

**EXAMINERS' COMMENTS**  
**SPRING (SUMMER) 2008 EXAMINATIONS**  
**FUNDAMENTALS OF FINANCIAL ACCOUNTING**  
**Stage – 1**

**Question No.2**

**(a) Preparation of Adjusting Journal Entries.**

This was an easy question but most of the examinees did not understand the treatment of adjustments such as, prepaid rent and taxes and insurance claim receivable and thus either they calculated wrong amount or mentioned wrong account title.

**(b) Preparation of Trading and Profit and Loss Account.**

The performance of the students was satisfactory. However, they could have got better marks with a little more effort. In most cases, following deficiencies were discovered:

- (i) The format was not proper.
- (ii) The examinees were ignorant of the fact that the trading and profit and loss account covers a whole period rather than a particular day.
- (iii) The classification of the items in the trading and profit and loss account was not correct.

**(c) Preparation of Balance Sheet.**

Although, the performance of the students was satisfactory, there were some shortcomings. For example, in addition to some mistakes committed in part (b), such as format and classification of the accounts in the balance sheet, following mistakes were noted:

- (i) They did not know that a balance sheet shows the financial position of a business at a particular date and not for the whole year.
- (ii) The sequence of the accounts was not proper as well.

**Question No.3**

**(a) Writing short sentences on the following concepts: (i) Relevance, (ii) Reliability, (iii) Faithful representation, (iv) Neutrality, (v) Prudence, (vi) Completeness, (vii) Comparability, (viii) Understandability.**

This part of the question was based on the IASB's Framework for the preparation and presentation of financial statements. The said Framework includes the qualitative characteristics, as given from (i) to (viii), which the financial statements should have in order to make them useful for the users of the same. The examinees exhibited their lack of knowledge regarding the Framework. They tried to write long stories to impress the examiners, forgetting that such tactics are not fruitful at professional level examinations. Instead, they need to enhance their knowledge in respect of IASs/ IFRSs and the Framework.

**(b) Preparing general journal entries to record: (i) salaries earned by the employees, amounts withheld and liability for net pay, (ii) employer's contribution to provident fund and (iii) payment of salaries on due date.**

This was an easy question with respect to payroll accounting. However, the performance of the students remained average. The following shortcomings were noted:

- (i) Most of them could not compute salaries earned and amounts withheld.
- (ii) General journal entries to record the employer's contribution was wrong in most cases.

#### **Question No.4**

**(a) Providing definitions of (i) Accrued expenses, (ii) Depreciation, and (iii) Intangibles.**

Most of the examinees were unable to provide the correct answers to this question. This shows that they had not given due importance to the theoretical aspect of the respective topic. A few examinees supplied the correct answers of this question and obtained the pass marks.

**(b) Calculation of the value of stock lost by fire.**

This part of question, being quite easy, was well attempted by the majority. Most of them secured good marks in this part. Nevertheless, some of the examinees could not calculate correct value of stock lost by fire, due to their inability to compute cost of goods sold that was required to determine the value of closing inventory i.e. the value of the stock lost by fire.

**(c) Passing journal entries in general journal form to record the establishment of petty cash fund, expenses incurred during the month and its replenishment.**

Most of the examinees recorded the journal entries correctly and got full marks. However, some examinees could not avail the opportunity to gain easy marks.

#### **Question No. 5**

**(a) Definition of special journal and explanation of its usefulness.**

It was an easy part of the question and well attempted by the majority. However, there were only a few examinees that could provide the correct answers to this part.

**(b) Writing up (i) Accounts Receivable Control Account and (ii) Accounts Payable Control Account.**

This was a popular question and most of the examinees supplied correct answers. Although some of them were not able to answer it correctly due to selective study and lack of practice. For instance, some examinees posted the transaction relating to accounts receivable control account in the accounts payable control account and vice versa.

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

**(a) (i) Preparation of schedules of capital & revenue expenditures, (ii) Passing journal entry to record acquisition of machine and (iii) Passing journal entry to record revenue expenditure.**

This was an easy question. But the majority of the candidates could not prepare schedules of capital expenditures & revenue expenditures correctly.

**(b) Recording the disposal of the office equipment under the following assumptions:**

**If the equipment is (i) scrapped as having no value, (ii) sold for Rs. 20,000 (iii) sold for Rs.70,000 (iv) exchanged with similar equipment, old equipment having fair market value of Rs. 64,000 and Rs. 10,000 paid in cash and (v) exchanged with similar equipment, old equipment having fair market value of Rs.35,000 and Rs. 25,000 paid in cash.**

Most of the candidates attempted this part of the question satisfactorily and provided correct solutions of the assumptions (i), (ii) and (iii). They were awarded marks accordingly. But only some of them could provide correct answer to the assumptions (iv) & (v) due to lack of knowledge and limited study.

**EXAMINERS' COMMENTS  
SPRING (SUMMER) 2008 EXAMINATIONS**

**BUSINESS ECONOMICS  
Stage-1**

**Question No.2**

**(a) The nature of "Economics" in the light of the statement that Economics is a positive science, a normative science, an applied science and a social science:** Almost all examinees have attempted this question but very few of them were able to answer it according to the requirement of the question. Some of them simply referred the definition of Adam Smith, Marshall & Robbins, but did not link them to the requirement of the question. Most of them simply used the words of positive, normative, social and applied in their answers but did not explain the concept of positive, normative sciences. It is required that they must explain the concept of positive and normative science and then give instances with economic topics. **(b) The equilibrium obtained by a consumer under Indifference curve approach:** Majority of the examinees answered the question correctly by drawing a diagram and giving explanation. Some of the examinees' answers only expressed the concept of Indifference Curve and its characteristics in detail, which is not the requirement of the question. The correct answer should contain the concept of Indifference curve, budget line and equilibrium. The detailed explanation of the diagram was essentially required.

**Question No.3**

**(a) Characteristics of the competition:** Almost all examinees attempted this question but it is felt that they have not understood the concept of the word "Benchmark". Majority simply listed out the characteristics of the competition. Some of them discussed in detail the short-run and long-run equilibrium under perfect competition (that is not asked for). The answer related to stock market was almost missing. **(b) Difference between 'point elasticity' and 'arc elasticity':** Majority of the examinees failed to distinguish between the "point" and "arc" elasticity. They simply discussed price elasticity of demand only. Some of them also wrongly discussed cross elasticity and income elasticity of demand. Majority failed to draw the correct diagram and to mention the formula for calculation of "point" and "arc" elasticity of demand.

**Question No.4**

**(a) Determinants of Investment:** Majority of the examinees failed to discuss main determinants of investment. This simple statement contains the three elements essential to understanding investment, revenues, cost and expectations. **(b) Principle of acceleration in Microeconomics:** Some of the examinees discussed in detail about the Macroeconomics and its scope, whereas it was required to have a discussion of Principle of Acceleration, a concept of Macroeconomics. Those who touched the concept of Acceleration, had failed to produce the right numerical example. Some of them were confused in their explanation and started discussing the concept of "multiplier" under the title of Principle of Acceleration.

**Question No.5**

**(a) Theory of comparative advantage and theory of absolute advantage:** Generally the advantages of International Trade was discussed instead of the concept of comparative and absolute advantages. Those who had discussed this issue were failed to pen down the correct distinction between these terms and also did not furnish the correct numerical examples. **(b) Functions of State Bank of Pakistan (SBP):** While answering this question, the examinees restricted themselves to main functions of State Bank of Pakistan like issuer of currency, controller of credit, bankers bond and Government Bank. The other promotional and developmental functions performed by State Bank of Pakistan were completely ignored, whereas those functions should be included in their answers, such as Bank of issue, Bankers to the Government and Banker's Bank.

**Question No. 6**

**(a) Statement on “accelerated economic growth accompanied with poverty alleviation, tangible improvement in the structure and productivity of agriculture”:** The examinees misunderstood the requirement of the question and simply discussed the general weaknesses in agricultural and industrial sectors and stressing for their removal. Basically the importance of Agricultural sector had to be discussed and improvement in agricultural productivity should primarily be aimed for the poverty alleviation. **(b) Impact of recent devaluation of Pakistani Rupee on the economy of Pakistan and its reasons:** The performance of the examinees was extremely poor. Almost all the examinees discussed this question in details trying to give the concepts, reasons and consequences but failed to express the impact. They also discussed the concept of overvaluation, which was not asked.

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**EXAMINERS' COMMENTS  
SPRING (SUMMER) 2008 EXAMINATIONS**

**BUSINESS LAWS-(S-103)  
Stage-1**

**SECTION A**

**Question No.2**

Explanation of legal terms **(a) Legislation (b) Damages (c) Precedent (d) Statute Law (e)The Ordinance.**

Generally this question was well attempted by examinees. However for "legislation" some went on explaining 'legislature' which was not called for rather the question required overall explanation of these items.

**Question No.3**

**(a) Difference between coercion and undue influence.** From the replies it is felt that there were confusion between two areas of consent and detail aspects were ignored such as fiduciary relationship. Moreover, poor English contributed to lack of understanding of the question and presentation of good answers. **b) Types of contract, where minor is liable.** The examinee did not read the question carefully and answered in the context of partnership, whereas quite a few who correctly answered under the topic "capacity to contract", They were of the view that essential supplies for life to minors are binding , and are to be recovered out of the minor's Estate. **c) Liabilities of parties to the contract of guarantee.** The examinees were confused on the conceptual nature of contract of guarantee and were unaware that there are three parties involved in the contract of guarantee. Some incorrectly emphasized on the rights of creditors, other stated about product warranty. **d) Differences between Agreement and Contract.** The examinees who attempted this part were not quite clear as to the fine difference between the "Agreement and Contract". However, few appreciated that the contract would be effective, if the agreement becomes legally enforceable at law.

**Question No.4**

**a) Under the Sale of goods Act, 1930 'Ascertained' and 'Unascertained goods'.**

The clarity of meaning was missing and it was thought that these are existing and non existing goods respectively without giving proper examples of each as well. **b) Condition and Warranty** The two items are absolutely essential, condition as fundamental to the main contract whereas warranty is secondary. However, the examinees mixed up as to the priorities of the two terms. **c) Unpaid Seller and his rights.** The answers given by the examinees were vague and the rights of unpaid seller were not clearly spelt out. **d) Case Study of Sale of Goods.** The answers required logical reasoning and application of law of sale of goods to distinguish outright sale against agreement to sell. The answers attempted were mostly incorrect with illogical reasoning as well as assuming that damages can be claimed by the aggrieved party.

**SECTION-C**

**Question No.5**

**a) (1) Wage (2) Methods of calculating wages (3) Payments which are to be excluded from the wages under the Workmen's Compensation Act, 1923.** The examinees opted for general knowledge instead of legal interpretation as to what would be wages and context of working involved in calculating the wages. The ignorance of section 2m was evident from the answers submitted. **b) Duties of an owner or occupier of a factory relating to health of factory workers under the Factories Act, 1934.** The answers were reasonably up to the mark; however the details were generalized which was not required.

**Question No.6**

Discussion under the Industrial Relations Ordinance, 2002. **a) Illegal strikes and lockout.** The examinees did not adhere to the legality of illegal strikes and lockout, instead they appreciated unnecessary discussion, arguments in favour of strikes. **b) Labour Court** The legal aspects of formation and function of labour courts were not looked at. Instead of discussing jurisdiction of the courts, the examinees mixed up it with reconciliation and arbitrators. **c) Role of arbitrator** The exact role of arbitrator was not explained as such the process of appointment, the activities of the arbitrator, the final award granted by the arbitrator was not fully described in majority cases.

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**EXAMINERS' COMMENTS  
SPRING (SUMMER) 2008 EXAMINATIONS**

**BUSINESS ENGLISH  
Stage – 1**

**General Comments:**

**Question Nos. 1, 2, 3, and 4 (Grammar and usage)**

The study of answer scripts reveals the reasons for failure of most of the examinees were their lack of understanding the following grammatical structures.

(i) Proper placement of word order.

(ii) Sequences tenses.

(iii) Lack of clear understanding of phrases, clauses and connectives along with use of participles and gerund.

The performance of the examinees in general was much below expectations. The answers were general sketchy, devoid of any substance. Grammatical errors, repetitions and faulty construction of sentences were rampant. Their level of understanding was too low. They either did not understand the questions or came up with irrelevant answers perhaps thinking that the examiners will award marks based on the length of the answers rather than the substance. In some cases the examinees appeared to know the answers but could not express their views correctly because of inadequate vocabulary and weakness in construction of sentences grammatically correct. From a number of answer scripts it appears that the examinees did not care to read the instructions printed on the paper and the answer script. Instead of producing neat, relevant and brief answers, the examinees tried to fill the pages with irrelevant details. The handwriting in most cases was poor to the extent that it become quite difficult for the examiner to decipher the statements. The examinees are required to start the answer of every question from a fresh page. This instruction was disregarded by many. Some of the examinees did not write the question number to which their answers related. Instead of writing the number of the question given in the question paper, some examinees opted to write their own serial number.

**Question No.5**

**Comprehension:**

The examinees lacked the knowledge of clauses, words substitution and connectives. The main tools of précis writing was missing and below 50% marks were gained by the majority. This question was designed to test the comprehension and understanding of the given passage by composing relevant and appropriate answers to the four questions given at the close of the passage. The replies to four questions show that the passage material was freely used un-intelligently. Poor composition and incomplete structures were common without showing concern about (i) acquiring relevant and complete information, (ii) forming opinion about appropriateness of selected parts of the passage and (iii) drawing correct conclusions. Meaningful comprehension of any given passage can occur only when careful and complete reading of the material of the passage is made with understanding of the theme of the writing. Formation of meaningful and relevant answers should be started after organization of main ideas and supporting details. Majority of writings did not meet this criteria.

**Question No.6**

**“Essay”:**

Writing of an essay of about 250 words on any ONE of the given five topics was the required task. Writings that appeared in form of composed essay were poor in terms of structure, adequate development, unity, organisation and coherence of conceived material. The tendency to expand an essay believing that an evaluator will be favourably disposed towards bulk should be avoided. Reader of an essay answer is much more impressed by pertinent material economically stated. The essays attempted by the examinees were not strictly in accordance with the techniques of essay writing. The essay did not reflect the relevant contents, coherence and logical development of mater. Paragraphing was also poor. The examinees are required to learn these devices.

**Question No.7**

**Answers of the questions during an interview being a part of CMA program:**

The writings that came as answers for the questions were simply amazing. Using poor spoken language style, most of the examinees seemingly jumped at the idea of competing for the job of Assistant Manager (Finance) at such an early stage of learning. At least postponing the completion of CMA program and career opportunities the program claims to offer to its finalists. Qualitatively, these writings were mostly deficient in organization, coherence and presentation of conceived material effectively.

**Question No.8**

**Letter to the instructor arguing for or against the Institute's hooking up to the internet and providing free access to the students:**

Majority appreciated and welcomed the idea of institute's decision about hooking up to the internet and provide its free access to examinees. Very few took a position against the idea justifying in poor words and structures that the offered facility would be misused and regular studies would also suffer. Apparently these examinees, in general, had problems with grammar syntax and usage while composing and reporting their answers. Most of them forgot that words are tools of the trade. A good communicator must learn to build structures, which are not merely purpose-built but also pleasant and elegant.

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**EXAMINERS' COMMENTS  
SPRING (SUMMER) 2008 EXAMINATIONS**

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

**Question No.2**

**Control accounts and the subsidiary records:**

The majority attempted the question but few examinees were able to explain the difference between control accounts and subsidiary records with reference to flow of cost. Some were confused and explained the terms with reference to financial accounting.

**Question No.3**

**(a) Factors for choosing the method of pricing materials issued:**

Most of the examinees discussed the pricing methods like FIFO, LIFO, NIFO and Average instead of describing the factors that influence the selection of these methods.

**(b) The cost of component issued / journalization of materials used, valuation of stock, dealing and journalizing of discrepancy in stock:**

Most of the students attempted this question partially well but majority passed incorrect journal entries. Presentation of answers was also very poor.

**Question No.4**

**(a) Factors for deciding remuneration method:**

It was theoretical question but again examinees were not clear in providing answer of this part. Their answers were irrelevant and vague.

**(b) Daily earnings, labour cost per unit and gross earnings using different remuneration methods:**

Only the solution of straight piece rate method could be provided correctly by most of the examinees whereas solutions under bonus plan and incentive plan were incorrect in most of the cases.

**Question No.5**

**(a) Administrative, selling and distribution overhead:**

Explanation of administrative overhead was correctly provided by majority. Very few examinees furnished the explanation of selling and distribution overhead correctly with examples, whereas some examinees mixed up selling and distribution overhead.

**(b) (i) Apportionment of Joint costs to main product and by-products:**

In general, the question could not be attempted by the examinees properly. Students did not read the question carefully and calculated the selling expenses on sales instead of cost of sales.

**(ii) Advice to sell by-product A at point of separation:**

Due to inaccurate calculations examinees were not able to advise the selling of by-product-A at point of separation.

**Question No.6**

**(a) (i) Effects of materials addition on department's unit costs:**

This theoretical question of process costing was widely attempted but very few examinees provided the effects of added materials to work-in-process under two conditions, viz., when number of units are not increased and when number of units are increased.

**(ii) Adjustments of materials addition when number of units are increased:**

Candidates failed to provide correct adjustments in the unit cost in case of addition of materials increased the number of output units.

**(b) Valuation of units completed and ending work-in-process inventory:**

This part was related to the average method of process costing and well attempted by the examinees. However, some examinees attempted the question using FIFO method despite the clear instruction of using average method by the company.

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**EXAMINERS' COMMENTS  
SPRING (SUMMER) 2008 EXAMINATIONS**

**MANAGEMENT & MARKETING  
Stage-2**

**General Remarks:**

It was a simple paper designed to assess the theoretical, conceptual and technical knowledge of the examinees. The performance of the examinees was much below expectations due to lack of comprehension regarding the requirements of the questions, insufficient preparation and inability to present accurate and relevant answers.

**Question No. 2**

**(a) Three different skills to perform the duties and functions as a manager according to Robert L. Katz:**

Many examinees explained only the skills according to Robert L.Katz and omitted to write the relationship on the management level. They should have noted that this was important part of the question. Some of the examinees did not mention three skills correctly. i.e., conceptual skills, human skills and technical skills. A few examinees gave irrelevant details while explaining the three skills manager needed to perform their duties and functions. **(b)**

**Important purpose of the process of creating an organization's structure:** Except for a few no one could come out with the definition of organizing; similarly they also discussed irrelevant details in place of creating an organization's structure and important purposes. **(c) Lewin's three – step change model:** Lewin's 3 – Step change model viz. unfreezing, changing to the new state and refreezing were skipped by a number of examinees. They could not attempt first part of the question, however, they did write reason(s) to resist change.

**Question No. 3**

**(a) Decision(s) a manager should take when he/she faces (i) structured problems (ii) non-structured problems:**

This part of the question was not understood by most of the examinees as the replies were expected to explain the types of the decisions taken under the structured and non-structured problems. Many examinees only differentiated the structured and non-structured problem without giving specific reasoning. It was a simple question and at this stage examinees should have clear concepts regarding these kinds of problems. **(b) Group;**

**Difference between formal and informal group; five stages of group development:** Majority of the examinees performed well in this part of the question. They were able to define group, formal and informal group and explain five stages of group development satisfactorily. **(c) Orientation programs are needed only if selection is defective, otherwise properly selected employees do not need orientation:**

A number of examinees emphasized the selection procedure in detail, which was never required. They were also of the opinion that properly selected employees do not need orientation. They should know that selection and orientation are different topics and are essential requirements of an organization.

**Question No. 4**

**(a) Different marketing management philosophies; (i) Marketing concept (ii) Social marketing concept:**

Majority of the examinees explained satisfactorily marketing concepts and social marketing concepts and their appropriation for the firms. However, many examinees missed the first part of question which was to describe the different marketing management philosophies. **(b) Buying behavior of the costumers:** Majority of the examinees were able to attempt this part of the question successfully however, few examinees were unable to describe buying behavior of customers with relation to unsought goods. **(c) Branding is a time consuming and costly activity:**

Majority of the examinees wrote about major brand strategy decisions consisting of brand positioning, brand name selection etc. They were unable to secure good marks because it was not the requirement of the question.

**Question No. 5**

**(a) Integrated marketing communication:** Most examinees could not explain the definition of the integrated marketing communication. Answers should have been sequentially explained, by making grounds. The performance of the majority was very poor. **(b) Key functions of a distribution channel:** The overall performance was observed well in this part of the question. Almost all the examinees attempted this question and secured good marks accordingly. A few examinees tried to attempt the question by giving irrelevant details. Lengthy answers were also observed by a few examinees. **(c) International advertisers:** The overall performance was observed satisfactory in this part of the question. The examinees grasped the question well and almost all the examinees attempted it. However, clarity of exposition, logic of arguments were lacking particularly.

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**EXAMINERS' COMMENTS**  
**SPRING (SUMMER) 2008 EXAMINATIONS**  
**BUSINESS MATHEMATICS & STATISTICS**  
**Stage-2**

**SECTION - A**

**Question No. 2**

**This question was divided into five parts i.e., a to e. a)** This was a short simple algebra question, which was correctly answered by the majority. **b)** This part of the question required simple functional algebra. The equation had three variables, which was easily solved by majority of examinees. **c)** A simple quadratic equation to be solved using various functions. Easy marks were scored by many examinees. **d)** Again straightforward integral calculus question was asked which on overall basis was poorly answered by the majority. The examinees showed poor understanding of integration concept especially where partial fraction was used and the steps required were illogical, hence the answers were incorrect. **e)** A business mathematics question requiring effective annual interest rate, if interest is compounded bimonthly. The examinees gave average answers, while some committed calculation mistakes.

**Question No. 3**

**This question was divided into four parts i.e., a to d. a)** This part dealt with differentiation aspect examining the concept of derivatives. This was correctly solved by the majority. Some examinees could not apply the correct formula and thereby the derivatives were incorrect. **b)** This part required examinees to estimate Actual Rate of Return using Linear interpolation. The performance of the examinees was very poor due to lack of knowledge on the subject. The examinees selected incorrect formula to workout Actual Rate of Return. **c)** Very simple type of matrix problem. The response was only 50:50 correct answers from the examinees. **d)** This part of the question required examinees to work out sequence and series strategy involving Arithmetic Progression. The examinees who read the question properly got the correct answer, however who used other methods were misled and lost the marks.

**SECTION – B**

**Question No. 4**

**There were two parts (a) & (b)** both of these were easy conceptual question based on probability theory. This was the best scoring question for some of the examinees. However some examinees surprised the examiner as to their lack of knowledge. The examinees failed to appreciate basic principles of probability theory, whereby the sum of the probabilities of success and failure is always equal to one.

**Question No. 5**

**This question was divided into three parts i.e., a to c. a)** The question tested examinees knowledge on “permutation” and “combination”. Almost every examinee attempted this part and obtained average marks. **b)** This part of the question asked the central tendency as well as variance i.e., mean which was quite easy. However, the response from the examinees was average. The examinees did not set out the correct variance formula and made errors in working out the required variance. **c)** A simple question on probability inference. The examinees could not grasp the central idea of question, only few examinees attempted it correctly.

## SECTION - C

### **Question No. 6**

**This question was divided into two parts i.e., a to b. a)** This part of question required examinees to give simple definition of CPM (Critical Path Method ) and the total float of activities. Majority obtained good marks. **b)** This part of the question was a difficult which was on simplex method involving several iterations with optimal solution. The examinees could not layout proper interative tableau, and hence examinees failed miserably in this question.

### **Question No. 7**

**This was two part question. The part (a)** involved formulating Linear programming equations. Some examinees used correct equations but they committed algebraic mistakes. Whereas **part (b)** required Linear Model using “Corner Point Method”. The examinees faced problems in constructing the graph part of the answer and showed lack of presentation techniques.

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**EXAMINERS' COMMENTS  
SPRING (SUMMER) 2008 EXAMINATIONS**

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

**SECTION 'A' (HARDWARE)**

**Question No.2**

**(a) Functions and types of digitiser.**

Poor performance was observed in this part of the question. Most of the examinees misunderstood the question and gave wrong answers while describing the types of the digitisers and mixed digitisers with modems and other network devices. Majority of the examinees considered it to be a general Analogue to Digital converter. Very few were able to get close to the correct answer.

**(b) Brief definitions of (i) Sector (ii) Track (iii) Buffer memory (iv) Access time:**

Four terms related to Hard Disk were asked in this part of the question. **(i & ii)** The terms "Sector" and "Track" were correctly defined by the majority of examinees (although some of the examinees were confused and mix them with each other). **(iii)** Majority of the examinees showed weak concepts of 'Buffer Memory' and 'Access time'. Some confused "Buffer" memory with "virtual" memory while others related it to buffer registers. Few of the examinees mix it with "cache" memory and called it a new type of RAM. **(iv)** Majority of the examinees mixed "Access time" with other type of delays.

**Question No.3**

**(a) Functions and utilities of input devices (i) Digital camera (ii) Voice recognition device and output devices (i) Microfilm (ii) Impact printer:**

The functions and utilities of two input and two output devices were asked in this part of the question. **Input devices:** In input devices 'digital camera' was well defined but 'voice recognition devices' was not correctly defined by the most of the examinees. Majority of the examinees wrote about digital camera but only a few have answered to "what a digital camera is" and "how does it work". **Output devices:** Similarly in output devices 'impact printers' was well defined but 'Microfilm' was casually defined by most of the examinees. Many had written microfilm as a device, which is used to display visual films. Some examinees defined voice recognition device as a voice chatting system and some simply called it the equivalent of a microphone. This clearly shows lack of knowledge due to poor study. The definition of microfilm was the most badly attempted question in the entire paper. Majority defined it as the photographic paper used in conventional photography, some called it reel for making movies, and others thought it was a type of a tape drive.

**(b) Cache memory, principle of working of cache memory, smaller size of cache memory:**

As far as the concept of 'Cache Memory' is concerned, majority seems to have clear concept but a large number of examinees could not correctly answer as to 'why Cache memory size is smaller than size of the main memory' which was asked in the later part of the question. Generally the examinees knew what Cache Memory is but very few knew its working principle.

**SECTION 'B' (SOFTWARE)**

**Question No.4**

**(a) Customized software, features of objective oriented programming (OOP) language:**

The performance of most of the examinees in this part of the question remained below average because they did not specifically mentioned the features of 'Object-Oriented Performing (OOP) Languages'.

**(b) Process techniques used for increasing efficiency (i) Time-sharing (ii) Multi-processing:**

In this part of the question two processing techniques viz. 'Time-sharing' and 'Multi-processing' were asked as to how these techniques can be used to increase efficiency. The 'Time-sharing' technique was well defined by the majority of the examinees but the concept of 'Multi-processing' was not much clear to majority of the examinees. **Time-sharing:** Examinees were confused with Multitasking & Time-sharing and mixed them with Multiprocessing and Multitasking / Multiprogramming / Buffering / spooling. Examinees failed to understand the requirement of the question.

**Question No.5**

**(a) Generation-wise development of High – Level Programming Languages:**

The generation-wise development of High-Level Programming Languages was not categorically and appropriately described by a large number of examinees. The overall performance in this part remained below average.

**(b) Compression Software and Disk De-Fragmentation:**

Examinees showed good performance in this part of the question. However, some of the examinees only mentioned the examples of Compression Software but did not mention its purpose.

**Question No.6**

**(a) Functions and facilities of (i) Virtual Private Network (VPN) (ii) Value-Added Network (VAN):**

The performance generally remained below average in this part of the question. Both parts of the question were not properly answered. The functions and facilities provided by Virtual Private Network (VPN) and Value-Added Network (VAN) were not specifically and to-the-point described by majority of the examinees. Examinees seemed to be generally weak in "Network & Security". It felt as if some examinees knew what VPN and VAN were but could not express them. In such type of situation, it is wise to give expression by using examples.

**(b) Need of communication protocol, CSMA / CD technique used in Ethernet protocol:**

While answering Protocol, examinees have written long paragraphs but the actual answer "why do we need communication protocol" was hardly answered by the examinees. Examinees are advised to first read the question thoroughly and ascertain what is the answer and how and in what sequence it is to be answered and then write answers as per the requirement of the question. The description of the concepts of CSMA / CD techniques used in the Ethernet Protocol was not correctly provided by majority of the examinees.

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**EXAMINERS' COMMENTS  
SPRING (SUMMER) 2008 EXAMINATIONS**

**INTRODUCTION TO INFORMATION TECHNOLOGY (PRACTICAL)  
Stage-2**

**WORD PROCESSING:**

Five MCQs were given to examinees to assess their knowledge of different commands / functions of MS-WORD. The performance of majority of the examinees remained average in this question. They attempted this question well but careless mistakes had led their scores low in many cases. Insertion of date, use of proper font, style and size had significant share in the marking scheme. While correct typing of text, spelling are to be taken care and due importance must be given to details and overall presentation. Some examinees, despite of the clear instructions in the question to insert the system date, either missed to type any date or write <system date> as it was written in the question paper. It is very important to note that some examinees attempted the MCQs on the question paper while others typed out the answers. Some only wrote the answers and not the accompanying MCQ part number. It should be explicitly mentioned that examinees should type out only the letters of the answer for the MCQ and should not tick or circle the answer on the question paper.

**SPREADSHEET:**

The overall performance in this part remained average. The first question of the spreadsheet was reproduction of given sheet and carries average 04 marks to which very few examinees paid attention to. Examinees must also note that proper layout of the spreadsheet makes a sound basis for solution of other questions, which are in fact inter-related. After insertion of any formula or calculating any value, it is good to give a manual check to ensure its correctness and to stop any further errors caused by any previous mistakes. Moreover, in a spreadsheet, numeric values are very much sensitive with their "formats" which may altogether change the result of calculation. Most of those examinees who could not pass this part either made mistakes in properly applying the required formula or made some mistakes in copying data given in the question at the earlier stage of the solution i.e., creation of the spreadsheet (Q.No.1). A number of examinees could not present the Bar/Pie chart in proper shape i.e., size, position of bars, legend placement etc. Some of the examinees, instead of selecting the required columns (field) from the table, selected the whole table mistakenly, which was quite wrong. A large number of examinees, could not control or take care of size of columns of spreadsheet table which were carried forward on to the next page which looked un-presentable.

**DATABASE OR PEACHTREE:**

**DATABASE:**

Since there was an option between "Database" and "Peachtree" for the examinees, only a few examinees attempted this option. Most of the examinees who attempted this part could not obtain good marks due to lack of knowledge / skill of using the package. A correct database structure defines the basis of that database including field, type, field width and field name etc. A good amount of time should be devoted to this part to ensure correct results afterwards. In database question where the number of records are usually less than Ten (10), it is good to give a manual check at least one entry before proceeding on to the next step so that any discrepancy may be caught in the first place.

**PEACHTREE:**

The overall performance in this part remained below average. In this part, most of the examinees wasted their precious time in creating their own chart of Accounts although there were no instructions to do so and the “Ready made” chart of Accounts could have done well and would have proved to be more accurate. Many examinees just over looked that current balances were also to be printed in the chart of Accounts. One common mistake which many examinees made was that they forgot that last two digits “00” (zero, zero) were to be punched separately as Peachtree automatically treats last two digits punched to be “After decimal”. Thus Rs.100/= should be punched Rs.10,000 which will be taken as 100.00. The majority who could not pass this part because they did not even know how to pass a journal entries correctly which caused errors in the later reports. The most of the errors have been observed in the last two reports i.e., “General Ledger Trial Balance” and “Balance Sheet”. Although it seemed that most examinees knew the use of software but they were unable to answer the questions correctly which showed that their accounting concepts and skills were very weak.

**POWERPOINT:**

PowerPoint was perhaps the easiest part for majority of examinees to attempt. Examinees usually did not give due attention to font, style, size, type and the appropriateness of the graphic to be pasted. The overall presentation depends on all these aspects. However, a common mistake which was committed by about 98% examinees was not selecting the required font in heading, sub-heading and in the text. Mostly, the examinees selected “Times New Roman” font which was not required anywhere in the slide. Some examinees did not take care of placing the bulleted text at the required place whereas some could not generate the bullets required before text.

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**EXAMINERS' COMMENTS  
SPRING (SUMMER) 2008 EXAMINATIONS**

**FINANCIAL ACCOUNTING  
Stage-3**

**Question No.2**

**(a) Journal entries in the books of Mufti Industries Ltd. to record:**

**(i) Transfer of the assets and liabilities at agreed price and (ii) Issuance of the ordinary shares to the vendors.**

This part of the question was quite simple and was attempted by most of the examinees correctly. However, some common mistakes were observed. For instance instead of passing the journal entries to transfer the assets and liabilities in the books of purchasing company at agreed value, they wrongly derived it from the balance sheet of the vendor. In addition some students showed goodwill as having a credit balance.

**(b) Description of main features of the receipt and payment account.**

Being a theoretical and relatively easy question, it was attempted by a large number of students. The performance of the students was generally quite good.

**Question No. 3**

**(a) For a new partnership firm preparation of:**

**(i) Journal entries of the investment.**

This question was attempted by the majority. But the performance of the students was below average perhaps because of lack of knowledge regarding the proper accounting treatments of recording the assets and liabilities in the books of a new firm. Although it was clearly mentioned in the question, they did not know whether journal entries were to be made on the basis of agreed value, market value or book value given in the question.

**(ii) Balance sheet after investment.**

Most of the students performed poorly in this part of the question. Some of them did not know that a balance sheet shows the financial position on a particular date and not for the whole year. The examinees need hard work in this area if they desire success in the accounting profession.

**(b) Explanation of the procedure of accounting in the event of death of a partner.**

It was an easy question. As expected most of the candidates provided correct answers of this part and secured good marks.

**Question No.4**

**(a) Preparation of balance sheet by means of different ratios.**

It was slightly difficult question for the examinees, which tested their knowledge in respect of different ratios as well as the technique to prepare balance sheet with their help. The majority poorly attempted this question. They computed various items of the balance sheet wrongly due to lack of conceptual and computational skills in respect of ratio analysis and as such they failed to construct the balance sheet correctly.

**(b) Discussion of the disclosure requirement of IAS-16 (revised 2003)**

This part of the question was also poorly answered by the majority. They did not know much about IAS-16 and as such failed to provide the correct answers. It indicates that the students generally do not study IASs.

**Question No. 5**

**Explanation of the following terms:**

**(a) Extra ordinary items (b) Prior year adjustment (c) Stock dividend and (d) Stock split**

The examinees attempted this question very badly. The answers were irrelevant and poorly expressed.

**Question No.6**

**(a) Preparation of profit and loss account. (b) Calculation of the amount of stolen stock.**

(a) and (b) related to the preparation of financial statements from incomplete records. The majority attempted this question and the performance of the examinees was found satisfactory.

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**EXAMINERS' COMMENTS  
SPRING (SUMMER) 2008 EXAMINATIONS**

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

**Question No.2**

**(a) The prescribed time limit for payment to Commissioner of Income Tax on account of tax collected or deducted by the withholding agent.** The examinees had to offer simple answer by providing time period as prescribed under section 160 of the Income Tax Ordinance, 2001. However students gave irrelevant answers and proceeded further by defining withholding tax, that was uncalled for. **(b) Calculation of tax paid and computation of salary.** The examinees were required to workout under section 49 the tax figure. Instead, majority of the students computed an incorrect tax figure on the total salary (i.e., salary + tax) without separating salary from tax. **(c) The provisions for foreign source salary of resident individuals.** The explanation given by the students were not-relevant even though the answer was straightforward, the students wrote definitions of salary. **(d) Description of foreign loss and treatment under the Income Tax Ordinance, 2001.** The examinees were expected to explain foreign loss and its treatment, however they mixed up the treatment with local income and produced irrelevant answers.

**Question No.3**

**(a) The treatment of depreciable assets which are disposed of in the tax year.** This was practical question requiring know how of accounting and tax aspects over depreciable assets. As examinees seemed confused over the actual requirement of the question, therefore they gave irrelevant answers and hence lost easy marks. **(b) Rules for registration of Income Tax Practitioner as per the Income Tax Ordinance, 2001.** This was an easy and descriptive question and attempted by the majority and was reasonably answered correctly, only a few wrote about registration of assessee, which was incorrect. **(c) Fee for technical services and Non Profit Organization.** The question was well attempted by the majority who obtained good marks on the easy subject. **(d) Four types of tax credits available under the Income Tax Ordinance, 2001.** The examinees understood the question well and almost 50% answered it correctly, while some wrote too short and some wrote too lengthy answers ignoring question's requirement.

**Question No.4**

**(a) The category of company to be explained for Income Tax purposes.** The requirement for "small company" category as to turnover, capital plus reserves, number of employees, was not known to many examinees. **(b) & (c) Computation of company sales and net profit chargeable to income tax.** This was a bit tricky question requiring clear understanding of various components of cost of goods sold. Hardly anyone could provide 100% correct answer only 10% to 15% could muster correct answers. **(d) Companies tax and duties payable under (i) The Customs Act, 1969 (ii) Sales Tax Act, 1990 (iii) Federal Excise Tax, 2005 (iv) Income Tax Ordinance, 2001.** The replies of this part were not upto the mark, as most examinees had to work out the correct sales figure, which seemed to be difficult for them to compute.

**Question No.5**

**(a) Definition with reference to Sale Tax Act, 1990 for (i) Cottage Industry and (ii) Manufacture or Produce.**

A very simple question, majority answered it well, however some tried to use general knowledge which went without any marks. **(b) The rules for de-registration of a registered person under the Sales Tax Laws.** Again very simple details were required, however only few could answer it correctly as detailed provisions of The Sales Tax Act, 1990 were not properly known to examinees.

**Question No. 6**

**(a) Definitions were required in accordance with Federal Excise Act, 2005 for (i) The Factory and (ii) Sale and purchase.** The examinees used general knowledge and went on to explain long stories and lost easy marks, it shows lack of preparation.

**(b) As per the Customs Act, 1969 definitions were required for “Goods” and Defaulter.** The answer was only in few words but the examinees started writing long scripts which shows lack of knowledge of the Act.

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**EXAMINERS' COMMENTS  
SPRING (SUMMER) 2008 EXAMINATIONS**

**COST AND MANAGEMENT ACCOUNTING – PERFORMANCE APPRAISAL /  
OPERATIONAL COST ACCOUNTING**

**Stage – 3 / Professional - II**

**Question No.2**

**(a) Computation of equivalent production, units sold, standard unit costs and over / under applied fixed overhead:**

Majority failed to compute equivalent units of production, number of units sold and over / under applied fixed overhead. It is strange to point out that some examinees could not even pick up the figures of standard unit costs under direct and absorption costing already given in the question.

**(b) Comparative cost of goods sold statement for the year:**

Examinees were required to prepare comparative cost of goods sold statement using direct and absorption costing on the basis of given standard / budgeted cost data. With some exceptions, students completely failed to deliver the correct solution.

**Question No.3**

**(a) Use of standard costs in pricing and budgeting:**

Examinees did not read the question properly and therefore, failed to describe the use of standard costs in pricing and budgeting. They tried to stretch the answers giving irrelevant discussion e.g., comparison of standards / actuals and benefits of standard costing etc.

**(b) Price, volume, quantity, and mix variances:**

This part of the question mainly related to gross profit analysis. In this question examinees confused between sales volume variance, sales quantity variance and mix variance. They also failed to identify the variances as favourable or unfavourable.

**(c) Cost of complete investigation:**

Examinees totally failed to attempt this part of the question. A portion of cost of corrective action (15%) was to be added in the cost of examining to arrive at total investigation cost.

**Question No.4**

**(a) Residual income:**

Majority of the examinees had no idea whatsoever of residual income. Some mixed it with salvage value of assets, some related it with the tax and some linked it with management compensation. Very few could tell that it is the net operating income, an investment centre earns over and above the company's required rate of return on operating assets.

- (b) (i) Budgeted break even point,**
- (ii) Increase in price required to maintain the budgeted profit,**
- (iii) Statement of profitability / using marginal costing, absorption costing and reconciliation:**

The overall performance of the examinees as usual was poor in this question. Examinees failed to compute the breakeven point for they did not consider fixed selling expenses of Rs.2,520,000. Due to this mistake computation of increase in price was wrong. Examinees were also not able to present profitability statement based on absorption and marginal costing methods and reconcile the two profitability statements. They were unable to differentiate between the terminology and procedure used in both the systems.

#### **Question No.5**

- (a) Quarter-wise production budget:**

In this part examinees were required to prepare quarter-wise annual production budget. Mistakes of computation were noted in arriving at the figure of production units, allocating fixed overhead to each quarter. Examinees were not aware with the behaviour of fixed cost. They allocated the fixed cost considering the budgeted output units instead of considering it as period cost for each quarter.

- (b) Budgeted profit for the year:**

Students did not answer this question properly. They could not even add up the quarter-wise units of sales to arrive at annual sales. Due to wrong calculations of variable cost and fixed cost, most of the students failed to calculate annual budgeted profit.

- (c) Quarter of achieving break-even:**

Due to mistakes in part (a) and (b) of the question, students failed to indicate the quarter where break-even was expected to be achieved.

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

- (a) Pricing is truly an art:**

As usual this narrative question was answered badly. Irrelevant topics were discussed e.g., transfer pricing and pricing of materials for consumption. Various internal and external factors (economic, political and business related) to determine sale prices were not discussed at all.

- (b) Best selling price:**

This part of the question was well attempted and most of the examinees yielded correct answer. However, many students solve the question in casual manner.



**EXAMINERS' COMMENTS  
SPRING (SUMMER) 2008 EXAMINATIONS**

**PRESENTATION AND COMMUNICATION SKILLS  
Stage – 3**

**General Comments:**

Over all performance of the examinees was average. Their knowledge of applied Business Communication was quite poor. Most of them did not even know the structure of business letters and reports. Similarly, language competence of the examinees was also poor. Some of them could not even understand the requirement of the question(s) asked. The questions, which are based on personal reflection, also created problems, which means they lack comprehension of the subject.

**Question No.2**

**(a) Physical appearance and (b) its positive and negative impacts:**

Majority could not understand the given problem and wrote general comments on the topic of this question. Examinees should first read and understand the question properly. Headings in such questions give right orientation to the answers. A few examinees supplied genuine and interesting answers, most of the examinees wrote lengthy, memorized and meaningless passages from course books.

**Question No.3**

**A report on the state of the city to Chief Minister as a City Nazim:**

The examinees were required to write a report on the state of the city to the Chief Minister. Most of the examinees were confused in planning the structure of the report. Some used letter and others used memo format. The presentation of matter was also not organized. Examinees just jotted down to whatever came in their mind.

**Question No.4**

**Drafting a letter (a) as an officer in charge of purchase, to local vendor (b) as a sales and distribution officer to company showing interest in the deal using effective strategy:**

This question had two sections. The overall performance of the examinees was not up to the mark. Contents were sufficient but structure was not consistent among examinees. Very few examinees could differentiate between full and semi block format of a letter.

**Question No.5**

**Memo report to the CEO of the company:**

Examinees' answers vary in length. Their answers range from one page to five pages. In business English, the writing is emphasized to be complete yet concise. However, examinees seem to be under the impression that writing long-winded sentences can earn them better grades. Examinees must realize that lengthy sentences involve more grammatical inaccuracies and lead to confusion.

**Question No.6**

**Making an ethical decision during an interview when the selection committee asks the candidate that why should they hire him over another candidate:**

It was a very tricky question. It was clear from the replies of the examinees that they had no idea of ethics in business. They might have theoretical knowledge but they could not relate it to real world scenario asked in the question. A large part of the answers provided was memorized where examinees are writing about the importance of maintaining ethical values in business and professional lives. Examinees have also copied rubrics in their answers. Many examinees have provided interesting arguments to justify their ideas in the later part of the question.

**EXAMINERS' COMMENTS  
SPRING (SUMMER) 2008 EXAMINATIONS**

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

**Question No. 2**

**Preparation of comparative income statement with horizontal analysis.**

This question was well attempted by the majority. However, a few mistakes were committed by the students: **(a)** some of them did not show the amounts of increase/decrease against each item of comparative income statements, **(b)** a few of them did not provide the horizontal analysis and just copied the question onto the answer scripts, **(c)** some others computed the profitability ratios although it was not required and **(d)** some provided answers on the basis of vertical analysis instead of horizontal analysis.

**Question No.3**

**Preparation of liquidator's statement of account.**

This question was attempted by the majority. But a few of them performed well. Following shortcomings were noted: **(a)** a large number of examinees did not account for the accrued interest on debenture, **(b)** a few of them did not know the proper accounting treatment of the bank overdraft and as such they ignored this item, **(c)** a large number of examinees did not take into consideration the premium on preference shares, **(d)** many examinees did not account for the outstanding dividend on preference shares and **(e)** most of them did not correctly compute the payment to the ordinary shareholders.

**Question No.4**

**Recording the investment transactions in the ledger account.**

Most of the students attempted this question, but their performance was extremely poor. Many of them committed the following mistakes:

**(a)** almost all the examinees passed the journal entries which were not required, **(b)** some who prepared the ledger account, also passed the journal entries. It shows that they did not have any idea how to record entries directly in the ledger without preparing the journal entries, **(c)** others were not able to correctly record interest receivable at the end of the company's accounting year and **(d)** they were also not conversant with the treatment of rights issue and conversion of debentures into equity shares.

**Question No.5**

**Comparison of Financial Positions of two companies.**

The first part of this question was attempted by the majority and they supplied satisfactory answers. However a large number of examinees failed to list down the additional information that required further investigation. Most of the examinees did not interpret the following ratios correctly: **(a)** inventory turnover (times), **(b)** receivable turnover (days) and **(c)** payable turnover (days). Some of the candidates computed irrelevant ratios and as such they wasted their precious time.

**Question No.6**

**Preparation of consolidated balance sheet.**

This question was attempted by most of the students and performance was satisfactory. Some shortcomings were noted. The examinees could not correctly calculate: **(a)** goodwill, **(b)** property, plant & equipment, **(c)** inventory, **(d)** reserve and **(e)** minority interest. In addition many examinees did not account for the unrealized gross margin on unsold goods while preparing the consolidated balance sheet.

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**EXAMINERS' COMMENTS  
SPRING (SUMMER) 2008 EXAMINATIONS**

**INTEGRATED MANGEMENT  
Stage – 4**

**General Comments**

Performance of the examinees remained very poor. It appears that examinees never open the books and rely totally on notes secured by them. English composition is extremely poor and spellings are hopeless. Handwriting of most of the examinees is not legible and difficult to decode. While writing answers examinees do not pay attention to the requirement of question and fill in the answer sheet with whatever they know. The overall score of examinees is below average. Majority of the examinees did not attempt full paper. Consequently they did not score good marks.

**SECTION-“A”**

**Question No.2**

**(a) Three major generic strategies and sub-categories at corporate level:** Many examinees explained functional level and operational level strategies, although they were asked to describe three major strategies at corporate level. Examinees were also asked to identify an organization that appears to be pursuing a particular strategy. However, hardly any mentioned such organization(s). Many examinees did not explain even the Stability Strategy or Defensive Strategies, whereas a few examinees gave wrong or irrelevant answers, which indicates that they were not having any fair idea about the topic. **(b) Major components of strategic management process:** Almost all examinees attempted this part of the question. Except a couple of examinees, who were exceptionally good, an average performance was observed in this part of the question. The examinees were required to outline the following major components of strategic management: -

(i) Evaluation of current position. (ii) Scanning the organizational external and internal environments. (iii) Formulation of new missions or goal or strategy. However, a large number of examinees did not elaborate these components in a logical order. They just expressed irrelevant arguments. Besides, many examinees listed down the components of strategic management without elaborating them.

**Question No.3**

**(a) SWOT analysis:** Most of the examinees could not reply this part of the question correctly. Surprisingly more than 50% examinees could not write correct abbreviation of SWOT as Strength, Weakness, Opportunity and Threat. **(b) Situational factors that are likely to influence ethical behavior:** More than 90% examinees could not reply this question to the point. Poor performance was observed in this part of the question. There was hardly any examinee who secured good marks. Most of the examinees who tried to attempt this part of the question gave irrelevant details, illogical arguments which is a clear indication of their non-preparation of this topic.

**SECTION-“B”**

**Question No.4**

**(a) Four most popular attributes, skills and qualities that are sought when selecting a Project Manager:** Most of the examinees knew the correct reply but could not present it correctly and confused with the individuals' personal attributes. Examinees did not elaborate the qualities of a project manager properly. Irrelevant details were also observed. **(b) Project organization:** Hardly any could reply it correctly. The examinees performed very poorly in this part of the question. Most of the examinees gave irrelevant details, illogical arguments and tried to attempt this question on "Guess basis". **(c) Work Breakdown Structure**

**(WBS):** Very few correctly knew WBS and application of GANTT chart in WBS.

### Question No.5

**(a) Purpose of feasibility study and various modes of the assessment of feasibility:** There were hardly any examinee who correctly described the purpose of feasibility study. Many examinees did not mention all the four modes of assessment of feasibility study i.e., technical feasibility, social feasibility, environmental concern feasibility and financial feasibility. They just mentioned one or two modes of assessment of feasibility. There were comparatively less number of examinees who elaborated “modes” sensibly by giving relevant details and arguments. **(b) Activities undertaken before and during the project planning, scheduling and controlling:** Nearly all the examinees tried to attempt this haphazardly. The lack of professionalism and commitments on the part of examinees were quite visible. Majority of the examinees failed to distinguish activities “before” and “during” the project planning, scheduling and controlling. They also did not present their answers under a separate heading of planning, scheduling and controlling. Very few examinees had the concept what is being asked. Most of them listed the irrelevant activities without understanding the question. Examinees did not prepare well for this part and generally lost marks due to providing irrelevant matters. Hardly any examinee gave relevant details and secured good marks.

## SECTION-“C”

### Question No.6

**(a) Fundamental responsibilities of management:** Majority of the examinees did not understand the question and replied in confused ways. Hardly any examinee scored good marks in this question. They got confused and explain basic functions of management. They were not able to grasp the question although nearly all the examinees tried to attempt it. The examinees just explained the four functions of management. However, they failed to mention that the managers of organizations must pay close attention to the needs and wants of their costumers if they wish to make money. None of the examinees elaborated that in public sector, organizational goals are more ambiguous, often debatable and sometimes conflicting. Therefore, managers often have difficulty gauging how well they are achieving their goals. **(b) Managerial jobs vary according to hierarchical level(s):** Majority understood the question and replied correctly.

### Question No.7

**(a) Four trends identified by studies on size and its effects on organizational structure:** Majority did not have a clue to understand the question. Extremely poor performance was observed in this part of the question. Hardly any examinee expressed correctly the four trends identified by studies on size. Almost all the examinees gave irrelevant details and illogical arguments and hence failed to secure good marks. **(b) Contrasting the mechanistic and organic characteristics of organization:** The examinees performed well in this part of the question. Some of the examinees, however, just tried to attempt the question by giving irrelevant details and wasted their valuable time. A few examinees, instead of mentioning mechanistic and organic characteristics of organizations, incorrectly discussed characteristics of an organization and steps of an organizational design that was not required.

**EXAMINERS' COMMENTS  
SPRING (SUMMER) 2008 EXAMINATIONS**

**CORPORATE LAWS & SECRETARIAL PRACTICES  
Stage – 4 / Professional–II**

**SECTION 'A'**

**Question No. 2**

**(a) Which type of company can buy back its shares and (b) main conditions imposed by the Companies Ordinance, 1984.**

Under Section 95A of the Companies Ordinance, 1984, only the listed company can purchase its own shares. As examinees were unaware of the provision of Section 95A of the Companies Ordinance, 1984 therefore they stated that all public companies are allowed to buy back their own shares. In addition, they lacked know-how and omitted key points such as debt equity, current assets ratios. The purchase of shares being out of cash and out of distributable profits. The effectiveness of special resolution authorization and its significance was also missing from several answers as to (1) maximum number of shares (2) minimum price of shares and period within which it is to be purchased **(c) The information required in the tender notice for the buy back of shares.** Majority failed to state four key points as required such as (1) Maximum number of shares to be purchased (2) Manner in which the offer shall be communicated (3) The last date of purchase to be made (4) Name and address of Banks & branches involved for the tender notice. Instead, the examinees used imaginary discussion in their answers.

**Question No. 3**

**(a) The requirements of section 230 of The Companies Ordinance, 1984 with relation to maintenance of proper books of accounts.** There was general confusion over the exact requirement of section 230 of the Companies Ordinance, 1984 as to Books of Accounts, where the examinees discussed about all kinds of registers. Moreover, the students wrote the names of statutory books like members register, minute books, mortgage register etc., which were not required. **(b) The provisions for inspection of books of accounts by directors and members.** The question was well answered by the majority, however, a common lack of knowledge was witnessed for the inspection by members. As per the section the directors have to determine the extent, time, places, conditions and regulations for inspection of books by the members of the company. **(c) The obligation of directors and officers of the company to the registrar for inspection of books of accounts by him.** The answers were satisfactory, however the majority answered casually and Section 231 of the Companies Ordinance, 1984 was not specifically followed. **(d) Advising procedure about issue of share at a discount under section 84 of the Companies Ordinance, 1984.** The majority was unaware of the detailed requirements of the referred section 84 and presented vague answers. **(e) The provision of investments in associated companies as per the Companies Ordinance, 1984.** The examinees answered it unconfidently, as the exact requirement of the question was not understood, only few could answer in detail. Many examinees resorted to lengthy and irrelevant narrations without having any substance of law.

## SECTION 'B'

### Question No. 4

**(a) Disqualification of Board members as per NBFC Rules.**

The examinees failed, to attempt this question and who did were confused between disqualifications under the Companies Ordinance, 1984 and of NBFC Rules. Even though the question clearly asked for disqualification as per NBFC Rules. **(b)The examinees were asked to write down provisions for listing of securities as per Securities and Exchange Ordinance, 1969.**The examinees could not answer properly, they lacked knowledge of SECP Ordinance, 1969 as regards listing rules.

## SECTION 'C'

### Question No. 5

**(a) The requirements of Directors report of non-listed Public Company Section-236 of the Companies Ordinance, 1984.** This question was well answered by the examinees who had the chance to see the financial statements, along with Directors & Auditor's report and also studied the section 236 of the Companies s Ordinance, 1984. Whereas some were not aware of published reports.**(b) Who sign Director' report.** Majority of examinees was aware of the law, however some could not emphasize that the chief executive of the company can only sign the Director's report on behalf of the directors, if authorized in that respect by the directors **(c) Whether an extra ordinary meeting may be called of in less than 21 days notice in case of emergency.** Generally all examinees provided correct answers, however few based their own choice.

### Question No. 6

**(a) Description of procedural steps necessary to convert a private company into non-listed public company.** This question was answered well by examinees, however, the sequence of procedural steps was some what not in order for conversion of a private company to a public company **(b) Provisions of the Companies Ordinance, 1984 for appointment, removal and remuneration of official liquidators.**

A lengthy question under section 322 & 323 of the Companies Ordinance, 1984. Those examinees who have read on winding up of companies answered it well, however, most of the examinees wrote long answers, without adding any substance to it.

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**EXAMINERS' COMMENTS  
SPRING (SUMMER) 2008 EXAMINATIONS**

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

**Question No. 2**

**Preparation of statement of cash flows.**

It was a popular question among the students. Success ratio in this question was quite good. Some common mistakes were, however, committed by the majority: (a) operating activities section was almost wrong, (b) In the financing activities section, employee's loan was ignored and (c) in the investing activities section, the examinees could not handle the treatment of purchase of equipment and sale of investment properly.

**Question No. 3**

**Preparation of consolidated balance sheet.**

The examinees showed a lack of adequate preparation in this question and with the exception of a small number of students, failed to secure pass marks. Following shortcomings were noted:

(a) Only a few students could properly compute the minority interest, (b) Many students did not show cash-in-transit in the balance sheet. Some did show but computed the figure wrongly, (c) Presentation was poor and (d) Working notes were not given.

**Question No. 4**

**(a) Description of frequency of financial reporting by public listed company and the information disseminated thereby, (b) Person / Persons responsible for financial reporting and corporate compliance and (c) Disclosure requirement upon directors / others regarding their interest in company's shares.**

This was an easy question based on the Companies Ordinance, 1984. The examinees, however, failed to get advantage of this straightforward question. It indicates their lack of interest towards the Companies Ordinance. In most cases their answers were irrelevant and expressed in poor English. The examinees unnecessarily tried to prolong the answers, whereas some replied with a simple 'Yes' only.

**CASE STUDY**

Being a simple case study, the students generally performed well. Some of the examinees, however, wasted the opportunity to get easy marks and committed the following mistakes:

(a) The expenses were computed wrongly, (b) Only a few could calculate the debtors correctly and (c) Although the gross profit was calculated correctly in most cases, they failed to arrive at correct net profit figure.

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**EXAMINERS' COMMENTS  
SPRING (SUMMER) 2008 EXAMINATIONS**

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

**Question No.2**

**(a) Pricing of the order:**

This is straightforward question but looked difficult on part of the examinees. Some of them had no idea about learning curve and committed basic mistakes. Some used statistical model to determine the additional time required to produce the additional 5000 units but failed to arrive at the correct answer.

**(b) Profitability index, ranking of the projects and suggestion of project(s) for each company:**

Calculation of profitability index was wrong in most of the cases. Examinees divided present value by funds available with x, y, z companies instead of cash outflows of each project. "The projects were divisible" was wrong assumption of the examinees. Some examinees were not aware of the concept of capital rationing. Long answers, with incorrect use of payback period, IRR etc., were also presented. Some used contribution as a criteria of allocating limited funds.

**Question No.3**

**(a) Comprehensive statement showing standard cost of Rs.125 per component:**

Majority of the examinees answered correctly but some tried to arrive at the figure of Rs.125 by just manipulating the figure rather than going through the concept of absorption / full costing.

**(b) Pointing out whether management used relevant cost concept and statement of relevant cost:**

Those who know relevant cost concept, had answered correctly. The exclusion of items from the calculation needed explanation, which was not provided by some of the examinees.

**(c) Six major advantages of manufacturing the components:**

A simple question, and a good number of examinees answered it well. However, unnecessary explanation and repetition were noted in some cases.

**Question No.4**

**(a) Preparation of a decision tree:**

Drawing a decision tree was mostly wrong. Use of probability and calculating simple expected value was not required, but proper decision tree, its branches and then working of "expected pay off" was required. In short, examinees could not grasp the requirement of the question and failed to give the answer properly.

**(b) Comments:**

Since in majority cases the decision tree was not properly prepared, hence the comments were also not to the point.

**Question No.5**

**(a) Cost per unit on absorption cost basis for the first year on old and new machines:**

Calculation of cost per unit using old and new machine was wrongly done in majority cases. Calculation of depreciation of old / new machine was also wrong. Examinees used different number of units to calculate cost per unit instead of using 22,000 units.

**(b) Cash flow statement for five years and excess present value of cash flows:**

This part was not answered correctly. Answer of this question required calculation of depreciation, cost saving and cash flows considering incremental effect of depreciation and taxation of old and new machines. Examinees failed to tackle the problem and arrived at incorrect answers.

**(c) Reasons of implementation of replacement proposal or otherwise:**

Some examinees just answered on the basis of lesser cost per unit (using new machine than old machine) and recommended to buy the new machine. Their suggestions were also wrong due to inappropriate computations for comparative benefits of both the machines done in part (b).

**Question No.6**

**(a) Evaluation of available strategies to point out most profitable strategy and suggestion of other considerations:**

This part of the question was well attempted by majority. However, other factors for consideration of management were not highlighted.

**(b) (i) The break-even point in Rupees and in units:**

It was well attempted by the majority. However, various calculation mistakes and omissions were noted. Some of the examinees wrongly calculated the weighted contribution and weighted sales. Some did not calculate the amount of break-even sales.

**(ii) The amount which could be spent for advertisement in 2008:**

This part of the question seemed difficult on part of the students. They were unable to determine the amount which might be available for advertising after getting sales target of more profitable brand(s). The main reason for not reaching to the correct answer was wrong calculation of profit target for the year 2008. Some other basic calculation mistakes also caused incorrect answers.

**EXAMINERS' COMMENTS  
SPRING (SUMMER) 2008 EXAMINATIONS**

**RISK MANAGEMENT AND AUDIT  
Stage-5**

**Question No.2**

**(a) The understanding of client and its environment and how far this is essential for the auditor in accordance with the International Standards on Auditing (ISA).** The examinees attempted this question fairly well, however, there were common mistakes and omissions. These included such as the identifying areas where special audit is required, designing and performing of further audit procedures and performing of analytical procedures. **(b) The Risk Management procedure that are applied by auditor to understand the client and its environment.** The examinees instead of being specific with three specific procedures, opted for detailed discussion which was uncalled for, and included irrelevant procedures. **(c) Risk Prioritization and the explanations for prioritization of an organization.** The examinees answers were not upto the mark as the examinees' concept of risk prioritization was not clear.

**Question No.3**

**(a) Definition and explanation of term fraud in relation to audit of financial statement.** The examinees attempted it correctly, however, it seemed that the answers were not in conformity with the ISA standard 240, but moreso, on the basis of their general knowledge. **(b) Discussion among the engagement team and its importance for detection of material misstatements which occur due to fraud during the audit.** The examinees were not quite clear as to how does engagement team direct detection of fraud. The examinees missed out one key aspect such as "questioning of mind", and "critical aspects of audit evidence" etc. **(c) Specific representations to be obtained by the auditor in relation to fraud.** The examinees were found weak in this area hardly few could make out a list of specific representation. Moreover, examinees were unaware as to ISA 580 relates to "Management Representation" which provides guidance on obtaining appropriate representations from management in the audit.

**Question No.4**

**(a) Components of audit risk and sufficient appropriate audit evidence.** The examinees attempted these two parts of the question fairly well with some good explanations, and hence higher marks were obtained. **(b) Critical examination and skills required to examine the scenarios and identify audit risks.** The examinees could not relate the theory to practice, they failed to identify control risk, as well as inherent risk, which is also called business risks as can be shown in (b) (i) of the question, taking of new contracts may increase inherent risk due to entry in new markets, as well as part (b) (ii) of the question where the control risk aspect with regard to segregation of duties where debtors statement was reconciled. The duties were not separated between employees hence control risk was there.

**Question No.5**

**Procedure to be adopted for audit of (a) Overheads (b) Work-in-Process and (c) Store & Spare parts.**

The examinees depicted knowledge of audit of overheads and work-in-process as well as store & spare parts. However, application of auditing principles discussed were mostly wrong and procedures were not stated appropriately.

**Question No.6**

**The obligation of the auditor to some facts relating to financial statements that are discovered after the financial statements have been issued.** The examinees could not comprehend the actual requirements of the question, neither were aware as to the requirements of IAS 570 "Going Concern" principle. The examinees failed to realize the audit reporting requirements as per International Standard on Auditing as to "Emphasis para", "Disclaimer of Opinion para" or the "Adverse Opinion para" on the financial statements.

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**EXAMINER'S COMMENTS**  
**SPRING (SUMMER) 2008 EXAMINATION**  
**STRATEGIC FINANCIAL MANAGEMENT**  
**Stage-6 / Professional-IV**

**Question No.2. Dividend Policy.**

**(a) Reduction in dividends and its impact on current share price:**

The question was attempted by almost all examinees. Most of the examinees correctly calculated the present value of perpetuity of dividend and payment of dividends per share in next five years, but failed to apply dividend valuation model to compute new share price.

**(b) Evaluation to maintain the spending power of the company:**

The performance of the examinees in this part was very poor. The examinees did not have any idea about the investors' spending power and how it could be maintained when dividend policy is changed.

**(c) Implications / assumptions of analysis for dividend decision-making:**

Examinees were unable to state implications and assumptions like using dividend valuation model.

**Question No.3. Capital Structure.**

**(a) Information to assist the board for decision making:**

This question was attempted by the majority. None of them could attempt complete question correctly. The examinees could not calculate total annual earnings of equity, increase in value of equity shares in relation to debt financing alternative. Similarly, they could not provide weighted average cost of capital, net present value of expansion, increase in market value of the company, and increase in the market value of debt equity in relation to the alternative of debt equity financing.

**(b) (i) Preferred means of financing:**

Many students proposed mix of debt equity financing. However, they committed mistakes in calculating the debt equity ratio under revised conditions.

**(ii) Theory of capital structure with respect to the finance director's statement to the board:**

Various theories were discussed but very few students had knowledge of Modigliani and Miller theory.

**Question No.4. Credit Management.**

**(a) Determination of more profitable credit policy:**

This question was attempted by majority of the candidates but could not provide correct answers. Examinees failed to compute the correct amount of credit cost which affected the computation of net profit. As a result they could not calculate incremental benefit and therefore, failed to recommend best policy.

**(b) Objectives of receivables management:**

The performance of the examinees in this theoretical question was satisfactory. However, some showed casual attitude and did not answer properly.

**Question No.5. Analysis of Financial Statements.**

**(a) Computation of 13 important applicable ratios:**

This question was attempted by almost all the examinees. However, many failed to compute some of the essential ratios, such as Debt ratio, Debt equity ratio, Net profit margin, Total assets turnover, Return on assets, Return on investment, Return on total equity, Degree of financial leverage, Earning per share, and Book value per share. The examinees attempted the question without any planning which confused them and drew incorrect conclusion from the calculated ratios.

**(b) Comments on the viability of proposed plan:**

Majority of the examinees was unable to make proper comments due to poor presentation and incorrect computations of the ratios in first part of the question.

**Question No.6. Cash Management.**

**(a) Preparation of cash budget:**

Major mistake observed was pertaining to the discount availed by customer in 30 days time. Some of the examinees added up sales receipt and payments from earlier period not given in the question. Few examinees were not familiar with the style / format of budget and jumbled up all receipts and payments under one column. Most of the examinees failed to record the amount of borrowings in the month(s) of shortfall. Accordingly, some of them could not calculate correct amount of interest.

**(b) Comments on the viability of the project based on cash budget:**

The comments offered by some of the examinees on the viability of the project was appropriate to some extent. However, expression and presentation require improvements.

**EXAMINERS' COMMENTS  
SPRING (SUMMER) 2008 EXAMINATIONS**

**INFORMATION SYSTEM AND I. T. AUDIT (THEORY)  
Stage – 6**

**SECTION "A"**

**Question No.2**

**(a) Use of Data Flow Diagrams (DFDs) aid enterprises through the provision of better quality decision-making information:**

This question was answered correctly by the majority. Some examinees gave descriptive examples of DFDs, which was not required. They did not read this part of the question properly and tried to answer them with confused mind.

**(b) Automiticity, Consistency, Isolation, Dyrability (ACID) test and its properties:**

Very few examinees were able to list the properties of ACID test. Even examinees did not know the acronym "ACID". Apparently the majority of examinees were not well prepared. Poor performance was observed in this part of the question.

**(c) Fuzzy logic system:**

Most of the examinees did not understand this part of the question. Examinees did not realize what they were writing. An explanation, definition or description of fuzzy logic was not required. The question simply asked whether it makes sense to use fuzzy logic for control systems. Examinees were supposed to give a "Yes" or "No" answer with reason in support to their answer. Majority of the examinees played with key work "approximate reasoning" given in the question, but failed to answer properly. Even the understanding regarding the application of fuzzy logic to control systems was weak.

**Question No.3**

**(a) Causes of inaccuracies in cost and benefit analysis:**

The question required a listing of the "causes" of inaccuracies in cost-benefit analysis. Many examinees listed the "types" of inaccuracies but not the causes. Some of the causes of inaccuracies are:

- Reliance on past projects, which may be marked different from the project at hand.
- Relying too much on the memory of team members for identifying cost drivers.
- Using 'rule of thumb' method for valuation of intangible elements.
- Inability to overcome bias of team members.
- Identifying which cost drivers are significant.

**(b) Developing a software automation system for a local textile company with a very basic IT infrastructure:**

Many examinees were able to answer this part of the question correctly. Some examinees described a prototype in detail. A description was not required. Few examinees even did not know what is prototype and what is the purpose of a prototype. Those who answered according to the concept failed to understand the situation "with a very basic IT infrastructure", hence lost the marks.

**(c) Biometric security:**

Hardly any examinee came up with the correct answer. Most examinees could not understand the meaning of "compromised". The question itself says that once a biometric source has been compromised for life. Examinees kept on saying that biometric sources cannot be changed. Examinees missed the point that the data representing biometrics can be hacked. For example the stored image of one person's fingerprint may be temporarily changed to that of an intruder. Examinees were required to discuss whether such a hacking (compromise) is a real concern and if yes, why. Examinees used ordinary reasoning, already provided in the question, that fingerprints cannot be compromised because it is encrypted.

## SECTION "B"

### **Question No.4**

#### **(a) Automated evaluation techniques:**

Most examinees were not fully prepared to answer this part of the question. Some examinees gave a description of Computer Assisted Audit Technique (CAAT) but failed in describing the automated evaluation techniques.

#### **(b) Physical and logical access points:**

Most examinees gave general and vague answers. Many could not differentiate between physical and logical access points.

### **Question No.5**

#### **(a) Active and passive attacks:**

Most examinees gave correct answers to this part of the question and were able to give examples of active and passive attacks. Some examinees generally attempted this part of the question without examples even it was mentioned in question, hence lost the marks. Some even did not know the difference between active and passive attacks.

#### **(b) Configuration of firewall:**

Very few examinees could give a complete answer. A firewall restricts unwanted network traffic. "Default-allow" is a more risky configuration. Examinees explained 'why' firewall is essential, but did not mention, 'why proper configuration is essential. Very few examinees mentioned the concepts of "default-allow" or "default-deny".

#### **(c) Library control software:**

Poor performance was observed in this part of the question. Some of the examinees thought that library control means control over books in a library. In general examinees did not have the concepts that "library control software" maintains the batching file and control the access to these file.

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**EXAMINERS' COMMENTS  
SPRING (SUMMER) 2008 EXAMINATIONS**

**INFORMATION SYSTEM AND I. T. AUDIT (PRACTICAL)**

**Stage – 6**

**Practical Paper No.1**

In this question the overall performance of the examinees was satisfactory. However, the presentation was not of satisfaction level. Small items like lines on cell (gridlines), comma separation in amount, and totals can make a lot of differences in presentation. Most examinees answered this question correctly. A few examinees attempted this question without using VLOOKUP formula although the question clearly required use of VLOOKUP formula.

**Practical Paper No.2**

This was the easiest practical paper among all four for this session and was answered well by majority of the examinees. A little concentration over presentation can make huge difference. Examinees should work towards presentation. Some examinees did not show cost categories in separate cells although this requirement was clearly stated in the Note at the end of the question. Reading and understanding the question fully before attempting the question is very important.

**Practical Paper No.3**

This was a tricky question in which examinees were asked to compute variable cost (cost of part of each toy). Most examinees computed the variable cost for total quantity produced instead of variable cost per unit of each toy. The requirement was for variable cost of each toy (meaning each unit). Although majority of the examinees performed well. They were able to answer or make presentation as per requirements of the question. Total cost was same if calculated on the basis of parts used, where a few examinees calculated on toy basis. Although the answer was same, but professionally it was not prudent as management wants to see the result on their way that may help them in taking business decisions.

**Practical Paper No.4**

This was a very good question checking the concentration and understanding of examinees in spreadsheet in real sense. Only a few examinees were able to respond properly. Majority provided response to one or two parts of the question. Few displayed unsatisfactory knowledge of spreadsheet. Examinees were also found lacking in understanding the requirements of question. For example, sales tax was supposed to be calculated before discount, whereas some examinees calculated it after applying discounts. Examinees were also failed to create table showing net sales from each customer. Proper practice and concentration towards the output required can add real value to the examinees skills as professionals. A few examinees made mistakes in copying formulas. In any spreadsheet it is important to re-check the formulas because a single wrong cell address can produce disastrous results.

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**EXAMINERS' COMMENTS  
SPRING (SUMMER) 2008 EXAMINATIONS**

**INFORMATION SYSTEM AND I. T. AUDIT (PROJECT)  
Stage – 6**

**General Comments:**

The question was straightforward and did not need a lot of research. Examinees performed the same way and they just copied texts from different books. Some copied successfully and few were unable to do that. Majority of the examinees answered the same way due to exact availability in text books. The question required a proposal for a Wireless LAN Security framework. Many examinees wasted a lot of pages on describing a Wireless LAN. This was not required. Considering that project work allows time and resources to examinees it was disappointing to see that many examinees did not structure their work in accordance with the main areas identified in the question. Among many who did follow the arrangements, coverage of the subject matter was often incomplete. Apparently examinees failed to give sufficient time to the project while preparing for examinations.

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**EXAMINERS' COMMENTS  
SPRING (SUMMER) 2008 EXAMINATIONS**

**MANAGEMENT ACCOUNTING-BUSINESS STRATEGY  
Stage-6**

**Question No.2**

**(a) Four stages of strategic management process for small and medium enterprise (SME):**

- Almost all the examinees attempted this question. The overall performance of examinee was good. However, examinees could not explain the four stages of strategic management in proper sequence.
- Various mistakes were noted like confusing the four stages of strategic management with function of management and levels of strategy, illogical arguments and repetition of irrelevant details.

**(b) Strategies of internal growth through acquisition or merger:**

- Most of the examinees attempted this question satisfactorily. However, many examinees had not clear concept of internal growth strategies. Some examinees mentioned the integrated strategies as internal growth strategies.
- Most of the examinees narrated the benefits / advantages of growth through acquisition or merger instead of stating the situation of choosing the strategy of acquisition or merger.
- Some of the examinees produced long and irrelevant answers just for nothing.

**Question No.3**

**Five generic competitive strategies which give edge over rivals:**

Performance of the majority was very poor in this question. Examinees totally failed to describe five generic competitive strategies. They describe the irrelevant points / topics i.e., Porter's five forces mode, strategies other than generic strategies. Some examinees could describe only three generic strategy instead of five as required.

**Question No.4**

**Consideration of social responsibilities as strategic decision making:**

- Without grasping the requirements, examinees just started elaborating the social responsibility issues given in the question as examples.
- Some examinees advised not to spend extra money on social responsibility issues while some others described the benefits of considering social responsibility issues.
- Irrelevant explanation and reproduction of the question were also noted in some cases.

### **Question No.5**

#### **Steps for developing strategic financial plan:**

- Almost all the examinees attempted this question. However, overall performance was not satisfactory.
- Examinees confused in mentioning the steps of developing strategic financial plan with strategic management process for small and medium enterprise (SME).
- Examinees used the terms plan and strategy interchangeably.
- Irrelevant details and spelling mistakes were also observed.
- A large number of examinees instead of explaining the steps to be followed to develop strategic financial plan, described the investment decisions, financial decisions and dividend decisions.

### **Question No.6**

#### **Expected NPV of investment in a gas fuelled power station and in nuclear fuelled power station:**

- This question was badly attempted with few exceptions.
- Examinees included interest expense in annual cost which was not needed because after tax capital cost i.e., 6% and 8% was clearly stated in the question.
- Various mistakes were committed by the examinees e.g., inappropriate determination of relevant year of cash flows, inclusion of accounting depreciation in the annual cost and using PV factor of year 25 instead of year 28.

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**EXAMINERS' COMMENTS**  
**SPRING (SUMMER) 2008 EXAMINATIONS**  
**STRATEGIC MANAGEMENT ACCOUNTING**  
**Professional-III**

**1998 SYLLABUS**

**Question No.2**

**Table to identify the best proposal:**

This question was well attempted by the examinees. However, examinees faced difficulty in focusing on contribution margin and treating fixed cost as irrelevant.

**Question No.3**

**Cash receipt and disbursement budget for four months:**

Overall performance of the examinees was satisfactory. Some of the examinees, however, failed in calculating the correct figures of purchases and payments on monthly basis. This resulted in wrong figures of disbursements and cash balance. Examinees did not focus on clarity. Most of the work was untidy.

**Question No.4**

**(a) Responsibility Accounting:**

Examinees were unaware of the term responsibility accounting. They explained the term half heartedly giving irrelevant matter.

**(b) Flexible budget based on chief operating officer's suggestion. (ii) Flexible budget based on different principle. (iii) Explanation of the results and recommendation of one of the methods. (iv) Deriving the characteristics of cost behaviour:**

First part was done correctly by most of the examinees while just few could successfully attempt the second part. It was observed that examinees made mistakes in calculating standard labour hours. Comments of the examinees to suggest suitable method were inappropriate. They should comment in the light of CEO's view point regarding labour efficiency variance. In last part examinees did not mention the linear regression to find the cost behaviour characteristics.

**Question No.5**

**Net present value, Profitability index, Payback period, and Discounted payback period:**

It was well attempted question. However, some examinees did not properly consider the commencement of cash inflows of Benninger machine i.e., no cash inflow in first year. Examinees tried to propose one of the machines but their expressions were poor and vague.

**EXAMINERS' COMMENTS  
SPRING (SUMMER) 2008 EXAMINATIONS**

**ORGANIZATIONAL BEHAVIOUR & STRATEGIC MANAGEMENT  
Professional – III**

**General Comments**

Majority of the examinees presented their answers casually, specific replies were missing. It was noted that in-depth studies and understanding of concepts was also lacking. At this stage of professionalism unwanted detailed answers are not required. The examinees must be specific and to the point.

**Question No.2**

**(a) Components of Job Analysis:** Hardly any examinee could provide appropriate solution and failed to score good marks. Answers to components of job analysis was not up to mark. Most of the examinees explained job description and job specification whereas other components like skill variety, task identity, task significance, autonomy and feedback were not discussed. **(b) Employees' attitude:** Examinees argued that attitude be improved by the management, however, most of them were unable to use different points / methods for this change. Most of them presented a general reply, which was not asked. **(c) Promotion opportunities are responsible for inculcating positive attitude:** A few examinees were able to answer this part of the question satisfactorily. They explained that besides promotion opportunities there are other aspects which result in positive attitude.

**Question No.3**

**(a) Fiedler's Contingency Model of leadership effectiveness / Least preferred co-worker (LPC) questionnaire purport to measure:** Majority of the examinees could not state Fiedler's Contingency Model of Leadership and also were unable to explain Least Preferred Co-worker (LPC) questionnaire satisfactorily. Only a few could explain the question, but their answers were not up to mark. **(b) Mentors:** Majority of the examinees answered this question satisfactorily. Mentors and what benefits can provide to their protégés was explained nicely. It was a simple question and the examinees understood the requirements of the question. **(c) Training Guidelines (i) Providing orientation (ii) Setting group goal (iii) Establishing intra-group procedures:** Majority of the examinees replied it in a very general manner and three different captions desired were not explained properly.

**Question No.4**

**(a) Formal channel of communication:** Majority of the examinees replied satisfactorily the formal channel of communication. However, most of them could not explain lateral and informal communication up to the satisfaction. **(b) Problem / Situation that alert managers to address them:** Majority of the examinees defined problem properly and discussed situation that alert managers to address possible problems. However, it was noted that some of the important points were missed by them. **(c) Management Development Program:** Majority explained management development programme in details. However, it was again strange to note that some of them were unable to discuss on-the-job methods and were unable to give specific example thereto.

**Question No.5**

**(a) Corporate social performance of Pakistani firms:** Examinees were not to the point and had no idea of factors that were to be considered while evaluating the corporate social performance of the Pakistani firms. Most of them explained corporate social responsibilities of organization, but they missed important requirement of these firms. In fact it desired to evaluate with reference to corporate social performance of Pakistani firms. **(b) Control elements that are associated with bureaucratic control:** The question was simple and desired to discuss control elements that are associated with bureaucratic control. A few examinees could understand the requirement of the question and answered satisfactorily. Some examinees wrote about other type of controls, which was never required. **(c) Shaping strategy for organization:** Some of the examinees were unable to answer / explain factors to shape strategy for an organization. It was noted that examinees write long answers and included many irrelevant points, which are not required.

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**EXAMINERS' COMMENTS  
SPRING (SUMMER) 2008 EXAMINATIONS**

**AUDITING  
Professional – III**

**General Comments**

Presentation needs considerable improvement. Handwriting in overwhelming cases is terrible. Sequencing of questions and sub-questions be carefully done on running bases. On overall basis tremendous improvement is required in the level of knowledge and understanding of the subject, comprehension, writing and time management skills. Mostly examinees were lacking the knowledge of the relevant professional materials such as laws and regulations, professional standards both accounting and auditing and professional ethics. In many cases the examinees were unable to give correctly even basic definitions. Examinees need to develop an in-depth understanding of the subject from the relevant material. Comprehension and understanding of the question requirements is another noticeable issue and it appeared that the examinees used to attempt questions without properly understanding the requirements.

**Question No.2**

This was a basic question of testing understanding and knowledge of the profession. Very few could come up with the answers within the relevant professional framework and mostly gave very generic answers, which was lacking relevance. **(a) Aspects which you will consider as an auditor of a listed company while understanding the entity and its environment, including an internal control:** Answer to part (a) of the question was generally close to professional material. Most common omitted points in the answers scripts were: Nature of entity and industry in which it is operating along with regulatory framework affecting its business was not spelled out by the examinees. Similarly, entities objectives and strategies with related business risks were not discussed by them, internal control was either completely omitted or partially touched upon. **(b) Intend to design substantive analytical procedures / Matters for reliability of data:** In part (b) examinees mostly failed to comprehend the requirements of the question as in most of the cases the answer included either the substantive procedures as a whole or analytical procedures rather than focusing on establishing reliability of the data to be used for application of analytical procedures. Source of information available and its comparability with the information was not properly answered by the vast majority. Controls over the preparation of the information were either not completely written or were haphazardly stated.

**Question No.3**

The question had three parts and performance of the examinees in all three parts has been different. **(a) Evidence originated by the auditor. (ii) Evidence created by third parties. (iii) Evidence created by the management of the entity:** The part (a) was attempted by the majority. Most of them were able to highlight the relevant level of quality of each of type of the evidence, however, the examples of each type of the evidence were mixed up. This was the most familiar topics among the examinees and fair knowledge was demonstrated by the examinees. Evidence obtained by the auditor, created by third parties and by management was fairly stated. However, approach of presentation of an idea lacked professional touch. **(b) When an auditor uses negative confirmation to reduce the risk of material misstatement:** Part (b) was either not attempted by the examinees or if attempted mostly failed to list down the factors properly as to when an auditor should be using negative confirmation. Negative confirmation was not known fully to the examinees. The majority failed to state that the negative confirmation is considered by the auditor where large number of small balances are involved and a substantial number of errors are not expected to occur. **(c) Criteria used by external auditor for assessing**



**the internal audit function:** Part (c) was attempted by majority and generally they were able to come up with the criteria for assessment of internal audit function, however, in many cases it appeared that the answer was based on the general understanding and not the specific knowledge of the relevant professional material. Examinees were well versed with role of internal audit regarding organization structure, and scope of its functions. However, technical competence and due professional care were not spelled out clearly by the majority.

#### **Question No.4**

The question has five parts and all of these parts were supposed to test very basic knowledge and understanding of the examinees. However, most of the examinees failed to meet the professional standard. Varying performance has been observed in all parts of the question. Part (a) is on “**segment information**” and was skipped by most of the examinees and among those who attempted this part hardly any one could give the correct answer. Part (b) is on “**sampling risk**” and was correctly attempted by mostly examinees. Interestingly, a large number of examinees failed to attempt the part (c) of the question on “**financial statement assertions**”, which is considered to be the fundamental concept for a student of external auditing. Either the list of such assertions was incomplete or contained irrelevant material. The performance in part (d) on “**analytical procedures**” was not completely understood by the examinees as most of them repeatedly put on stress on calculation of significance ratios and trends but they failed to mention the related investigative steps required to answer the questions (raised by the ratios and trends) in order to complete the investigative procedure. The performance in part (e) on “**components of audit risk**” was up to the mark, however, few could not even explain the various components of the audit risk.

#### **Question No.5**

**(a) Procedures followed by the auditors:** Mostly examinees had the problems of comprehending the requirements of the question and mostly examinees answered the question in very general terms and failed to come up with specific answers. For example the discussions were generally covering the subsequent events as a whole rather than focusing only on one aspect of dealing with such events which occur during the period from the date of the financial statements to the date of auditor’s report. **(b) Matters considered by the auditor to modify his report:** A large number of the examinees were unable to highlight the matters which can lead the auditor to modify his report. Instead of answering the question in the light of professional standards dealing with such matters, a fairly large number of examinees has drawn up their own list of such matters which was again not organized professionally. This was perhaps one of the most confusing topic for the examinees. They failed to state matters that do affect the auditor’s opinion on the financial statements, the auditor issues qualified, disclaimer, or an adverse opinion on the subject.

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

**(a) Objectives of quality control policies:** Professional requirements, skills and competence, assignment, delegation and acceptance and retention of clients were fairly explained by the examinees. **(b) Matters prescribed by ISA 300 for developing the overall audit plan:** This part of the question was not satisfactorily answered as the majority failed to comprehend what was asked in the question. Common mistakes noted related to how the knowledge related to the entity is ascertained, and risk and materiality levels are set.

**EXAMINERS' COMMENTS  
SPRING (SUMMER) 2008 EXAMINATIONS**

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

**Question No.2**

- (a) required the explanation of the necessity to consider the behavioral consequences of the application while designing a management accounting system. Performance of the students remained average. They discussed the matter based on their general knowledge. They could have obtained more marks had they discussed it logically and relevantly.
- (b) requirement of this part was an explanation of the potential behavioral issues that may arise in the application of performance monitoring, budgeting and transfer pricing as well as suggestions as to how these problems could be overcome. The students attempted this part poorly. They lacked clear understanding of the topic. Most of them explained the process of budget planning and related matters rather than discussing the behavioral issues involved in performance monitoring, budgeting and transfer pricing.

**Question No.3**

- (a) Distinction among financial, operational and management internal auditing and explanation of the form of auditing required under company law.**

Despite the simple nature of the question, the examinees performed unsatisfactorily. In most cases, they had no idea as to what makes various types of auditing distinct from each other. They need a better understanding of the roles played by different auditors.

- (b) Definition of Value for Money (VFM) and its relevance to 3 Es.**

It was an easy question. The students took full advantage of the opportunity and gained easy marks.

- (c) In relation to two proposals: (i) Calculation of the expected profit, (ii) Calculations of the critical values for different variables and (iii) Discussion of the factors relevant in making a choice between the two products.**

(i) and (ii) involved simple calculations and provided a good chance to the students to gain easy marks. They did avail the opportunity. Part (iii) required a discussion of the important points that required consideration at the time of making a decision as to which of the two products should be produced. The students were not well prepared for the task. Their answers lacked logic and relevance. The examinees, however, got pass marks for part (c) due to easy marks obtained for (i) & (ii) of this part.

**Question No-4**

- (a) Listing of Cost Audit procedures adopted for Vegetable Ghee Industry.**

This was an easy question. The examinees were required to mention details of different steps involved in cost audit of vegetable ghee industry, verification of the evidences for each of the procedure and issuance of report to the management. The performance of the students was satisfactory.

- (b) Description of the methods of valuing by-products.**

It was also a straightforward question requiring a description of methods of valuation of by-products. These methods include (i) other income method, (ii) total sale less total cost and (iii) net realizable value method etc. As expected the performance of the students was generally satisfactory and most of them succeeded in gaining pass marks.

- (c) Calculation of residual income before and after the investment.**

It entailed simple calculations and proved to be a high-scoring part.

**Question No.5**

**(a) Listing out the provision of Para 14 of appendix III of Companies (Audit of Cost Accounts) Rules, 1998.**

The students, in most cases, could not attempt this part properly. Most of them explained the methods of obtaining audit evidences. The majority failed to mention the exact provisions.

**(b) Description of possible advantages for control function under Standard Costing System.**

Most of the students had no understanding of the standard costing system and hence, their answers were irrelevant. Their performance in this part was quite poor.

**(c) Calculations of capacity ratio, activity ratio and efficiency ratio and their inter-relationship.**

This part required simple calculations and provided a good opportunity to the students to improve their aggregate marks. As expected they did not disappoint and grabbed the opportunity with both hands.

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**EXAMINERS' COMMENTS  
SPRING (SUMMER) 2008 EXAMINATIONS**

**MARKETING MANAGEMENT  
Professional-IV**

**Question No.2**

**(a) Five major decisions (Five Ms):** Five major decisions (5Ms) of marketing such as mission, money, message, media and measurement were not discussed properly by majority of the examinees. **(b) Legal constraints that may affect promotion policy of an organization:** Logical constraints affecting promotion policy of a company were also not understood. There are many laws in order to protect rights of consumers / competitors against fraudulent claims and deceptive & unfair practices, information and trade regulation.

**Question No.3**

**(a) Five elements which shape company's mission:** Most examinees confused it with statement and description of mission and objective statements. Only few replied it correctly, that elements include history of the company such as aims, policies and achievements, current preference of the management and users, environmental factors influence the organization mission, organization's resources, organization choice to distinctive competencies. **(b) The channel objectives, each producer faces constrains stemming from (i) products (ii) intermediary (iii) competitors (iv) company (v) the environment and (vi) the level of service:** Although channel objectives a descriptive question, examinees failed to understand the question. Perishable items do not require any channel activity. Similarly, in the discussion pertaining to environment, focus has been on cost reduction at the time of depression, but examinees were misled to the points relating to environment protection. Majority could not explain each point to the desired level. Most of the explanations given were superficial.

**Question No.4**

**(a) Major social factors which influence a consumer's behaviour:** Those without background of consumer behaviour have relied on stereotyped statement like 'studying major social factor is very important to influence consumer's behaviour. Tit bit writing, doing one part here and other at the end has created bad impression of the examinees. **(b) Four major segmentation variables for consumer market:** Geographic and demographic segmentation has been done correctly. But in case of psychographic and behavioural segmentation, they appeared quite mixed up.

**Question No.5**

**(a) Six categories of New Product:** In question regarding six categories of new products, examinees were generally misled toward stages of development of a product rather than explaining six categories of new product such as new-to-the world product, rename the product, addition to existing product line, improvement and revisions of existing product, repositioning of product, and cost reduction etc. **(b) Marketing Information System (MIS) / Components of modern MIS:** Definitions were not properly spelled out. Company's internal records are the most important part of MIS, but examinees have mostly skipped it.