type of evidence available for such an examination, confirmation and re-performance etc.

**QUESTION NO.3**

**(a) Discussion of situations under which an auditor is appointed by SECP, and discussion of fixation of remuneration of auditors under Section-252(8) of the Companies Ordinance, 1984.**

- Majority of the examinees was unable to list down the situations, where SECP can appoint auditors. Almost all of the examinees could not highlight the procedures to be followed by the companies in such cases, as provided by the law. However, remuneration fixation part of the question was fairly attempted by most of the examinees.
- Time period required to give notice to the SECP was also not stated by most of the examinees.

**(b) Explanation of the term “sufficient Appropriate Audit Evidence” and inter-relationship between sufficiency and appropriateness.**

- Very poor performance was noted in this part of the question. It appeared from the answers of the examinees that all of them lacked the understanding of the relevant Standards on auditing. Most of the examinees could not define the term properly, and were unable to appreciate the inter- relationship of the attributes.
- Examinees also failed to give examples in support of their answers. Examples given by some of the examinees were not appropriate, which reflected the lack of ability to practically apply the auditing knowledge.

**QUESTION NO.4**

**(b) Discussion of impact of four different situations of capitalization of expenditure on research and development activities by a company.**

- Very poor performance was witnessed in this part of the question. Examinees lacked the understanding of the relevant accounting practices to appreciate the correct treatment of each of the expenditure given in the situation as against the capitalization by the company. The consideration of materiality in each of the situation was also overlooked by the examinees while explaining the impact of client's treatment on auditor's report.



- Recognition between charge off and deferred expenditure of research and development cost was not correctly explained by almost all of the examinees.

**(c) Verification of travelling expenses of a manager of a client and recommended action.**

- The course of action described by the examinees was not adequate, and they failed to present the approach in a logical order. Few of the examinees straight away concluded the situation as a “fraud” situation without explaining the audit work to be performed to reach such a conclusion. Few examinees suggested to qualify the report without explaining the results of the steps to be taken in such situations by the auditors.

**Question No.5**

**(a) Discussion of application of analytical procedures in the overall review at the end of the audit.**

- The examinees could not pick-up the requirement of the question, as most of them had included general definition of analytical procedures, and very few addressed the specific requirements of application of such procedures at the stage of overall review of the financial statement. Examinees who had explained the overall review, gave incorrect answers and it appeared that they were not familiar with the provision of the relevant Standard on Auditing.
- A large number of examinees had explained the procedures to be followed during the course of audit instead of explaining the procedures for overall review at the end of the audit.

**(b) Discussion of major steps and phases followed in the audit of financial statements.**

- Hardly any examinee could produce the correct and logical sequence of major steps or phases of the audit activity. It appeared from the answers that they were not familiar with audit approach prescribed by the Standards on Auditing.
- Many of the examinees had written minor and small steps of audit of financial statements covering various components of financial statements.

**(c) Discussion of audit programme and the points required to be considered before drawing a programme for an audit.**

- Definition of audit programme given by the examinees was not in accordance with the prescribed guidance of the relevant Standards and most of the examinees failed to answer the question correctly.

**Question No.6**

**(a) Writing of short notes on:**

- **Audit sampling**
- **Audit plan, and**
- **Audit documentation**

- Most of the examinees failed to demonstrate the fair and in-depth knowledge of the topic(s).

**(b) Explanation of the term “cut-off-procedures”, and steps to be taken for operationalisation of “cut-off-procedures”.**

- Examinees were unable to explain the “cut-off-procedures” correctly. Steps required for “cut-off-procedures” of GRN, stock held by third parties and exclusion of stock not received before year end were missing from the answers.

**(c) Discussion of points to be borne in mind at the time of conducting the vouching.**

- Examinees could not demonstrate the correct knowledge of points required to be considered at the time of conducting vouching. The most important assertion of completeness of vouchers was not mentioned by the examinees. Enquiries for further verification were also not stated e.g., instances, where auditor notes alteration on the receipt, and vouchers etc.

**EXAMINERS' COMMENTS  
FALL (WINTER) 2007 EXAMINATIONS**

**CORPORATE PERFORMANCE AUDIT & EVALUATION  
PROFESSIONAL-IV**

**QUESTION NO. 2: -**

**(a) Steps for Measuring Group's Performance.**

Few examinees had attempted this part correctly. Majority of examinees attempted this part irrelevantly. Although part 'a' was attempted well by majority but answers of part 'b' were totally hopeless. It is recommended that examinees should refer to past papers to gain idea of the type of questions asked at this level.

**(b) Internal Audit Independence.**

Internal Audit Independence was not clearly understood by most of the examinees. Examinees mentioned that internal audit should be independent but they did not discuss how this independence was possible. No examinee had secured good marks even they used extra answer scripts.

**(c) Operational Measures.**

Examinees demonstrated poor performance in this part of the question, which required them to calculate:

- (i) Average value added time per batch
- (ii) Average non-value added time per batch
- (iii) Manufacturing cycle efficiency
- (iv) Velocity
- (v) Manufacturing cycle time

Examinees could secure more marks but due to improper preparation for examination, they could not perform well.

**QUESTION NO. 3: -**

**(a) Key issues for Risk and Control.**

Small number of examinees attempted this part of question on key issues for Risk and Control correctly. Rest of the examinees wrote vague and irrelevant answers.

**(b) Types of Audit Evidence.**

It was not understood very well by majority of the examinees and marks were lost. Some examinees had covered the topic but it appeared that examinees had not fully understood the Audit Evidence therefore responses by examinees were not up to the mark. Mathematical evidence, document and Inquires of the clients were ignored as audit evidence by majority of the examinees.

**(c) Evaluating proposals:**

This part required examinees to evaluate two proposals and to suggest the management the optimal one. Alternate I recommended to hire out surplus capacity of depts A, C, & D. Alternate II suggested to increase the installed capacity of the factory. Performance remained very poor in this part too.

**QUESTION NO. 4: -**

**(a) Advantages and disadvantages of using 'Full Cost' (absorption costing) method.**

This question was not properly understood by majority of examinees and the answers focussed on absorption costing rather than on internal services. Some examinees worked out fixed overhead absorption rate but could not work it out correctly so the effect on profit was wrongly calculated.

- (b) In this part of question, examinees had to calculate the under or over recovery of fixed overhead and its affect on profit or loss. Majority of the examinees attempted this numerical question wrongly and lost marks.

**QUESTION NO. 5: -**

**(a) Preparation of Cost Auditor's Report for Sugar Industry**

It appeared that examinees could not understand very simple requirement, which was on preparation of cost statement of last month. Another problem had been observed was that all parts of the question were not done in sequence. For instance, solving one part of a question is followed by another part of other question. In this way all parts of a question had been spread over the various places of examinees answer scripts. Examinees should keep writing the answers in sequence.

- (b) In this part of question, examinees had to produce:

- (a) The cost statement of filtered water.
- (b) Comparative unit cost figure of last month with all costs, 10% lower than current month costs.

Majority of the examinees attempted this question wrongly and lost marks. Some examinees did not work out unit cost of elements and proper cost statements of filter.

**EXAMINERS' COMMENTS**  
**FALL (WINTER) 2007 EXAMINATIONS**  
**MARKETING MANAGEMENT**  
**PROFESSIONAL – IV**

**QUESTION NO.2: -**

General performance of examinees remained poor. Majority was unable to write the answers as per the requirements of the question. It appeared that studies were inadequate and the syllabi were not covered through diligence and dedication.

**(a) Competitor analysis and its objectives**

It covers the most important aspect of Marketing Management as a discipline. This part specifically generates insights into understanding of relevant strategies vis-à-vis market situation. This part also evaluates analytical abilities of examinees.

**(b) Key questions for Marketing Strategist**

This part is complementary to part (a). Majority of the examinees could not adequately explain the key questions about competitors' analysis that should be asked by Marketing Strategist.

**(c) Eight most commonly pursued Specific Short Term Pricing Objectives**

These days firms are much concerned with pricing of their products, the chief aim is how to respond to aggressive price cutters. There can be price quality segments and a marketer is supposed to know groups of buyers who insist on quality, go for price and in a balancing situation in between these.

**QUESTION No. 3: -**

**(a) Importance of Individual's Behaviour in Management Control**

Hardly any examinee could illustrate the concept of "Management Control". Majority had provided confused replies without understanding the requirements of the question. Examinees furnished irrelevant answers missing the impact of behavioural displacement, negative attitude, short-term issue and acumen etc.

**(b & c) Marketing Audit and three major elements and potential benefits of Marketing Audit**

Examinees completely misunderstood this part of question and lost marks. It ensures a detailed review of business units' marketing environment, objectives, strategies and activities to determine problem areas and opportunities. The objective is that top management should not rely solely on company managers for data and opinion.

**QUESTION No. 4: -**

**(a) Major Marketing Theme in New Economy**

Majority of the examinees was completely unaware of 'customer lifetime value'. Similarly, need for customer database w.r.t. individual customers purchases, preferences and demographics had been completely ignored.

**(b) Porter's Approach to Competitive Structure Analysis**

In context of customer value this part was very thought provoking. No examinee had correctly pinpointed competitive structure analysis with respect to profitability attractiveness of the industry.

**(b) Five Key Forces as suggested by Porter**

Majority of examinees had given correct answer of the 5-key forces but competitive rivalry aspect, however, remained unidentified.

**QUESTION NO.5: -**

**(a) A market leader and areas of attention**

Market leaders position comprises, expansion of total market, protecting current market share and, expansion of current market share. No examinee had mentioned mergers/take overs as an option for expansion, rather restricted himself or herself to only massive advertising without mentioning how far it would be advisable in view of its high cost.

**(b) Six Military Defence Strategies**

Examinees had responded this question appropriately since the question was, perhaps, popular among them. Analytical ability relied much on memorizing, examinees who had gone through the assigned text, picked this part up easily.

**EXAMINERS' COMMENTS  
FALL (WINTER) 2007 EXAMINATION**

**INFORMATION MANAGEMENT & AUDITING (THEORY)  
PROFESSIONAL-IV**

**QUESTION NO. 2:-**

**(a) Different types of audit**

Instead of quoting general audit types, examinees had to write relevant IS audit types. As it was explicitly mentioned that a brief explanation was desired, therefore, the examinees who just enumerated only audit types without example definitely got penalized.

**(b) Phases of audit**

Logical sequencing is essential in answering such type of questions. Responses of examinees listing the sequence of phases of audit and then activities within these phases, reflected their level of understanding on audit life cycle which was not upto the mark.

**QUESTION NO. 3:-**

**(a) Different types of "contracts"**

Clear distinction between describing various contract types was missing in most of the cases. Each type of contract has different objectives and different purpose. It is very important to understand them.

**(b) Audit objectives for a contract**

Audit objectives for a contract should not be mixed with steps / phases for making a contract. Major points of audit objectives should include points regarding legally enforceable, valid or binding and that the amendments are authorized by the delegated officials.

**QUESTION NO. 4:-**

**(a) Difference between identification and authentication**

Very few examinees were able to distinguish between identification and authentication. Users identify themselves to the access control mechanism by providing information such as a name or account number. The authentication process then proceeds on the basis of identification information.

**(b) Importance of Encryption**

The answer should be based on solid reasoning on why and how (briefly) encryption protects data transferring a communication lines. This question did not just require to answer a 'yes' or 'no'. Instead a satisfactory answer on how encryption helps in achieving integrity protection was required.

**QUESTION NO. 5:-**

**(a) Active and passive attacks**

Most of the examinees defined active and passive attack instead of the threats accrued due to these attacks.

**(b) Types of active and passive attacks**

Most of the examinees gave the details of active attacks. Passive attacks are actually concerned with network devices and applications to learn more about the vulnerabilities of those system.

**(c) 'Openness', a threat to the organizations**

Solid reasoning or at least listing on what impact 'openness' has on the organization should be given while answering this part of the question. Questions involving 'how to ' should not be answered like an English language essay. The answers must discuss the reasoning for 'openness' which majority ignored.