

Examiners' Comments

Executive Level Examination – March 2015

Financial Accounting and Reporting Fundamentals (KE1)

Question 01

- (a) This is a multiple choice question with 10 parts. A fair number of candidates have obtained full marks for this part of the question.
- (b) Part (b) has 10 questions which require short answers. Other than 1.13 and 1.14, all the other questions were satisfactorily understood by the candidates. The presentation of the answers is on average level. Except for the question on inventory, 1.19, candidates have presented well organized answers for other questions.

Most of the candidates were not well aware about connected stakeholders, current liability classification and finance lease classification criteria and showed a poor performance.

Instances were observed where candidates have wasted their time by writing paragraphs for some questions where the examiner expected very short answers. Candidates must concentrate on the marks allocated to a question and the time should be allocated accordingly. Some candidates have not given workings and only the final figure was given. Therefore the examiner could not give marks to the correct figures in the grand total. Candidates are requested to have a clear understanding of SLFRS/LKAS and show all relevant workings clearly. Neatness is very important.

Question 02

The majority of the candidates has understood the question well, except the adjustment referred to in part 2 (negative factors). Around 80% of the candidates who attempted the question have provided fairly good answers. Some candidates mistakenly have made debit entries instead of credit entries which is a fundamental error and lost marks.

Further the candidates should pay attention to the action verbs. Otherwise the answer given by the candidate will not be the answer expected by the examiner.

Majority of the candidates have not given correct answers to part 3 of this question. Most of them have written long answers but the important points that should be included in the answer were omitted. This resulted in losing marks and wasting time too.

Many candidates faced difficulty in the partners' salary adjustment and as a result they could not obtain the full marks.

Question 03

This question is a straightforward question. The majority of the candidates performed well. A good number of candidates scored full marks.

Some candidates had passed correction entries not to the cash book but to the bank reconciliation statement. The question required candidates to start the bank reconciliation statement from the closing balance but some candidates have started from the opening balance.

Generally bank reconciliation should involve adjustment for unrealized deposits and un-presented cheques. Other entries should go through the cash book. However a considerable number of candidates have not clearly understood this principle.

Question 04

This question was on making error correction. This was a fairly easy exercise to most of the candidates. Most of the students have attempted this question and earned good marks.

Most of the students have given the correct format and relevant answers to the question even though they had different formats for profit reconciliation. Most of answers were relevant. However some candidates have correctly identified the journal entries to be passed but have not correctly adjusted those entries to the profit reconciliation.

Knowledge of the self-balancing ledger method is very relevant for questions of this nature. Without having the required knowledge and practice on the same type of questions it may be difficult to tackle the question correctly. Candidates have demonstrated their skills in this area very satisfactorily.

This question has been well designed to check the knowledge of candidates on error corrections and to adjust the impact of the change on the profit.

Question 05

Candidates have properly understood the question. This question was very straight forward and easy. Almost all the candidates have selected this optional question and got the maximum marks.

Question 06

Most of the candidates were able to understand the question properly and they were able to indicate high knowledge on the preparation of final accounts by obtaining high marks and majority of the candidates were able to present their answer properly by providing reference to the appropriate workings. However a few candidates were unable to present their answer properly as they had not provided clear workings for the computations.

The subject knowledge of the students was at a satisfactory level. However there were some common mistakes made by students in some areas such as:

- Accounting for inventory loss on fire
- Accounting for insurance receivable
- Computations of cost of sales

A considerable number of students had gone wrong in computing the depreciation for office equipment. It indicates a problem of understanding the question by the students.

A few candidates were unable to build up a quality answer. Instead they tended to write down an answer only as a figure without giving proper supporting workings. Lack of workings leads to difficulty in identifying what was done by the candidates as an adjustment. Therefore in that kind of situation there is a possibility of students losing marks.

A few answers were found indicating lack of knowledge about the following:

- The computation of the cost of sales – Goods issued free and stock loss were not adjusted.
- The valuation of inventory – Most of the students lacked knowledge of inventory valuation and had deducted sample issues & stock loss from closing stock. The cost of the inventory as at 31 December 2014 is given, therefore stock losses (that happened in November 2014) and cost of sample issues need not be adjusted.
- Insurance prepayment – Most of the students either had not accounted or accounted as accrual.

Doing more examples within the class room will improve the presentation & students' understanding about these adjustments.

This question checked candidates' knowledge of statements of financial position, comprehensive income & changes in equity. It also facilitated the checking of the students' overall understanding. It is observed that the adjustments given in the question are simple and very easy.

Management Accounting Information (KE2)

Question 01

General comments

This is a two part question. Part (a) consisting of 10 multiple choice questions, (MCQs), tests the basic concepts /applications of Costing (4 questions), Mathematics and Statistics (6 questions). Candidates` performance in this part was very varied.

Part (b) consisting of 10 short answers questions, tests the basic concepts/applications of costing (1 question), inventory control (4 questions) and mathematics (5 questions). Candidates` performance in this part also differed widely.

Part (a)

Specific comments

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- 1.1. Only around 25% of the candidates had given the correct answer, 25% of the candidates had given the incorrect answer (i) (all direct costs are variable), another 50% of the candidates had given the incorrect answer (ii) that variable costs are controllable whereas fixed costs are not.
- 1.2. Only around 40% of the candidates had given the correct answer. Majority of the candidates had incorrectly considered the graph (iv.) to be correct.
- 1.3. Only around 10% of the candidates had given the correct answer. It is apparent that candidates are not sufficiently knowledgeable in the calculation of mean and standard deviation of grouped data.
- 1.4. Only around 25% of the candidates had given the correct answer. The candidates are not sufficiently knowledgeable to interpret expenditure, consumption and price levels in mathematical terms.
- 1.5. Only around 40% of the candidates had given the correct answer. The majority of the candidates had made the mistakes of selecting the answer (c) as giving the highest effective discount.
- 1.6. Correctly answered by the majority of the candidates.
- 1.7. Only 5% of the candidates had given the correct answer (c). 75% had stated that (b) is correct.
- 1.8. Only 5% of the candidates had given the correct answer (d). It is apparent that candidates are weak in interest calculations (effective interest rate, amortised interest income, market interest rate).
- 1.9. Only 5% of the candidates had given the correct answer (a) with 50% of the candidates stating that all the statements ((i) to (iii)) are correct.
- 1.10. 50% of the candidates had answered the question correctly, 25% had incorrectly stated answer (i) as correct.

Part (b)

Specific comments

- 1.11 Satisfactorily answered by the majority of the candidates. However a few had given a cost element instead of a cost driver.
- 1.12. Many had not attempted this question; only a few candidates had correctly calculated the present value. Some had incorrectly applied the formula, $1,000 \left(\frac{1.1^{15} - 1}{0.1} \right)$ showing candidates' weakness in basic mathematics
- 1.13. As in 1.12 only a few had answered correctly indicating the general weakness of the candidates in discounting cash flows/present value calculations. Only a few candidates had realized that the calculation is a two stage process (i.e.) calculating the present value of the pension and then calculating the annual instalment payable for 30 years.
- 1.14. Many had just indicated whether the costs are relevant or not without a corresponding justification of their answer.
- 1.15. Satisfactorily answered by the majority of the candidates. A few had erred in applying the formulae.
- 1.16. Many could not identify the maximum/minimum values of the variables to calculate the maximum and minimum profit. Many had calculated the maximum error to be the difference between maximum and minimum profit.
- 1.17. Many could not draw up the correct total cost equation. Some had tried to equate $MR=MC$ instead of $TR=TC$ not realizing $MR=MC$ does not give the breakeven point. Some had made mistakes when solving the $TR-TC = 0$ equation.
- 1.18. Satisfactorily answered by the majority of the candidates.
- 1.19 Many could not calculate the mark-up. Some could not proceed beyond calculations of the display price-discount-sales tax = 836.
- 1.20. Many had given acceptable answers to this part.

Question 02

General comments

This question scored the highest average mark on the paper. This is a two part question on process costing requiring the candidates to calculate the normal loss and abnormal loss (part (i)) and preparation of a statement of equivalent units.

Specific comments

Part (i)

Mistakes made by the candidates were (i) incorrect calculation of normal loss by taking into account the 500 semi-finished goods at the beginning of February, $(20,000 + 500) 5\% = 1,025 = N$ loss (ii) incorrect calculation of abnormal loss, $(20,000 + 500 - 300) 5\% - 1,000 = 10$.

Part (ii)

Mistakes made by the candidates were;

- (i) Considering the opening stock for calculation of equivalent units.
- (ii) Considering the normal loss in preparing the statement of equivalent units.
- (iii) Closing semi-finished goods – 60% not taken under conversion costs and entire 300 units taken.
- (iv) Units completed taken as 19,500 or 20,000 and not the correct amount of 19,000.

Question 03

General comments

- (a) In general many candidates have not grasped the concepts of marginal and absorption costing in relation to their identification or meaning, analysis and presentation.
- (b) Submission of workings/computations.

The candidates who compute figures on the calculator may make an error which could result in an incorrect result. Therefore the marking examiner may find it difficult to check their correctness in the absence of the working sheets. Candidates are advised to show such computations in the working sheets.

- (c) The candidates' handwriting should be legible to the marking examiner particularly when it is a descriptive answer.

Specific comments

- (1)
 - (a) Some candidates have worked this part of the sum directly calculating cost of sales for 90,000 units rather than considering opening and closing stocks along with the production cost. In arriving at the cost of sales directly, some candidates have considered 100,000 instead of 90,000 units, which is conceptually incorrect. This basically indicates that the candidates have not understood the accounting treatment that should be met in arriving at the cost of sales.
 - (b) Some candidates have not understood the concept of contribution in accounting which is a basic concept useful in financial analysis.
 - (c) Candidates need to understand as to where they should charge variable production overhead and variable selling and distribution overheads in presenting financial statements under marginal costing.

- (d) The majority of the candidates have not computed the under/(over) absorption cost of fixed production OH. As a result, answers submitted for part one as well as for the part 3 are incomplete.
- (e) Many candidates were not aware how to apportion the FOH costs on a time basis. As such a full year's cost has been charged in the financial statements prepared under absorption costing thus losing one mark overall out of the ten marks allotted.
- (2) Candidates should explain the distinction between profits under absorption costing and under marginal costing in a rational, analytical and sequential manner. It is indeed necessary to explain the basics of the two costing methods, how it affects the stock valuation with the resultant effect on the profits.
- The majority has not built the answer in the above manner. Nevertheless it was observed that some candidates knew the process, but did not present it in an acceptable manner.
- (3) Many have failed to reconcile the resultant profit computed under the two concepts. Candidates need to be aware that it is the difference in methods of stock valuation under the two costing concepts that has contributed towards the difference in profits.

Question 04

General comments

This question has the second lowest average marks on the paper.

Less than 5 marks	-	70%
Between 06 – 09 marks	-	20%
10 marks	-	10%

This is a two parts question testing the candidates' understanding of the investment appraisal principles and application.

In part (i), candidates are required to calculate the NPV of the given project and interpret the results. Part (ii), requires the candidates to explain the advantage of using NPV vis-à-vis payback period method.

Specific comments

Mistakes made by the candidates were;

- (i) Taking the import cost for 20 vehicles, but hiring income and running cost only for one vehicle in drawing up the cash flow.
- (ii) Working out the cash flow ignoring the year 0.
- (iii) Mistakes in working out IRR and payback period.
- (iv) Confusing Rs. 000's with Rs. Millions.
- (v) Using the wrong discount rate/values.
- (vi) Only a few candidates gave 3 advantages of NPV correctly.

Question 05

General comments

This question had the lowest average marks on the paper and, in general, was done very badly indeed. Only 5% of the candidates had attempted the question.

The question requires the candidates to draw-up the algebraic equation for revenue (r) by using the variables volume (v) and price (p) of the harvested timber and calculate the age of the tree (t) which yields the maximum revenue, both (v) and (p) being functions of (t).

Specific comments

Candidates could not draw up the revenue function, probably due to not realizing it is volume x price. Some had tried to get the maximum value for v which is incorrect as price is also a variable.

Question 06

General comments

The candidates' answers to this question were varied. While some candidates had provided good answers, some candidates' answers were not satisfactory.

This was a four parts question which tested the candidates' knowledge of flexible budgeting, variance analysis and responsibility accounting.

Part (1) of the question required candidates to prepare a revised budgetary control statement using flexible budgeting at the actual activity level. In part (2) candidates were required to discuss the usefulness of flexible budgeting in relation to the scenario in the question.

Part (3) tested the candidate's knowledge of variance analysis. In part (4), candidates were required to explain the importance to the production manager of analyzing the material variance into price and usage variances.

Specific comments

In part (1), a significant number of candidates failed to realise that fixed overheads wouldn't change with the change in the activity level.

Some candidates had calculated the variances between the original budget and actual, instead of the variances between the flexed budget and actual and some candidates had calculated only the flexed budget without the variances.

In part (2), many candidates had discussed the usefulness of flexible budgeting without relating it to the given scenario. Some candidates had discussed flexible budgeting without discussing the usefulness of flexible budgeting.

In part (3), most of the candidates calculated the fixed overhead expenditure variance correctly. A few candidates had obtained full marks in part (3) (i), when calculating material price variance. Some candidates had calculated the standard price of chemical x and liquid y by dividing the budgeted material cost amounting to Rs. 2.7m and Rs. 2.6m respectively, by 100,000 units instead of standard consumption of materials at 100,000 units (45,000kg and 65,000kg for chemical x and liquid y respectively). Further, when calculating the actual price, actual direct material cost was not divided by the actual consumption of materials but by the actual units produced, by some of the candidates. In calculating material usage variance in 3(ii), some candidates had used standard usage of full capacity (45,000 kg and 65,000 kg for chemical x and liquid y respectively) instead of standard usage at actual capacity (31,500 kg and 45,500 kg for chemical x and liquid y respectively). In calculating standard direct labour in 3 (iii), some candidates had divided the budgeted direct labour cost of Rs. 900,000 by 100,000 units instead of 5,000 hours (the budgeted direct labour hours at full capacity).

In part (4), majority of the candidates failed to recognise that controlling the price variance is the responsibility of the purchasing manager and that the production manager is responsible only for the deviation in usage of materials. Some candidates hadn't adequately explained the importance of analyzing the material variance into price variance and usage variance, making only general comments.

Fundamentals of Taxation & Law (KE3)

Part A

Taxation

Question 01

(a) General comments

This is a multiple choice question requiring candidates to choose the most appropriate answer out of four (04) given options.

The question tested candidates' knowledge in the following areas of taxation;

- Principles of taxation e.g. equity, progressivity.
- Tax administration – e.g.
 - (i) due date for submission of income tax return.
 - (ii) due date for remitting PAYE deductions to CGIR.
 - (iii) threshold for registration for Value Added Tax (VAT) and Nation Building Tax (NBT) for certain special cases.

Specific comments

It was apparent from the answers that a good number of candidates have adopted 'guess-work' strategy.

E.g. (i) Part 1.1. – a good no. of candidates mentioned option D which is 30th of September 2014.

(ii) Part 1.2. – a good no. of candidates mentioned option 'A' which is equity.

The answers to part 1.5 were extremely poor. A few candidates mentioned the answer options in numerals (1,2,3,4) instead of alphabets (A, B, C, D).

(b) General comments

The question required candidates to provide short answers/calculations to five (5) questions with attention given to action verbs.

1.6 required candidates to compute the balance tax payable/ (refund due). The question included the effect of the following items on the computation.

- PAYE deducted by employer.
- Self-assessment payment.
- Interest and dividend received after deducting withholding taxes.

1.7. required candidates to calculate partnership tax payable.

1.8. required candidates to state the tax rate applicable to a company which is a subsidiary of another company with justification.

- 1.9. required candidates to list two (02) excepted articles specified in the schedule to the Nation Building Tax Act.
- 1.10. required candidates to explain the difference between zero rated supplies and exempt supplies with regard to the Value Added Tax.

Specific comments

Part 1.6 to part 1.10

Most candidates made a good attempt at this question. Majority of the candidates scored over 50% of the allocated marks.

The undermentioned shortcomings are noteworthy.

- Improper reading of the question.
 - E.g. (i) In part 1.6, a good number of candidates treated the gross income tax liability as employment income and computed their own income tax liability. This is a colossal waste of exam time.
 - (ii) In part 1.9 a good number of candidates listed services instead of articles.
- Lack of subject knowledge
 - E.g. (i) In part 1.6 a significant number of candidates were not aware that withholding tax on interest and dividend income is the final tax on such income and that no tax credit can be claimed against income tax payable in respect of such withholding tax.
 - (ii) In part 1.7, a good number of candidates omitted real income in computing the partnership tax. Further, some candidates applied erroneous rates (10% and 12%) and some even applied the progressive taxation applicable to individuals. Further, a few candidates failed to claim the tax free allowance of Rs. 1,000,000 or erroneously claimed Rs. 600,000.
 - (iii) In part 1.9, a few candidates mentioned birth certificate and business registration certificate as excepted articles.
 - (iv) In part 1.8, only a very few candidates knew that a member of a group company (e.g. subsidiary) is taxed at the normal corporate tax (18%) irrespective of the quantum of turnover or profits.

Question 02

General comments

This question requires candidates to:-

(i) Calculate the gross income tax liability of a resident individual for the year of assessment 2013/2014. The question included calculation of statutory income from the following sources:-

- Employment. This included calculation of ;-
 - Vehicle benefit for personal use.
 - Entertainment benefit.
 - Tax benefit of reimbursement of private telephone bills.
- Dividend received after deduction of withholding tax.
- Profit arising from sale of listed shares.
- Income from letting an apartment to a company.
- Professional income (this included an adjustment of net income).

The question also included identification of items deductible under section 32 and qualifying payments relief under section 34.

(ii) Identify tax credits.

(iii) Calculate balance tax payable/refund due.

Specific comments

Majority of the candidates made a good attempt at this question. There were some excellent answers securing over 80% of the allocated marks. Most candidates displayed excellent skills in the presentation, and identification of the statutory contents of an income tax computation of a resident individual. They demonstrated sound knowledge in:-

- Identifying various benefits and receipts taxable under employment income.
- Identifying the statutory income from different sources.
- Identifying allowable/disallowable items under s.25 and s.26 of Inland Revenue Act.
- Identifying deductions under s.32.
- Claiming qualifying payment relief under s.34.
- Applying progressive tax rates.
- Claiming tax credits.

Where mistakes were made, they generally related to:-

Employment income

- Improper reading of the question:-
 - * salary - monthly salary incorrectly taken as annual salary.
 - * allowances (vehicle and entertainment) – monthly allowance erroneously taken as paid for the whole year.

- Lack of subject knowledge:-
 - * employment allowance – a good number of candidates were not aware that this is a qualifying payment under section 34 with effect from year of assessment 2013/14.
 - * deductions under s.32 and s.34 – only a very few candidates mentioned that these deductions are permissible only against sources of income other than employment.

Professional income

- A few candidates commenced from total revenue (turnover) for the purpose of computing the adjusted income. This is a waste of valuable exam time earning no extra marks.
- Applying erroneous depreciation allowance rates.

Qualifying payments.

Capital repayment of housing loan and contributions to EPF – these payments are not eligible for relief for the year of assessment 2013/14. A good number of candidates failed to mention this fact. Candidates should display their knowledge to earn marks. Silence does not amount to an answer.

Errors of principle

The undermentioned errors of principle committed by a good number of candidates are serious in nature.

- Claiming s.32 deduction under s.34 (qualifying payments) e.g. interest paid on housing loan.
- Claiming tax-free allowance under s.32.
- Deducting tax credits, from taxable income instead of gross income tax payable. E.g. PAYE, self-assessment payments.

Part B

Legal Fundamentals

Question 01

- (a) For the first time, part (b) of the KE level paper carried multiple choice questions. The majority had scored 6-8 marks out of 10 while a fair percentage had scored the total 10 marks. Many candidates had failed to understand that the only incorrect statement given under 1.3 is (b). Presentment of the bill is not dispensed with just because the holder of the bill believes that the bill will be dishonoured on presentment.

Also some others had failed to understand that delegation of authority by an agent is not a duty of an agent. Hence the agent is not expected to delegate the authority given by the principal (1.4) to another person. Further a few others had not realized that the Prevention of Money Laundering Act does not apply to any act of money laundering outside Sri Lanka whether it is done by a Sri Lanka resident person or non-resident person as the Act cannot be enforced in any other country and could be enforced only within Sri Lanka (1.5). There were a few others who were not aware that a contract of sale can be formulated not only in writing but also verbally or in some other manner (1.2). A handful of candidates did not know that only the Supreme Court has the jurisdiction to hear a fundamental rights case in Sri Lanka. There were candidates who were not familiar with the correct answers and marked answers at random expecting some marks as a matter of chance.

- (b) In part (b) of the question too there were 5 parts where the candidates were expected to furnish short answers to all 5 parts of the question. By these questions also only the very basic knowledge of legal principles was tested. In this particular question paper certain relevant areas like the regulatory role and main functions of the ICASL, 4 main essential requirements to form a legally binding contract, 4 main characteristics of a negotiable instrument main differences between a contract of insurance and a wagering contract, and 4 instances where an employee can withdraw the amounts lying to his/her credit in his/her EPF account, have been tested.

What could be observed is that areas tested are some topics which can be answered by an average accountancy student with his/her general knowledge provided they have some good background and practical experience as they gain sufficient knowledge in those subject areas while studying for accountancy examinations or undergoing practical training. However the answers furnished by the majority of the candidates were not up to expectations. A few examples of answers furnished by some candidates are quoted below.

- 1.6. The regulatory role and main functions of ICASL as stated by the candidates are;
- (a) “Supervisor of audit of various organisations and furnishing them with directors’ guidance for the audit”.

- (b) "Audit of government organisations such as corporation statutory bodies, government owned business undertakings and providing advice and structure on audits".
- (c) "Supervision of institutions coming under ICASL providing them with necessary directors/instructors etc."
- (d) "Registration of students holding examinations enrolment of members. Conducting of lecturers for the examination held by the Institute".
- (e) "Representing the institute international forums, accounting bodies and various other international accounting organisations".

1.7. Most had furnished acceptable answers which deserved good marks, as it is a very simple and practical question for any accountancy student. However there were a few who had furnished incorrect, irrelevant or incomplete answers for this straightforward question as they had not understood it properly. Some examples are;

- (a) "Contract should be in writing; there should be two parties to it. Contract is an agreement between two or more parties".
- (b) "The contract must be a legal contract" instead of saying the **object** of the contract should be legal.
- (c) "Invitation to trial is not a contract of offer but only an invitation to make an offer".
- (d) "In one party to the contract breach its conditions other party has remedies to recover the damages or to terminate/repudiate the contract".
- (e) Incomplete answers such as offer, acceptance, consideration without saying valid offer/acceptance and consideration come under what laws etc.

1.8. Only a handful of candidates had stated the main characteristics of a negotiable instrument as given in the Bill of Exchange Ordinance of 1927. The rest appeared to have only stated what they have heard about negotiable instruments indicating that they are not familiar with them. Accordingly some had given the following as main characteristics of a negotiable instrument.

- (a) "It is a legal document which is negotiable legally".
- (b) "It has a very high liquidity position and could be encashed at any time".
- (c) "Holder of the bill can called money at any time just delivering it to the drawee" as they have failed to realize that it should be matured.
- (d) "Ownership of the bill could be passed to any third party by delivering it at any time" (here again they have not appreciated the fact that it will apply only to bearer instruments and not to an order instrument).
- (e) "Holder of the bill takes it free of any defect in the title of his predecessors", as they are not aware this will apply only to a bona fide holder for value and not to a holder who has stolen it or received it in an improper way.

- 1.9 Many had given incorrect differences between a contract of insurance and a contract of wagering as they are not familiar with the difference between the two and had furnished answers such as;
- (a) "Contract on insurance is a legal contract but contract of wagering is an illegal contract" as they do not know that it is not an illegal contract, but a contract which cannot be enforced in a court of law.
 - (b) "Contract of insurance can be entered into only with an insurance company but wagering contracts could be entered with any company or person".
 - (c) "In insurance, insuree has to pay monthly/quarterly/annul premium but in wagering contract no premium has to be paid".
 - (d) "In a contract of insurance the policy holder can claim damages from insurance company but no damages could be claimed in a contract of wagering".
 - (e) "A party must have contractual capacity to enter into a contract of insurance and no contractual capacity will apply for wagering contracts".
- 1.10. A few candidates had furnished correct answers for this simple question whilst many had furnished incomplete answers which did not deserve a reasonable percentage of marks and many others had furnished incorrect answers and had wasted their time. It is a commonly known facts that EPF or any other retiring benefits could be collected at retirement after reaching retirement age and not on pre-mature retirement. However leaving the country for permanent residence in any other country, ceasing of the employment of females as a consequence of marriage, when an employee ceases to be employed under a covered employment i.e. one who is employed in a post with EPF contribution and takes up employment in government or local government with pension rights, are well known instances where an employee can withdraw the amounts lying to his/her credit in their EPF accounts.

But very many had furnished incomplete or incorrect answers as they are not sufficiently familiar with the relevant instances and had furnished answers such as;

- (a) If a female reaches the age of 50 or a male reaches the age of 55 they are entitled to withdraw EPF balances as they do not know that after attaining the said ages they have to retire or cease employment to qualify for withdrawal.
- (b) At the time of marriage. Here again they do not know that only females can withdraw EPF balances at the time of marriage provided that they are cease employment as a result of marriage.
- (c) If the employee changes his/her employment from one place to another place or business or the particular employer closes down business, as they are not aware that if an employee changes employment EPF will continue in the new employment till retirement after reaching the retiring age.

- (d) If the employee has to meet emergency medical, educational or some other urgent expenses the EPF balance could be withdrawn, as they are not aware that only if an employee ceases to be employed due to the reason of permanent and total incapacity for work or is certified as medically unfit and not otherwise.
- (e) An employee can withdraw the EPF balance once in 5 years when leaving one employer to take up another employment as they have confused ETF with EPF, and various other incomplete or incorrect answers.

Question 02

Another simple question based on termination of contract due to frustration and only a handful of candidates had furnished satisfactory answers explaining the relevant factors which should be present for a contract to be terminated due to frustration such as:

- (i) The event which leads to frustration of the contract is beyond the control of the parties.
- (ii) Even if the parties tried to perform the contract after the occurrence of the event which led to frustration it will be a completely new contract and not the original contract.
- (iii) The event for frustration occurred due to the fault of the parties to the contract.
- (iv) The destruction of the particular object which is necessary to perform the contract etc.

Considering the above facts since the subject matter of the contract has been destroyed the said contract is discharged due to frustration. Further they had explained that Alex is not entitled to claim damages from Melmon. The correct case law Taylor vs. Coldwell too had been quoted by them.

However the majority had failed to answer the question along these lines or they did not know as to how a contract is discharged due to frustration or had not read the question properly and they had focused their answers on incorrect/irrelevant matters and had explained areas like the following.

- (i) There was a contract between Melmon and Alex and the parties are bound by the contract.
- (ii) Since Melmon had not informed Alex in advance, if the contract is discharged due to frustration, Melmon is not liable to pay damages. Alex can claim damages from Melmon.
- (iii) There were some others who were not competent to explain under what circumstances a contract is terminated due to frustration had furnished some examples for frustration like natural disasters, acquisition of the subject matter by the government or some other authority, or death of any one party to the contract.
- (iv) Many others had repeated the question or the scenario given in the question instead of answering and wasted their time with no return for their pains.

- (v) Some others who are not familiar with the relevant case Taylor vs. Coldwell had furnished their own fabricated cases or their own decisions or some other cases which have nothing to do with frustration.

Question 03

A minor percentage of candidates had correctly identified that the scenario is based on an instant where a person sells a car who is not the actual owner and the rights of the innocent buyer for value and who later spent some money to modify the car. In this connection there are 3 main parties i.e. real owner, intermediary person who sells the car without proper title to it and the buyer who has paid the buying price and spent a further Rs. 200,000 for modifications.

A few candidates who had focused their answers on the above scenario had furnished some satisfactory answers which deserved reasonable marks. In their answers they had correctly discussed even matters like Alloy having been authorised by implication, suggestion or conduct of Moddy to sell the car, status of the title of the car that goes to Scrappy, when he has purchased it from a seller who had no title and not the true owner and rights of the true owner to get back possession of the car which was sold by a third party who had no legal ownership of the car. Since the ownership of the car still remains with the owner Alloy it is his liability to reimburse the cost incurred in modifying the car by Scrappy as the benefits on modification go with the car to the owner (Alloy). It is liability of the third person Moddy to refund the selling price of the car amounting to Rs. 500,000 to Scrappy since Moddy had no authority or ownership to sell the car, or he had no good title to the car to pass to the innocent buyer, indicating that they had correctly understood the question.

But a very high percentage of others had failed or were not competent to understand the question correctly along those lines and had confused their answers in various incorrect or irrelevant ways which are not relevant to the question.

Accordingly they had furnished some answers as follows;

- (i) Some had mixed up this incident with a principal/ agent transaction as they had failed to connect the scenario described to sale of goods by a person without having a legal title to the goods sold.
- (ii) Moddy's action in using the car for his personal travelling is a violation of the duty entrusted to him by Alloy to do some modification to car.
- (iii) Moddy had acted as an agent of Alloy under agency by necessity, therefore, Scrappy gets a good title to the car and Alloy has no right to take back possession of the car since it had been sold by the agent of Alloy.
- (iv) Scrappy cannot claim the cost incurred by him in modifying the car or the selling price paid to Moddy as there was no legally binding contracts between those 3 parties.
- (v) Some others had just stated yes/no for all 3 parts of the question without giving any reasons for their short answers or without giving the case law of Green Wood vs. Beneth or any other relevant case.

- (vi) A handful of candidates had quoted some other court cases which have nothing to do with the given scenario while some had quoted their own fabricated cases on the assumption that they would get some marks as a matter of chance.

Question 04

This too is a simple and straightforward question on duties of an agent to his principal. The majority had correctly understood the question and furnished some satisfactory answers. In comparison with other scenario questions, answers to this question were the best.

A very high percentage of candidates had dealt with the manner in which the agent has breached five of his duties (some had given even more than 5) towards his principal in discharging the agency contract and connected them to the given scenario. They had explained some relevant areas of duties breached by the agent including the following.

- (i) Duty to follow the instructions given by principal.
- (ii) Duty to apply special skill/knowledge he possesses as a professional carpenter.
- (iii) Duty to disclose all mentioned facts which were in his possession.
- (iv) Duty to exercise due diligence and care in discharging his duties as an agent.
- (v) Fiduciary duty to act in the best interest of his principal in fulfilling his duties as agent. Further they had connected these duties with the scenario given in the question and earned a very high percentage of marks.

However a few had not understood the question properly and had furnished some answers which were not appropriate for the question. In their answers they had dealt with some areas not connected to the question such as;

- (i) Types of agents-numerous ways in which an agency/ principal relationship could be formed.
- (ii) Breaching of some duties by an agent which are not connected to the scenario given in the question, though the question clearly asks to explain the manner in which Mr. Pentor (agent) has breached 5 duties, some had explained that Mr. Pentor would have earned some secret profit on this transaction, i.e. when principal wanted teak chairs he had supplied chairs made out of some low quality timber which he would have purchased at a lower price and earned some secret profit by billing them at a higher price.
- (iii) Principal has appointed the agent to purchase 100 chairs but he has delivered only (60) chairs, in spite of the fact that the question indicates the balance 40 chairs would be delivered in due course i.e. it states before receipt of balance 40 chairs, and had tried to explain that too as a breach of his duty.
- (iv) There were some others who had expressed the view that the agent has not mentioned proper accounts which is a duty of an agent and a few others had tried to connect recovers of commission by an agent although no commission is mentioned in the given scenario.
- (vi) A handful of others had tried to explain areas like subsequent ratification of contracts by the principal which were entered into by the agent on behalf of his principal, agency created by necessity, termination of agency by the principal, rights and obligation of the principal etc. and had wasted time.

Question 05

A question based on the Finance Leasing Act No. 56 of 2000 and the candidates were expected to discuss the legal status of the scenario given in the question and the remedies available to the lessor when the lessee failed to pay the instalments as agreed.

The majority had used the option to answer the first 3 questions i.e. 2, 3 and 4 out of the 4 optional questions and question no. 5 had been attempted by very few. It may be mainly due to the reason the first 3 questions are based on subject areas like law of contracts, sale of goods and law of agency which are familiar to the candidates as those areas are covered at almost all the basic levels in accountancy courses.

Some who had selected this question, failed to understand that this is a question on financial leasing and not general leasing. There were a handful of candidates who had correctly identified the question and furnished some satisfactory answers which deserved some reasonable marks. They have understood that when payments of lease instalments are not done as per the terms of the leasing agreement such arrears come under the category of “default of payment” as per the provisions of the Finance Lease Act. Also they had correctly explained the remedies available to the lessor in the event of payment of lease instalment such as;

- (i) To request the lessee to expedite the dues on lease instalments.
- (ii) If there is no response to such request, serving a notice by registered post indicating his intention to terminate/repudiate the lease agreement and if the lessee still fails to pay the dues the rights of the lessor to recover the leased asset by repossession with or without a court order or alternatively to recover damages in such a way that the position of the lessor is as if the lessee had not breached the conditions of the lease agreement. These answers indicate that they are familiar with the provisions of the Finance Leasing Act.

Other candidates who had attempted this question failed to understand the question and had furnished some answers which are not relevant. Some of the areas that they had dealt with are given below;

- (i) Some candidates had expressed the view that Cre Kett should cease further supplying of cricket gear since the payment of lease instalment has been defaulted.
- (ii) Legal ownership of cricket gear supplied to lessee will remain with lessor and it will pass to lessee only after the payment of the last instalment and hence the lessee Crazy Cricket Club has no ownership, as the candidates have failed to understand the first part of the question i.e. legality of the incident.
- (iii) Some others had expressed the view that Cre Kett has no authority to recover the leased asset or terminate/repudiate the contract just because only one instalment is in arrears and suggested a number of alternative actions that can be taken to recover the instalment from the lessee such as allowing a discount rescheduling the instalment payment by altering the lease agreement, charging penalty interest on instalment not paid and so on.

- (iv) Some others had tried to explain a sale transaction for which payment will be made subsequently in instalments and here for Cre Kett has no right to repossess the goods sold.

General

Candidates do not have the habit of reading the question properly before they start answering. What they do is to start answering the question just after only a glance and focus their answers incorrectly. As usual inability to express their views correctly specially in the English language and illegible handwriting are the common weaknesses that could be observed.

Processes, Assurance & Ethics (KE4)

General Comments

It is expected to check the ability to remember and comprehend at this level. Practical knowledge is not expected. The candidates have demonstrated that the performance in this subject at this examination has been very good compared with the previous examinations held in the past. This paper consisted of three sections. The first and third sections were compulsory. The candidates had to answer five questions.

Question 01

This consisted of two parts, ten multiple choice questions and ten short answer questions. Most of the candidates were able to score a minimum of thirty marks for question one. The question number 1b covered most of the syllabus, and many of the candidates performed well. There were few instances where poor answers were offered which demonstrated that such candidates have not studied the study text. Most of the candidates followed the action verbs and answered accordingly, but there were a few instances where candidates have wasted their time explaining when it was asked to state or list. Although the overall performance was good, in a few instances irrelevant answers were produced.

- (a) This was a multiple choice question and was answered well. It was observed that the questions 1, 2, 9 and 10 were not correctly answered by many candidates. This reflects that they have not studied the study text.
- (b) 1.11 The candidates were expected to state the three (03) stages of the risk management framework. Some have written irrelevant answers such as;
- Inherent risk
 - Detection risk
 - Control risk

Some have written the details of risk assessment, such as;

- Risk identification
 - Analysis and evaluation
- 1.12 The candidates were asked to list inherent limitations. Although the study text does not mention them as the inherent limitations, the candidates have written the following;
- Human error
 - Management override
 - Collusion
 - Cost exceeds benefits

Although the candidates obtained marks for the above mentioned items, the examiner expected the answers given in the study text, as those are the most important limitations.

- 1.13 The candidates were asked to identify three activities connected with setting up a petty cash system. This was very well answered.
- 1.14 The candidates were expected to list three reasons why the petty cash balance differs from the physical balance. Although this was answered well, some have written the same point in different ways, which was not treated as good complete answers.
- Paid and recorded incorrectly
 - Paid and not recorded
 - Received and not recorded
 - Received and recorded incorrectly
- 1.15 The candidates were asked to explain reasons for ineffective design of internal control. This was poorly answered. The candidates have not understood the question and written irrelevant answers such as;
- Internal controls not properly designed, not planned
 - Management is not competent
 - Not enough resources to establish controls
 - Management override
 - The cost is more
 - Human errors
- 1.16 The candidates were expected to state advantages of restricted access to the master file. This was answered well but there were some irrelevant answers such as;
- Virus attack
 - Copying data to another file
- 1.17 The candidates were expected to state three possible deficiencies in internal controls over the purchasing process. Many have answered well. There were certain irrelevant answers such as;
- High prices are paid for goods
 - Inferior goods are purchased
 - Bribes are taken to purchase from certain suppliers

The candidates who have written such answers have not understood the meaning of deficiencies in the internal control system. The above mentioned points are the outcome of certain internal control deficiencies.

- 1.18 The candidates were expected to state exceptional situations where the confidentiality requirement does not apply to professional accountants. This was well answered, but most have mentioned as a point the situation where the approval of the client is granted, the candidates were unaware that in certain circumstances, approval is only a formality.
- 1.19 The candidates were required to identify the three parties in an assurance engagement. Most of the candidates have answered well. Some have answered without using the exact terminology such as the auditor for practitioner, shareholders for the intended users and management for the responsible party. The candidates should get accustomed to using the correct terminology.
- 1.20 The candidates were asked to explain the areas that require professional judgement in an audit. Most of the candidates have written correct answers, but some have written irrelevant answers such as verification of debtors, cash, stocks and other assets.

Question 02.

This question was on processes. It carried four parts. The answers were generally good but there were only a small number who obtained 8 marks or above.

- 2.1 The candidates were expected to explain the importance of internal controls in an organisation. Internal control is an important process in an organisation. Candidates should concentrate more on such processes. Only a small number, less than 10% was able to write that when the controls are implemented they reduce the risks at the levels of processes and operations. The common answer was that it reduces frauds and errors. It reflects that their knowledge is limited in the area of internal control. Some candidates have wasted time by explaining the issues in the scenario.
- 2.2 The candidates were asked to discuss the importance of segregation of duties. The common answer was that it reduces the risks and frauds and enables the detection of errors and omissions. They were unable to explain how it happens; not even 10% mentioned that as one person's work is checked by another frauds and errors are detected. Most of the candidates have written about division of labour in economics and labour specialisation and argued that one person does only a part of the job and it increases the efficiency.
- 2.3 The candidates were asked to state two measures that management can take to ensure the physical safeguard of inventories. This was very well answered, but some have ignored the scenario which indicated that there are inadequate physical controls to prevent the threat of theft and written about measures to safeguard assets from accidents, deterioration and natural disasters.
- 2.4 The candidates were requested to state the objective of arithmetical and accounting controls. The scenario given was that differences have been noted between the sales ledger and the general ledger and reasons for such differences are not explained.

Most of the candidates have ignored the scenario and written that the objective of such controls is to have financial statements without any misstatements and to calculate net profit. Although it is not wrong it is not the answer the examiner expected. The candidates could have picked the answer from the scenario itself if they had used their common sense.

Question 03

This question consists of two parts. The first part was on audit evidence in relation to inventory balance. This was a combination of assurance with processes, on how the inventory process is being operated, and the auditor's role therein. It was requested to explain how inspection, observation and recalculation are used in obtaining audit evidence. It was observed that the overall knowledge of candidates about stock control is weak. They failed to link their answers to assertions.

Part 1- Inspection - Most of the candidates were unable to explain accurately how the existence of inventory, completeness of stock records, accuracy of the valuation, rights and obligation and the cut-off accounting to the correct period can be checked by inspecting the documents. Most of the candidates have written about inspection of the goods requisition, GRNs and Bin cards without linking to relevant assertions. Most of them have written that inspection is required to ensure the efficiency and effectiveness of the stores manager.

Observation - What was expected was how the auditor gathers audit evidence in order to ensure that stocks are stored properly and whether the process of inventory receipts and issues is carried out satisfactorily as stock in trade in any organisation plays a major role in financial statements. The weakness in the answers was that they have not linked their answer to assertions. The candidates have explained only about the observation of the stock verification.

Recalculation - Although it is expected recalculation will help to ensure the accuracy of the stock balance, most of the candidates have written about reconciliation of physical balance with the book balance. Some have written about recounting.

Part 2; What was expected was an explanation of the meaning of tests of controls. Although it was an easy question and candidates had only to write what the assessments are designed to evaluate effectiveness of internal controls introduced by the management in order to prevent misstatements at the assertion level, the performance of the candidates was poor.

Question 04

This question was on processes and expected to test the knowledge of the process of human resource management.

Part 1; The candidates were expected to explain the importance to the company of recording the attendance of its employees. Candidates demonstrated a poor knowledge, although the relevant information is available in the study text.

Most of the answers were incomplete and merely stated that it ensures payments are made only to those who have worked.

Part 2; This part was answered well.

Part 3; The candidates were expected to discuss how the HR Division contributes towards the preparation of the payroll. The candidates demonstrated a good knowledge of the HR Division, but they were unable to link the HR function to the salaries division.

Part 4; The candidates were expected to state the purpose of monthly payroll reconciliation. The question was poorly answered. The common answer was, to ensure correct salaries are paid. It reflected that the candidates could not think beyond that.

Question 05

This question was on ethics.

Part 1; The candidates were expected to explain reasons why ethical behaviour is important to the accountant in the given scenario. This was answered well but there were irrelevant answers such as;

- Financial statements will be free from misstatements
- Management will like the accountant
- It affects the financial crisis of the entity

Part 2. The candidates were expected to explain the type of threat .Most of the candidates answered well but there were some irrelevant answers such as;

- It affects integrity
 - Should not accept bonus
- Some have written about irrelevant threats such as self-review threat.

Part 3; The candidates were asked to state the safeguard available against the threat mentioned in part 2. Although some have answered well, some have written that Gihan should refrain from taking the bonus.

Part 4; This part was answered well.

Question 06

This question covered the procurement procedure and the function of the fixed asset register.

Part 1; The candidates were expected to explain how the management can control capital expenditure. There were few correct answers. Most have written irrelevant answers such as;

- Purchase effective assets
- Minimise or avoid capital expenditure
- Stop producing less profitable assets

Some have written “Follow proper procedure”, without giving the specific points. Some have not understood that the candidates were expected to write how to control the capital expenditure after taking the decision to construct the building.

Part 2; The candidates were expected to explain the necessary procedure in selecting a contractor. The candidates have written good answers but there were some irrelevant answers such as;

- Necessary approval should be obtained
- Consider to rent or lease
- Draw up a building plan

Part 3; The candidates were expected to explain the benefits of having a FA Register. This was answered well but there were also answers such as;

- Helps to identify assets not in use
- Helps to minimise cost of repairs
- Can compare the old price with the replacement price
- Identify unauthorised usage
- Identify obsolete items

Part 4; The candidates were expected to list data generally included in the FA Register. This was answered well. Some have also written correct points as a fifth item, but these were not considered as the answer was expected to list only four items.

Part 5; This was answered well.

Commercial Insight for Management (KE5)

Question 01

(a) General comments

Overall performance of the candidates was very good.

Students were required to choose the most appropriate answer out of four options in the MCQ questions.

Specific comments

Most of the students could not choose the correct answers for 1.7 and 1.10 i.e. Quantitative easing and concentrated marketing.

A fair number of students have chosen correct answers for the other MCQs.

(b) General comments

Overall performance of the candidates was satisfactory. The ten short answer questions carry 30 marks.

- 1.11 Requires to state 06 categories of resources utilized by businesses.
- 1.12 Requires to state nature of the goals giving an example.
- 1.13 Requires to list 03 basic economic questions.
- 1.14 Requires to explain the importance of analyzing the market behavior of individual consumers & firms.
- 1.15 Requires to state 03 factors that increase the bargaining power of customers.
- 1.16 Requires to identify the difference between nominal GNP and real GNP.
- 1.17 Requires to list 03 common money market instruments.
- 1.18 Requires to state 03 reasons as to why division of labour leads to efficiency.
- 1.19 Requires to explain the law of diminishing marginal return.
- 1.20 Requires to explain the importance of focusing on customer needs.

Specific comments

- 1.11 Some mentioned “information” as one of the 7 categories of resources.
- 1.12 Most of the students were inclined to a wrong view that goals are always short-term.
- 1.13 Almost all answered well. Only a few mentioned “How many to be produced” without mentioning “What is to be produced”.
- 1.14 Some ignored to explain that the analysis helps to decide how much to charge for a product
- 1.15 Some mentioned “income”, “satisfaction”, “culture” etc., as factors that increase the bargaining power of customers.

- 1.16 A few provided indirect answers. E.g. Nominal GNP is calculated based on monetary value.
- 1.17 Some incorrectly identified Treasury bonds as a money market instrument.
- 1.18 Some stated that production capacity will go up due to division of labour.
- 1.19 Some did not explain the law of marginal returns using the information given in the question.
- 1.20 Some explained the importance of focusing on customer needs as satisfying the customer without focusing on the profits of the organization.

Question 02

General comments

Overall performance of the candidates was not satisfactory.

- Part 1 Requires to state 03 major responsibilities of the CEO of the company.
- Part 2 Requires to explain the difference between line authority and staff authority giving examples.
- Part 3 Requires the explanation of the nature of functional authority.

Specific comments

- Part 1 CEO sets the vision for an organization as per some students, which earned no marks.
- Part 2 Some were of the wrong view that only Boards of Directors have line authority.
- Part 3 Functional authority of a Finance Manager is getting things done by his subordinates as per some students, which earned no marks.

Question 03

General comments

Overall performance of the candidates was not quite satisfactory.

- Part 1 Requires to explain 03 reasons why a high rate of inflation is considered to be harmful to any economy.
- Part 2 Requires to discuss government policy measures that can be implemented to control inflation.

Specific comments

- Part 1 - Some explained the impact on living condition which earned a few marks.
- A few very correctly explained the adverse impact on new investments, balance of payment etc.
- Part 2 - Some discussed the value of limit creation of money by the government which earned only a few marks.
- A few correctly mentioned the reducing of government expenditure, imposing higher taxation etc.

Question 04

General comments

Overall performance of the candidates was not very satisfactory.

- Part 1 - Requires to explain any two of the 4 activities namely, loading, sequencing, scheduling and monitoring & controlling.
- Part 2 - Requires to explain two types of internal economies of scale.
- Part 3 – Requires to explain the method of continuous flow production stating one advantage.

Specific comments

- Part 1 - Loading is the amount of work allocated to an operating unit. Nevertheless loading is enhancing capacity when demand exceeds supply, as per some students.
- Sequencing means that an arrangement of two or more things in a successive order. Some students just mentioned that once sequencing is done it is easy for scheduling which earned no marks.
 - Scheduling involves fixing the priorities for different jobs and deciding the starting and finishing time of each job. Some students stated that scheduling involves balancing of production and demand.
 - Monitoring and control is to ensure the work is proceeding as planned. If a deviation is shown, work needs to be re-scheduled. Some mentioned that controlling means minimizing the wastage which is not a complete answer.
- Part 2 Some students correctly categorized economies of scale under Technical, Managerial, Financial, Marketing & Social economies. Nevertheless some were unable to give examples. Some explained the question. E.g. when one is engaged in a particular job for long, the employee gets specialization and as a result economies of scale occurs, which earned no marks.

Question 05

General comments

Overall performance of the candidates was not quite satisfactory.

- Part 1- Requires to state who is an effective leader.
- Part 2- Requires to identify the challenging situation provided in the scenario.
- Part 3- Requires to identify key leadership qualities.

Specific comments

- Part 1- An effective leader is able to influence others to strive willingly for group objectives. But only a few mentioned this characteristic of an effective leader. Most of the students mentioned that foresightedness and interpersonal skills are necessary for a person to be an effective leader.
- Part 2- Most of the students correctly mentioned that identification of a suitable person within 2 weeks becomes a challenge.
- Part 3- Most of the students just identified qualities of a leader without relating their answer to the scenario given in the question.

Question 06

General comments

Overall performance was very good.

- 6.1 Requires to draw original demand and supply curves and to identify equilibrium price and quantity.
- 6.2 Requires to calculate the consumer surplus.
- 6.3 Requires to prepare new supply schedule and to draw the new supply curve.
- 6.4 Requires to identify new equilibrium price and calculate estimated decrease in the equilibrium price.
- 6.5 Requires to identify equilibrium market price prevailing after imposition of tariff and to calculate tariff.
- 6.6 Requires to identify the market structure stating 3 characteristics.

Specific comments

- 6.1 Most of the students ended up with the correct answers Rs. 100 and 300,000 MT as equilibrium price and quantity. But some were unable to draw correctly the demand and supply curves which resulted in incorrect answers being arrived at.
- 6.2 Most of the students correctly identified the relevant formula for consumer surplus. But a few ended up with a wrong answer due to calculation errors.
- 6.3 Almost all arrived at the correct new supply schedule. A few drew the new supply curve without the supply schedule being provided by which marks were lost.
- 6.4 Some arrived at Rs. 97/- and Rs. 3 as the new equilibrium price and decrease in the equilibrium price respectively. But a few had calculation errors and ended up with different figures.
- 6.5 In arriving at equilibrium price after tariff some deducted Rs. 1/- from Rs. 97/- rather than from Rs. 100/- and as a result the quantum of tariff also was incorrect.
- 6.6 Most of the students identified the structure as “perfect competitive” and came up with its characteristics. A few mentioned competitive Monopoly structure which earned no marks.