

## **Financial Reporting Framework – December 2013**

### **General overview**

The question paper consisted of eight (08) questions. The candidates were instructed to answer all questions. The allocated time for this paper is 3 hours and additional 15 minutes for reading and planning the answer. The examination was conducted as an open book examination and few nominated publications of CASL were permitted to bring to the examination hall. Students were allowed to use some books and publications for reference at the examination. Further a List of Action Verbs for Strategic Level - I & II is given with the question paper.

The all eight (08) questions in the paper have formulated in order to check students knowledge and their ability to apply Sri Lanka Financial Reporting Standards (SLFRS) and Lanka Accounting Standards (LKAS) in the process of preparation and presentation of Financial Statements. Questions were formulated covering of SLFRSs and LKASs, which commonly apply in preparation and presentation of Financial Statements.

This is a core area that an accountant should be very thorough on. Further this paper is the only paper that checks the knowledge and application of students on composite in the conceptual framework and the framework to the recognition, presentation and disclosure of accounting elements (SLFRSs and SLASs) of students.

Paper setters have formulated this question paper with due care on the above and endeavoured to maintain the level of standards of the examinations of the CASL and in par with other professional accounting bodies. However, as a whole, this time also the performance of the students in the examination were very poor. This may be due to various reasons such as lack of time to spend on reading and understanding a bulk of recommended text books etc. , proficiency in the English language, limited facilities available (fully depend on tutorials and CASL does not conduct lectures) and lack of experience in analysing, understanding and presenting the answers clearly and concisely with relevant technical words, which are compulsory to be put together in order to present a complete answer.

### **Question No. 1**

The paper setter has followed the same style of the previous examination giving ten (10) sub questions and required the students to comment whether the accounting treatments adopted meet the requirement of LKAS/SLFRS. Further it was required to make references to the relevant standards and its requirements. The students' knowledge on accounting standards and the application of them in preparation of financial statements were checked by this question. Total marks allocated were 30 and 3 marks for each part.

More than 50% of the candidates scored less than one half of the total marks allocated to the question. Answers were very poor and well below the accepted levels. It clearly showed that the students were not adequately prepared for this question.

Question was allocated 30 marks and it was the first question, almost all the students had attempted the question but spent their time without any gaining due to lack of planning. They had to sacrifice one or two other questions because of this reason.

Fair number of students had answered well for part (iii) on PPE. Majority of students were familiar with LKRS 16. A large number of students were very weak for part (i) Provision for Bad and Doubtful Dedts and Part (viii) Coporate Financoial Gurantee due to lack of knowledge of the relevant accounting standards. The students incorrectly interpreted the relevant standards as LKAS 37 for both these parts. No student stated that the applicable Standard is LKAS 39 and Trade Debtos are subject to impairment test. Similarly the Corporate Financial Gurantee would not be disclosed as contingencies. Its initial and subsequent measurement were not explained.

### **Question No. 2**

This question has two parts, (a) and (b). SLFRS for SMEs were checked by this question. Total marks allocated were 10.

Part (a) of the question formulated to check the students' ability to select entities that are fallen within the scope of SLFRS for SMEs. Fair number of students had attempted this question and written fairly a satisfactory answer. 02 marks were allocated to this part.

The part (b) required to explain the simplifications granted by SLFRS for SMEs for some 04 events/transactions. Each event/transaction was allocated 02 marks. Fair number of students had attempted this question and written fairly a satisfactory answer.

### **Question No. 3**

This question has two parts, (a) and (b). Mark allocation for the parts were 4 marks and 6 marks respectively. The students were requested to discuss the argument on accounting treatment for operating leases analysing the definition and redognition crireria of an asset in terms of conceptual framework and definition and recognition critetia as per LKAS 17. Basically the examiner had expected students to define asset definition , lease definition and to argue on it.

Fair number of students had attempted to this part of the question and could earn some marks. However if the students refered the Standard while sketching the answer, the full markes allocated could have been obtaind. The students need to be familiar with relevent Standards in order to select the correct sections for reference in an Open Book Examination.

Part (b) was on a sale and lease back of a building and the students were required to calculate the profit thereon and its treatment in the financial statements.

This part of the question is straight forward and the students were expected to calculate the profit of this transaction and the amount to be differ and amortised. However the performance of the students were not much satisfactory. The main reason for this would be the lack of understanding the question.

### **Question No. 4**

This question has two parts, (a) and (b)). Total marks allocated was 10. This question was based on SLFRS 36 – Borrowing Costs.

Almost all the students had attempted to this question but few were able to earn a reasonable marks.

Students those who were familiar with the relevant Standard and understood the question could earn a reasonable marks for this question. However the students could have been earned more marks for this question had they understood the question properly and written a short answer relevent to the question.

### **Question No. 5**

Question (a) was a direct question on SLFRS 37 – Impairment of Assets where the specific paragraphs of the standard were referred . Those who are familiar with the standard had given a reasonable answer. Most of the students had not gone through the SLFRS, which was with them at the examination, in order to present a good answer.

Part (b) and (c) of the question were answered by most of the students but only few had presented the answer logically with arguments.

Students need to be familiar with Standards in order to get the maximum benefit of an Open Book examination where they can refer relevant sections if they know the pages on which the standard is documented.

### **Question No. 6**

This question consists two parts (a) and (b).

Most of the students have satisfactorily attended to this question and obtained a reasonable marks.

### **Question No. 7**

Fair number of students had attempted this question but were unable to earn reasonable marks.

### **Question No. 8**

Some of the paragraphs of Code of Best Practice on Corporate Governance was tested in part (a) in this question. This was a direct question and was tested in recent examinatinns also. Almost all the students had earned reasonable marks for this question.

Except a few, the others could obtain satisfactory marks for this part.



**Strategic Management Accounting – December 2013**

**Question No.01**

**(1) What was good in answers**

Understanding the question:

Candidates had understood the requirements of the question, where they were required to evaluate the acceptability of the project of a dipping plant using net present value and the internal rate of return from the group's view point in part (a) and drawing a clearly labeled network diagram indicating the critical path and computing the project duration and total cost of installation in part (b) (i) well.

Position (quality) of the answer:

A majority of candidates' answers to part b (i), requiring the drawing of a network diagram indicating the critical path computing project duration and total cost of installations were excellent, many scoring full marks allocated for the section. In calculating the NPV of the projects, majority of the candidates recognized that the inter company's rent of Rs. 1.5m was the rent cost relevant to the project and that the product development cost of Rs. 0.4 m was a sunk cost. The outflows regarding the investment in machinery and inflow of residual value were correctly taken by almost all the candidates. Many candidates had calculated the IRR correctly and made correct recommendations based on their answer to NPV and IRR.

Answer relevant to the question:

The candidates answers were relevant to the question in evaluating the acceptability of the project using net present value and IRR from the group's viewpoint and drawing the network diagram indicating the critical path and computing the project duration.

Subject knowledge of the student:

Candidates knowledge of drawing a network diagram, identifying the critical path and computing the project duration, evaluating the acceptability of a project using NPV and IRR and the treatment of sunk costs were good.

Planning (building) the answer:

Candidates planning of answers in evaluating the acceptability of the project in part (a) and in part (b)(i) was good.

**What was bad in answers**

Understanding the question:

In part (a), where the candidates were required to explain the treatment of annual rent cost to be paid by HL to IEP, many candidates discussed about the Rs.1.5m that had to be paid by the subsidiary to a third party and some hadn't

identified that what were correctly taken by almost all the candidates.

Many candidates had calculated the IRR correctly and made correct recommendation based on their answers to NPV and IRR.

Position (quality) of the answer:

In part (a), when evaluating the acceptability of the project using NPV, a significant number of candidates' calculation of sales, labour, material and overheads were incorrect. Further, many candidates had used the real after tax WACC to discount the cash flow. Generally, part (b) (ii), where candidates had to advise the management whether to speed up the activities was not answered satisfactorily.

Answer relevant to the question:

In part (a), where the question required to explain the treatment of HL's annual rent of Rs. 1M, many candidates discussed about the sister company's Rs. 1.5M rent which was not relevant.

Subject knowledge of the student

In calculating the sales, material and labour costs, a significant number of candidates had inflated sales from years one to five by 5% only instead of a 5% increase year on year and inflated material and labour by 10% of the relevant year's figure only. E.g. year 5, the sales, material and labour according to a significant number of candidates answers amounted to Rs. 525M (500x1.05) Rs. 264M (240x1.1) and Rs. 49.5M (45x1.1). Further about half the number of candidates had discounted the cash flows using real after tax WACC, instead of nominal after tax WACC. A significant number of candidates had taken the interest payment to the cash flow, omitted the opportunity cost of the competitor's offer of Rs. 1M for the sale of technology from the cash flow and took the cumulative inflation adjusted working capital instead of the increase in working capital to the cash flow. In the tax computation, many candidates had calculated 12% of the assessable income and claimed tax losses thereafter, instead of claiming tax losses first and calculating 12% of the taxable income later for the tax payment.

Some candidates omitted the residual value of machinery from the tax computation, failed to deduct the Rs. 1M sent from the overheads and inflated sales material and labour from the second year onwards. In part (b) (i), in calculating the total cost of installation, some candidates had taken the cost of activities in the critical path only. Additional cost of installation for activities I and II were calculated only for one week by some candidates and some had expedited activity D which is not a critical activity. Savings on labour charges were not inflation adjusted by a majority of the candidates and many took

the real after tax WACC to discount the cash flows in part (b) (ii).

Effect to tax payment was not taken to the cash flow by a minority of the candidates. Few candidates took the accounting profit for tax computation.

Planning (building) the answer

Planning the answer to part (b) (ii) was generally not satisfactory. Some candidates had expedited activity D which is not a critical activity while some other candidates hadn't taken into account, the cost savings of the engineering team as a result of the reduction in project duration. Further some candidates failed to make recommendations after calculating the NPV and IRR in part (a) and increase or reduction in cost in part (b) (ii).

(2) **Common difficulties faced by students**

It seemed that the candidates hadn't adequately attempted to answer questions of a similar standard from past papers etc., as shown by the majority of the candidates not applying the inflation sales as required. Further, the subject knowledge of the candidates is not adequate, e.g. using real after tax WACC to discount cash flows, including interest in the cash flow.

(3) **Possible areas where majority made mistakes**

In calculating sales material, labor majority of the candidates didn't apply the inflation sales year on year. Around half the number of candidates had discounted cash flows using the real after tax WACC and taken the interest payment to cash flow. Many candidates had calculated 12% of assessable income and set off tax losses thereafter.

**Question No. 02**

(1) **What was good in answers?**

Understanding the question

This question was an optional. However majority of candidates attended the question. It was noted that many candidates attended all parts of the question. Around 20%-25% candidates got marks above 10 out of total 18 marks.

Position (quality) of the answer

Around 20%-25% answers were in good quality.

Answer relevant to the question:

Many candidates have answered part (a) and (b) of the question especially answers for part (a) and (c) were relevant answers given by many candidates.

Subject knowledge of the student:

Subject knowledge of the candidates seems reasonably fair.

Planning (building) the answer:

As mentioned above answers in part (a) were correctly done by most of the candidates.

(2) **What was bad in answers**

Understanding the question:	It was noted following weakness on understanding the question. <ul style="list-style-type: none"> <li>- Calculation of equivalent units, applying FIFO in price variance.</li> <li>- Application of standard output in calculation of variances.</li> </ul>
Position (quality) of the answer:	Specially answers for calculation of equivalent units, Application of standard outputs, were not quality answers.
Answer relevant to the question:	Part (c), i.e. calculation of price value by applying FIFO method was not relevant to the question in many answers.
Subject knowledge of the student:	Specially subject knowledge in preparation of equivalent units, calculation of price variances by FIFO method and calculation of other variances by using standard output were poor.
Planning (building) the answer:	It was very poor in identifying normal loss of input and calculating opening and closing WIP.

(3) **Common difficulties faced by the students**

Following common difficulties were noted faced by students.

- calculation of price variance (part c) using of FIFO
- calculation of opening & closing WIP.
- calculation of actual and material usage on mix and yield variance.

(4) **Possible areas where majority made mistakes**

- calculation of price variance (part c) using FIFO.
- calculation opening and closing WIP
- application of standard output in equivalent units and calculation of various mix a yield values.

**Question No. 03**

(1) **What was good in answers**

Understanding the question:	About 50% of the candidates properly understood the question.
Position (quality) of the answer:	Part A – Good.
Answer relevant to the question:	Part A – most of the answers were correct.
Subject knowledge of the student:	About 50% of the candidates have subject knowledge.
Planning (building) the answer:	Part A – Good.

### **What was bad in answers**

Understanding the question	Some candidates have disregarded the confectionary contribution and arrived at the answer for part A. Most of the candidates not identified the possible outcomes. 99% of the candidates has answered for the part (d)
Position (quality) of the answer:	Some candidates have used red pens, correction fluid and proper workings were not produced.
Answer relevant to the question:	For part (b) 94% of the answers were irrelevant.
Subject knowledge of the student:	About 5% of the candidates were not in a position to understand probability theory.
Planning (building) the answer:	About 15% of the candidates were not attempted to the question.

(2) **Common difficulties faced by the students**

Knowledge of the perfect information to be improved.

(3) **Possible areas where majority made mistakes**

Part (d) not answered by many candidates. Most of the candidates have deducted fixed cost Rs. 1,000,000 from expected combine income, instead of total income. E.g.  $5(300 \times 300) + (300 \times 2500)$   
 $6 \times 0.15 = 126,000 - 1,000,000 - (874,000)$  loss.

### **Question No. 04**

(1) **What was good in answers**

Understanding the question:	Most of the candidates understood the question properly.
Position (quality) of the answer:	Most of the candidates provided quality answers for the question.
Answer relevant to the question:	Most of the candidates' answers were relevant to the question.
Subject knowledge of the student:	Most of the candidates have good subject knowledge. Some candidates calculated the part iv of the question using incremental cost method.

(2) **What was bad in answers**

Understanding the question:	Some candidates evaluated the option but they didn't provide the answers, e.g. (i) they have calculated and taken 150,000 but not given answer.
Position (quality of the answer):	Few candidates submitted irrelevant answers. Also most were not touched the theory part and the given answers were also incorrect.



Answers relevant to the question:	Few percentage of candidates provided the irrelevant answers, especially for the theory part of the question.
Subject knowledge of the student:	When evaluating the options, fixed cost is considered by the students and because of that point, they lost marks.
Planning (building) the answer:	Planned answers were given by very few candidates. Others have just written what they think.

(3) **Common difficulties faced by the students**

Students have considered fixed cost for one option and haven't considered it for other option. Because of that they lost marks.

(4) **Possible areas where majority made mistakes.**

In part c (i) they have considered selling price (1500) and outside price (1,350) but they have not considered variable cost of Rs.1200 and price (1350)

**Answer No. 05**

(1) **What was good in answers?**

Understanding the question:	The question was understood by the candidates properly. Majority of the candidates know the budgeting costs. Budget was prepared correctly. Some candidates had no knowledge about zero based budgeting and its problems. Other parts were answered well.
Position (quality) of the answer:	Most of the candidates have prepared the cash budget properly and answered to the questions well.
Answer relevant to the question:	Except for few cases majority have answered to the relevant points asked in the question.
Subject knowledge of the student:	Most of the candidates have the sound knowledge about the cash budget. But some candidates didn't know what the zero base budgeting is and the problems of it.
Planning (building) the answer:	They have given the planned answers in accordance with the questions. Answers were build satisfactorily.

**What was bad in answers?**

Understanding the question:	Some candidates did not know what is zero based budgeting and the weaknesses. Except that other parts of the question were understood by the candidates. Some candidates have mentioned that ZBB means the budget which has no balance. That means expenditure is equal to the income. Some have mentioned that there were no opening balances. Incorrect answers given to part (b). Reason was not mentioned for the cash deficit. Wrong answers for possible actions – - Increase the course fees. - Increase the number of courses
-----------------------------	---

- Decrease the expenses such as wages to part time tutors, permanent staff salaries.
- Reduce the workshop cost.

Position (quality) of the answer	Costs budget was prepared correctly. Most of the candidates ignored to comment on the costs deficit.
Answers relevant to the question:	Majority of the answers are relevant to the question.
Subject knowledge of the student:	Some candidates don't have a correct idea about the zero based budgets.
Planning (building) the answer:	Planned properly.

(2) **Common difficulties faced by the candidates**

Part (a) (i) candidates have not explained the ZBB and not answered on incremental budgeting.

(3) **Possible areas where majority made mistakes**

(a) Zero base means expenditure = income, not mentioned the rejection of the incremental budgeting in ZBB

(b) (i) Total course fee was taken to costs budget without considering the advance payment.

(ii) Not given comments on cash deposit.

**Question No.06**

6.a.1) Value Chain concept

**WHAT WAS GOOD IN ANSWERS?**

*Understanding, quality, subject knowledge and relevancy*

*Planning and building the answer*

- Some had approached the answer by explaining why a company should give attention to the value. i.e. to face successfully the intense competition and to obtain competitive advantage
- Further elaborated importance of **preserved value** of customers; for example, no use of adding expensive features to a product for those on customer's point of view.
- Had mentioned linkage between activities in creating value and had further explained about **value system**
- Mentioned main categories that is primary and supportive
- Had presented value chain model
- Had mentioned author concept for this given by "Michel Porter"

## WHAT WAS BAD IN ANSWERS?

### *Poor subject knowledge;*

In part (a) most important word in building the answer is ‘**value**’. Some students instead of explaining the value had discussed **cost**. Such as cost association with each activity from purchase to sale

### *Poor understanding the question*

The objective of part (a) was to assess student’s **knowledge about value chain concept**. However, some had suggested how value chain could be used in reducing the cost which is relevant for part (a.ii) but not for part (a.i).

## 6.a.11) Application knowledge of value chain

## WHAT WAS GOOD IN ANSWERS?

### *Understanding, quality, subject knowledge and relevancy*

Here the examiner has tested students’ application knowledge of principles. Therefore, answer should be covered various actions relating to the value chain concept which could be implemented to reach the objective that is cost reduction and gain competitive advantage

Some students’ answers were based on above. Accordingly had suggested

- Company activities should be critically evaluated based on customer perceived value;
- Compare with competitors’ value creating activities with our own and do the needful to eliminate weakness
- Resources should be re-allocated if activity does not functioning well due to lack in resources
- Should identify value creating activities and non-value creating activities
- Controlling cost of activities specially non value creating activities

## WHAT WAS BAD IN ANSWERS?

### **Poor subject knowledge;**

- Some had suggested company should move to Just in Time instead of holding inventory. There is no facts to decide present inventory handling is inefficient or non-value adding activity and also do not have facts in hand to prove JIT is the solution. Therefore mere suggestion has no use to score marks
- Flamingo is a stationery manufacturer. It is a simple product and durability of product is low compared to the equipment manufacturer. Therefore discussing after sales services warranty guarantees etc. are not much relevant. Answer should correlate to the industry.
- Some had suggested stopping R & D, quality inspection – This is a conclusion. However what examiner expects is actions you took to arrive at that conclusion such as actions mentioned under good answer.

### **Poor understanding**

Many students had not identified question correctly.

They had listed just cost reduction tactics; such as: give training to front line people, invest in new machines with high technology etc. To identify those issues students may require carrying out some steps under value chain (as given above) which many students failed to present. Irrelevant facts have been given by many candidates.

### **Irrelevant answers**

Some had discussed cost leadership strategy deeply and not mentioned how value chain could be used to be the cost leader.

### **Incomplete answers**

The allocated mark for this part is 6. Many students had given only a few steps. So they were failed to score full marks.

6.b.i)

### **WHAT WAS GOOD IN ANSWERS?**

#### ***Understanding, quality, subject knowledge and relevancy***

It is application of formula. Many had answered well

### **WHAT WAS BAD IN ANSWERS?**

#### **Poor subject knowledge/ irrelevant/ poor understanding;**

Students have no confidence about the ROL formula. Few students had given two formulas. It is a clear indication that they do not have clear knowledge about correct formula

When question is clearly given company's present ROL computation method i.e. average consumption and average lead time, some had incorrectly used various other data

Many students failed to understand demand and delivery period should be placed in ascending order before applying the simulation formula

2)

#### **Common difficulties faced by the student**

- Difficult to read and understand the question – (Pl refer above)
- Difficult to organize the answer based on question and to pick up the most suitable facts from relevant subject

#### **3) Possible areas where majority made mistakes**

- Pl. refer bad points discussed under part(a.ii)

**Strategic Management Process – December 2013**

Overall performance of the students was not that satisfactory. The common mistakes/loopholes committed by students are given below question wise.

**Q. 1 – Allocated Marks 30, Average Performance 10**

- (a) **Impact of SERs on Shareholder Wealth** -Allocated Marks 05, Average Performance 01
- A. Only a few students identified the needs of calculating profit in relation to capital employed in order to determine the extent of impact on SHW. They arrived at negative impact which earned full marks.
  - B. Without any acceptable basis, most of the students stated SERs generate SHW which earned no marks.
  - C. Some stated that from the year 2011 to 2013 net profit has gone up and thereby SHW has improved which earned no marks.
- (b) **Drivers of SHW of SERS** -Allocated Marks 11, Average Performance 02
- A. Only a few students managed to mention the financial and non financial drivers of shareholder wealth of SERs namely 60% vehicle utilization both for 2011 and 2013 and unsatisfactory conditions of service quality, internal process and staff competence and learning.
  - B. Some wasted their valuable time by calculating net profit, sales and profit from disposal of vehicles in terms of percentages year on year basis and concluded favorable increase which were irrelevant and earned no marks.
  - C. Some have not understood the question and reproduced what is mentioned in the “Case study”.
- (c) **Value disciplines of SERs** -Allocated Marks 05, Average Performance 03
- A. Some have identified three value disciplines of Tracey and Wiersma, namely Customer Intimacy, Operational Excellence and Product Leadership and Customer Intimacy as strategic option of SERs.
  - B. Some displayed lack of knowledge about value discipline model in that cost leadership, differentiation and “focus” was strategic options.
  - C. Some described three value disciplines and no conclusion was made as to what has been adopted by SERs.
- (d) **Fleet for Weddings and related occasions** -Allocated Marks 03, Average Performance 01
- A. Some were able to identify the advantages of the suggestion as “customer need, ability to charge higher rentals, less risky and lesser utilization as disadvantage.
  - B. Almost all mentioned “addressing an emerging need” as advantage and nothing else.
  - C. Some stated that since every year ten (10) cars are purchased, suggestion is very easy to be implemented.

- (e) **KPI of SERS -Allocated Marks 03, Average Performance 02**
- A. Effective segmentation, vehicle utilization ratio, waiting time for finalizing a hire, simplified documentations were identified by some students as KPIs for SERS.
  - B. Leading KPIs have not been ascertained by some. Eg. Sales income, no. of vehicles purchased.
  - C. Customer satisfaction, customer relationship, new ideas and methods etc. are KPIs according to some students which earned no marks.
- (f) **Risks of SERS -Allocated Marks 03, Average Performance 01**
- A. Possibilities of vehicles being stolen, credit risk, complaints due to poor quality service were identified by some as risks. Negotiations with insurance Companies, use of high technology to track the vehicles, staff training on quality service as tactics were also identified by some of the students who earned full marks.
  - B. Financial indicators, quantitative and qualitative indicators etc. are KPIs according to some students, who earned no marks.
  - C. Some have given “tactics” without related risks being identified  
Eg. 1. Insisting on a specific deposits being made at the time of renting out.  
2. Use of GPS system

**Question No. 02 Allocated Marks 25, Average Performance 12**

- (a) (i) **Structure should follow Strategy -Allocated Marks 05, Average Performance 02**
- A. Some stated correctly that achievement of goals need to be given priority rather than building a structure. Structure should be changed if it impedes the achievement of goals. Therefore structure should follow strategy.
  - B. Some expressed contradictory views, in that, in one place in the answer structure should follow the strategy and in another place in the answer, it is stated that strategy should be based on the structure.
  - C. Some have provided unnecessary details about Organization Structure which earned no marks.
- (ii) **Cost Leadership Vs Differentiation -Allocated Marks 08, Average Performance 04**
- A. Some understood the question well and answered correctly in that, controls need to be tight, focusing on process engineering skills and controls need to be flexible, focusing on product engineering skills under cost leadership and differentiation respectively.
  - B. Some incorrectly stated that Organization Structure under differentiation need to be functional rather than decentralized and cross functional.
  - C. Some just mentioned culture should be different to that of competitors under differentiation which earned no marks.
- (b) (i) **KPI & CSF -Allocated Marks 04, Average Performance 02**
- A. Critical Success Factors (CSF) are those product features that are valued by customers and Key Performance Indicators (KPI) quantify management objectives and enables the measurement of strategic performance, according to some students who earned full marks.
  - B. Some have given advantages of KPIs E.g: KPIs help to manage and control Organizations.
  - C. Factors that are responsible for critical success of an Organization are CSFs according to some students.
- (ii) **Purposes served by KPI -Allocated Marks 02, Average Performance 01**

- A. KPI focus on Organization performance that are most critical for the success of the Organization and on measures that are critical for the future success of the Organization as per some students who earned full marks.
- B. Some stated that KPI help to get an idea on internal and external environment sans being elaborated.
- C. Some just mentioned that KPIs are helpful to decision making which earned no marks.

(iii) **Formulating of KPIs** -Allocated Marks 04, Average Performance 02

- A. Product rejection rate, productivity level of production division employees, capacity utilization rate of machines, no. of machine break downs etc. were cited by some students regarding manufacturing functions which earned full marks.
- B. Some just mentioned under marketing functions “Revenue”, “Customer Retention” etc. as KPIs rather than “Revenue per employee”, no. of customers retained/Customer Retention Rate being cited.
- C. Some identified HR Managers, Executives as KPIs under Human Resources functions which earned no marks.

(iv) **Examples of CSF**-Allocated Marks 02, Average Performance 01

- A. Durability of a particular type of a car compared to other types of cars is an example of CSF to some customers since they are concerned about durability factor. A few cited this type of examples who earned full marks.
- B. Some mentioned “Profit”, “Quality” etc. as examples of CSF which earned no marks.
- C. A few cited “DHL-Speed” as an example of CSF which earned substantial marks.
- D. Some were of the view that EPS, GP ratios etc. are examples of CSF which earned no marks.

**Question No. 03 Allocated Marks 25, Average Performance 15**

(a) (i) **Competitive advantages, Competencies** -Allocated Marks 06, Average Performance 03

- A. Some have given acceptable definitions as follows.
  - Competitive advantage is anything which gives one Organization an edge over its rivals.
  - Core competencies are the linked set of skills, activities and resources that together deliver customer value and differentiates a business from its competitors.
  - Distinctive competencies have following characteristics and is a basis for sustainable competitive advantage i.e. contribution to superior customer value, difficulty for competitors to imitate and to allow the Organization to use the capability in a variety of ways.
- B. Some incorrectly defined competitive advantage as cost leadership and differentiation.
- C. Some provided incomplete answers;
  - Eg1. Distinctive competencies means better performance compared to rivals.
  - Eg2. Core competency means performance level which gives competitive advantage”, which earned a few marks.
- D. Some provided unacceptable answers;
  - Eg. 1. Core competencies are most important capabilities
  - Eg. 2. Distinctive competencies are unique capabilities
- E. Only a few related the core competencies and distinctive competencies to competitive advantage. Some were indifferent regarding the impact of core competencies and distinctive competencies on competitive advantage.

(ii) **Examples of Core Competency** -Allocated Marks 04, Average Performance 02

- A. A few cited working life experience correctly in relation to core competencies. Eg. System to fill customer requirements accurately and swiftly, for example DHL. Such competencies are difficult to copy and provide superior customer-value.
- B. Most of the students misunderstood the question and have written unnecessary answers relating to their respective jobs and their own experience about core competencies. E.g; One's ability to understand what is expected from him/her by the employer is a core competence of the employee which earns no marks.
- C. Some just came out with characteristics of core competencies E.g: Core competency should be a value addition to the customer etc. which earns no marks.

(b) **Porter's Value Chain Framework and its application** Allocated Marks 15, Average Performance 10

- A. Some have correctly drawn Value Chain Diagram highlighting each & every primary and supporting activities which earned allocated marks.
- B. A few did not categorize the activities as supporting and primary.
- C. Some of those who categorized the activities correctly have incorrectly labeled sub-activities.
- D. Only some listed appropriate examples in relation to a restaurant. Eg: Under procurement, some stated "selecting a good supplier" without being elaborated i.e. developing a network for reliable suppliers who will deliver supplies on time and at the best possible price.
- E. Some listed correct items Eg. Under outbound logistics and under after sales services "Tasty foods" and "Home delivery & services" respectively.

**Question No. 04 Allocated Marks 10, Average Performance 06**

(a) **Elements of Mission Statement** -Allocated Marks 06, Average Performance 04

- A. Most of the students quoted the essential elements of a mission statement from the given scenario Eg: What the products and who the customers are as "automotive leadership" and "global enterprise" respectively.
- B. Some incorrectly identified goals of the Organization as an element and quoted "Aggressively restructure" from the scenario.

(b) **Key elements omitted** -Allocated Marks 04, Average Performance 02

- A. Some correctly stated that concerns for environment and concerns for employees being a player in the automobile industry and being a larger employer, should have been mentioned.
- B. "Concerns for the environment and employees" were the omitted elements in the mission statement, according to some students who could not provide slight justifications for the same, which earned lesser marks.
- C. Some cited "capital requirements", "marketing", "distribution channel" etc. without short/simple justifications being provided as key elements that has been not considered in the mission statement.
- D. Some incorrectly mentioned that customer-identification is not included in the Mission Statement.

**Question No. 05 Allocated Marks 10, Average Performance 04**

(i) – **Tripple Bottom Line Approach** -Allocated Marks 04, Average Performance 02

- A. Three bottom lines i.e. Social Justice, Environment and Economic were identified correctly by a fair number of students.



- B. Some just described environment bottom line as conducting a business in an environment friendly manner.
- C. Some identified welfare activities towards only public ignoring welfare measures for employees under social justice bottom line.
- D. Under economic bottom line, not only business profiles but an assessment of an Organization's activity on its economic environment needs to be considered. Nevertheless most of the students described the bottom line only in relation to business profit and ignored impact of the activities on the economy.

(II) – **Advantages of Tripple Bottom Line (TBL) Approach** -Allocated marks 06,  
*Average Performance 02*

- A. Some identified correctly advantages like access to untapped markets, enhancing image of the Company thereby contributes to business sustainability, helps to attract and retain high caliber employees etc.
- B. Some stated since TBL approach covers all the areas in evaluating the performance of Organization, it becomes an advantage to a business, which earned no marks.
- C. Long term survival of the business is an advantage of TBL approach, according to some students who have not briefly explained as to how TBL approach leads to long term survival.
- D. Some viewed “Ability to enforce future controls” as an advantage under TBL approach.

**Advanced Taxation and Strategic Tax Planning – December 2013**

(1) **What was good in answers?**

Understanding the question

Question No. 01 (a)

Majority of the candidates understood the requirement to compute the statutory/assessable/taxable income of a commercial bank and the requirement to compute the minimum distributable dividend.

Question No.02

Almost all candidates understood the requirement to compute the income tax payable by a resident individual (a professional lawyer)

Question No.03

Majority of the candidates understood the requirement to compute partnership tax and the tax liability of a partner.

Question No.04

Majority of the candidates understood the requirement to compute the Value Added Tax (VAT) liability of a company.

Question No. 05

Majority of the candidates understood the requirement to identify a decided case law, the facts of which are similar to the given scenarios to support his judgment.

Question No. 06

A fair number of candidates understood the requirement to explain the action to be taken by an assessor to protect revenue to the government in circumstances where it would be inexpedient to follow normal recovery procedures.

Position (quality of the answers)

Question No. 02

A few candidates furnished excellent answers. It was encouraging to note that a good number of candidates displayed excellent knowledge of the components in the computation of the income tax liability of an individual.

Question No. 03

A good number of candidates performed satisfactorily.

Question No. 04 (a)

A few candidates given excellent answers.

Question No. 05

A good number of candidates given satisfactory answers.

Subject knowledge of the candidates

Question No. 06

A good number of candidates displayed sound knowledge of the subject tested in the questions.

Planning (building) the answers

Q.Nos. 01, 02, 03 & 04

It was encouraging to note that a good no. of candidates adopted a methodical approach in their answers.

**What was bad in answers**

Understanding the question

Question No. 01 (b)

A good no. of candidates appeared to have been taken by surprise by this question and did not even attempt to question.

Position (quality) of answers

Question No. 05 & 06

Majority of the answers to question no 05 (case law) and question no. 06 were disappointing. In respect of case law question, majority of the candidates correctly identified the relevant case law and delivered correct judgment (adventure in the nature of trade, etc.) but their reasoning ability was poor.

In question no. 06 (a) a specific information was given and the candidates were required to mention the specific provision of the Act relating to recovery of tax under such circumstances. A good no. of candidates mentioned general provisions relating to recovery of tax.

In respect of Q.No. 06 (b), a good no. of candidates mentioned that a defaulting partner's taxes can be recovered from the partnership assets but failed to mention the limitations of such recovery.

### Question No. 02

A construction of the tax computation of some of the candidates was of poor quality.

- E.g.
- (i) Claiming qualifying payments in respect of interest expense.
  - (ii) Deducting tax free allowance from total statutory income.
  - (iii) Deducting PAYE, self-assessment payments (tax credits) from taxable income.

### Answer relevant to the question

### Question No. 06

The question required the candidates to explain the action to be taken by an assessor to protect the revenue to the government in circumstances where it would be inexpedient to follow normal recovery procedures. However, a good no. of candidates mentioned normal recovery procedures.

### Subject knowledge of the students

### Question No. 01

- (i) Interest Income  
Only a very few candidates knew that interest income from loans granted for re-opened abandoned factories exempt from income tax.
- (ii) Items written off  
A fair no. of candidates did not know that the under-mentioned items do not require adjustments to income tax computation.
  - recovery of interest written off.
  - loans written off (bad debts)
  - Interest written off.
- (iii) Trade losses  
Majority of the candidates were not aware that the claim for trade losses relating to leasing is restricted to a two year period.
- (iv) Qualifying payments  
A fair no. of candidates did not mention the limitation of qualifying payments. (i.e. 1/5<sup>th</sup> of Assessable income or Rs. 500,000 whichever is lower)
- (v) Business of finance leasing  
Very few correctly identified the adjusted finance lease separately.
- (vi) Capital allowances on leased assets  
Only a few candidates knew that capital allowances in respect of fixed assets given on finance lease terms can be claimed only by the lessor.
- (vii) Provision for loan losses  
Majority of the candidates treated specific loan loss provision as fully allowable. Not knowing that in the case of a finance company such loss claims are limited to 1% of the total loans and advances.

(viii) Capital allowances on fixed assets

Majority of the candidates did not consider the effect of profit on disposal of fixed asset on capital allowance in respect of replaced assets.

(2) **Common difficulties faced by students**

Question No. 01 (a)

Candidates appeared to be under pressure as the no. of adjustments (and the special knowledge required) for the question carrying 25 marks may be considered 'too much'.

Question No. 05 & 06

A good no. of candidates experienced difficulties in answering case law and administration questions. Illegible handwriting and poor communication skills will have lost marks for many candidates.

(3) **Possible areas where majority made mistakes**

- (a) Failure to update recent amendments to the Inland Revenue Act.
- (b) Handwriting and communication skills need to improve.
- (c) Questions relating to administration provisions. Candidates should allocate more time in their learning process.
- (d) Failure to read and understand statements/facts given in the question. Most statements/facts are intended to test candidates knowledge
- (e) Failure to demonstrate knowledge. Candidates should demonstrate their knowledge by writing on the body of the answer or by way of a note to support the answer. These are known as workings and carry substantial marks. Besides, the examiner cannot award marks if the candidates' knowledge is not evident.

**Commercial Law and Corporate Law – December 2013**

**What was good in answers?**

Understanding the question

Question No. 01

- (a) Good number of candidates had understood that the postal rule will apply for the contract between Amarapala and Burty as the offer was made by post and the offerer wanted the offeree to accept the offer only by post. Offer made by Amarapala was received by Berty on 11.01.2013 and accepted it by posting the acceptance letter on 15.01.2013. They have correctly understood the question and had explained that at the time of posting the acceptance letter the acceptance made by Berty is duly completed and there was a legally binding contract between the two parties. Also they had clearly understood that the offerer can withdraw his offer at any time before the acceptance is made and such withdrawal is effective only when the withdrawal is communicated to the offeree. Further they have clearly understood that the postal rule will not apply for withdrawal of an offer but it has to be actually communicated to the offeree. Accordingly Berty can take action against Amarapala for breach of contract and claim damages as there was clear contract between the two parties, which was breached by Amarapala. The relevant case, i.e. Byrne vs Treachoran also had been correctly quoted.
- (b) A lesser no. of candidates had correctly understood the part (b) of the question and had explained that there was no legally binding contract between Maria and Wimala since only an absolute and unqualified assent to all the terms of the offer constitute an effective acceptance of such offer and if the acceptance varies to the terms of the offer such acceptance is treated as a counter offer and not an acceptance of the original offer resulting no legally binding contract between the two parties as a counter offer terminate the initial offer under the circumstances. They have clearly understood that there was no legal contract between Maria and Nimali since there was no valid acceptance of the offer by Nimali. Some candidates had correctly identified that facts are similar to the decided case of Neale vs Merett.

Question No. 02

- (a) Fair percentage of candidates knows that under Sale of Goods Ordinance the following conditions should be fulfilled when the sale is agreed to be by sample.
- (i) The bulk must correspond with sample.
  - (ii) The buyer must have reasonable opportunity of comparing the bulk with sample.
  - (iii) The goods must be free from defects rendering them un-merchantable, which a reasonable examination of the sample would not reveal and
  - (iv) Where the goods are sold by sample as well as be description the goods must correspond both sample and the description.

In the given case in question although tea sold to Harith matched with quality of the sample it didn't match the description of law grown refined tea. Therefore, Harith can refuse the acceptance of goods as there was no contract between the parties under the Sale of Goods Ordinance.

- (b) Large no. of candidates had clearly understood at least 3 of the following conditions that should be satisfied before any agency is created by necessity.
  - (i) It must be impossible to get instruction from the principal
  - (ii) There must be an actual and definite commercial necessity for creating of the agency.
  - (iii) There has to be a real emergency and
  - (iv) The agent of necessity must act bona fide in the interest all parties concerned.

### **Question No. 03**

- (a) Some candidates have properly understood what a marine insurance contract is and identified the parties who have insurable interest on marine insurance.
- (b) Majority had understood all four types of crossings whilst some others had understood only 3 or 2 types of crossings and almost all of them had quoted example for those types of crossings.

### **Question No. 04**

- (a), (c) & (d) Only a handful no of candidates had understood mandating information that should be submitted to get registration for a mark under Intellectual Property Act, instances where the provisions of Computer Crime Act can be applied and important features of compel some Arbitration.
- (b) Very high percentage of candidates had understood the implied authority to bind partnership term when partners enter into contracts with 3<sup>rd</sup> parties.

### **Question No.05**

Higher percentage of candidates had understood the minimum number of shareholders required to form a Private Limited Company as laid down under the provisions of Companies Act whilst a lesser percentage had understood the documents needed to be filed with Registrar of Companies for incorporation of a Pvt. Ltd. company and to obtain the Certificate of Incorporation.

### **Question No. 06**

- (a) Fair percentage had correctly understood as to what is a pre-incorporate contract i.e. a contract entered into by a person on behalf of the company before it is incorporated. Some candidates had understood the way or the procedure to be followed in ratification of such contract after the company is incorporated and the effect of which is ratified subsequently and the right to claim the amounts spent for the pre-incorporation contracts and the rights of Asuru and Saruni to claim the amount they spend.
- (b) Only a minor percentage of candidates had understood the guilty of an officer who has authorized to issue a prospectus which includes untrue statement and his liability for such untrue statement when he/she is not in a position to prove the statement is immature or that he/she had reasonable ground to believe the said statement is true up to the time of the issuing the prospectus.

### **Question No. 07**

- (a) Only a very few candidates had correctly understood the states of a director of a company pretending as an expert and has given directions on his own to the employees to change the existing colour of cordial produced by the company which is against the Articles of Association of the company. As a result if there are complaints from the customers, if so whether the said director has exercised the standard of care which is expected from director is the question. Only a handful of candidates had understood the correct position and furnished relevant answers to this part of the question.
- (b) Higher percentage of candidates had correctly understood the retiring age of director and the alternative step that could be followed for him to serve as a director for a further period of time in a PLC or Pvt Limited which is a subsidiary of a PLC.

Also they had understood the procedure that should be followed for a person to act as a director of a company after reaching the age of 70 years. Few candidates had understood the procedure to be followed in vacation of office base on the age limit has been laid down in Companies Act.

### **Question No. 08**

- (a) Only very few candidates had understood the procedure that has to be followed by a shareholder in the event of a private limited company had defaulted the holding of its AGM on due dates, the rights of shareholders i.e. informing Registrar of Companies and so on. Few others had reasonable idea a steps taken by Registrar of Companies when he receives such a complaint.
- (b) Only a handful of candidates had understood the section 224 and contents of it. In other words the remedies available to minor shareholders and in the event that court finds the allegations made are true on an application made by such shareholders as a part of the proceedings marks in interim order which the court thinks is recession for regulating the conduct of the company's affairs.

### **Question No. 09**

- (a) Definition of the term "off Show Company" is known only to a less than 5% of the candidates.
- (b) Good no. of candidates had correctly understood that these companies have power to carry on any business outside of Sri Lanka but prohibited from carrying of business within Sri Lanka.
- (d) A fair no. of candidates had clearly understood the documents that should be furnished to Registrar of Companies for the purpose of registration as an Off Show Company.

### **Question No. 10**

- (a) Nearly 15% of candidates had correctly understood that when a trouble making shareholder is not happy with conduct of the company the steps that should be followed by the Board of Directors.
- (b) Few more candidates had understood that in terms of the new Companies Act No. 07, it is not compulsory to include an object clause to the Article of Association of a company and also they have understood to certain extent the legal implication if an object claims has been included in the articles.



## Position of the answers

### Question No. 01

- (a) Majority of the candidates had correctly realized that the postal rule will apply for the case given in the question and stated that if someone make an offer to another by post the offeree after receiving the offer by post, the acceptance could be made by post and when the offeree post his acceptance letter a legally enforceable agreement has been created irrespective of that acceptance letter has been received or not received by the offerer. Also they know that offer can be withdrawn at any time before the acceptance. However when it comes to withdrawal of the offer the postal rule will not apply and revocation should be actually communicated to the offeree. Some candidates had focused their answers on these directions and had come to the conclusion that the acceptance by Berty is a valid acceptance and withdrawal of the offer by Amarapala is not a valid withdrawal since it was not actually communicated to Berty before the acceptance. Therefore a legally enforceable agreement between Amarapala and Berty has been entered into between the two and Berty can take legal action against Amarapala for breach of contract. Also they had clearly stated that Amarapala's withdrawal is effective only on 20 January 2013 by that time i.e. on 15 January 2015 Berty had accepted the offer and a valid contract has been formed between the two at the time of posting acceptance letter.
- (b) Few candidates had correctly explained that Nana has offered to sell her land to Nimali with the condition that price of the land Rs. 3 million should be paid in full on acceptance. Nimali has accepted the offer but her acceptance is with enclosing a cheque for Rs. 2 million and promissory notes for 5 equal installments for the balance Rs. 1 million. They had clearly explained that only an absolute and unqualified assent to all the terms of the offer constitute an effective acceptance and with given case Nimali has not accepted the offer in the way it was offered by Maria as Nimali had enclosed a cheque for Rs. 2 million and promissory notes for the balance which amounts to a counter offer. Counter offer is not a valid acceptance. Therefore there was no legally bind contract between Maria and Nimali and it is unlikely that Nimali can take any legal action against Maria for not selling the land to her since there is no valid contract between the two.

### Question No. 02

- (a) Fair no. of candidates furnished their answers stating that where sale is agreed to be by sample, the bulk must correspond with sample, and buyer must have reasonable opportunity of comparing the bulk with sample. Further it had been stated that where goods are sold by sample as well as by description the goods must correspond with sample and the description and so on.
- (b) Some candidates had furnished relevant answers covering the area like impossible to get instruction from the principal, there must be actual and definite commercial necessity to creation of the agency, there should be a real emergency agent must act bona fide in the interest of all the parties concerned and so on.

### Question No. 03

- (a) Only a handful of candidates had furnished relevant answers in defining the term Marine Insurance contract and had described the term fully correctly. Similarly very few candidates had furnished relevant answers giving 3 parties who have insurable interest in a marine insurance and based on which those have insurable interest on marine insurance.
- (b) Good no. of candidates had furnished relevant and answers dealing with 4 types of crossing which are practically used in crossing the cheques whilst more candidates had deal with only 3 types of crossings.

Some had correctly discussed regarding general crossings, special crossings, account Payee only/restrictive crossings and not requested crossings and giving some specimen on crossings.

#### **Question No. 04**

- (a) Less than 5% of the candidates had furnished relevant answers stating mandatory information that should be submitted to registrar of companies for registration of a mark. In terms of the Intellectual Property Act, there are 5 mandatory information that has to be furnished but majority had furnished only 2/3 such information as they are not familiar with all 5 such information.
- (b) Fair percentage of candidates had furnished some relevant answers for this part of the question and these too are not accurate though they had discussed and furnished 60-70 percent answers which deserve some good marks.
- (c) Less than 2% of the candidates had furnished some relevant answers to this part of the question since they are not much familiar with Computer Crime Act No 24 of 2007
- (d) Only a handful of candidates have some knowledge on compulsory Arbitration and important feature of compulsory arbitration in selling the labour disputes. It appears that although they know the term “compulsory arbitration”, they are not familiar with the way in which compulsory arbitration is implemented and important features of it.

#### **Question No. 05**

- (a) Large no. of candidates had furnished relevant answers stating that although minimum no. of shareholders required is 2, but under 3 special circumstances a private limited company could be formed with a single shareholder and concluded that under new companies act forming of Pvt. Ltd. Company with one shareholder is allowed.
- (b) Fair percentage of candidates had presented relevant answers explaining all 5 documents which should be filed with registrar of companies to form a company and to obtain the certificate of incorporation. Whilst similar percentage had stated few documents as they are not familiar with all types of documents.

#### **Question No.06**

- (a) Although candidates had not discussed what is a pre-incorporation contract, good no. of candidates had explained promoters’ entitlement to recover the cost of those contracts from the company which they have entered into on behalf of the company before incorporation and their right in the event the company decline to pay such cost.
- (b) Very few had clearly explained as to how a person is liable when he has included an untrue statement in a prospectus and thereafter authorized the issue of the prospectus and explained correctly the circumstances under which could escape from criminal liability.

#### **Question No. 07**

- (a) Many candidates had furnished relevant answers by explaining the standard of care expected from a director of a company when he takes decision on behalf of the company. Further they had correctly stated a director must always act in good faith in what he believes in the best interest of the company and should not act or agree to the company to act in a manner that contravenes the Articles of Association and so on.

- (b) Over 75% of the candidates have correctly stated that the retiring age of the director of a PLC is 70 years and that could be extended for another one year if his appointment is approved by a resolution passed by the company at an AGM, declaring that age limit of 70 years shall not apply to that director and had further explained such an extension is valid only for another one year.

Few other candidates had detailed the steps that should be taken by such director i.e. when he reaches the age of 70 his duty is to give notices to the company. Some others had discussed as to when he should vacate the office at the point he has reached the retiring age i.e. at the conclusion of AGM commencing next after he reached to age of 70 years at the AGM following that re-appointment and so on.

#### **Question No. 08**

- (a) Only a handful of candidates had furnished some relevant answers regarding the steps needs to be taken by Registrar of Company if a shareholder has made an application requesting him to call for an AGM, when a private Ltd company has defaulted to hold its AGM and effects of such AGM called by registrar of companies or by the director on the direction received from the registrar of companies.
- (b) Only a less than 5% of the candidates had furnished some relevant answers regarding the relief available to minority shareholders under section 22 of the Act when there is oppression and explained how the affected shareholders can make an application to courts for an order under the provisions of the companies act i.e. under section 224. Further had explained that if the operation that the allegations are true, it may make an order to remedy to shareholders affected and so on.

#### **Question No. 09**

- (a) A few of candidates had explained that an off-shore company is a company or body corporate incorporated under the laws of any other foreign country which is prohibited to carry on business in Sri Lanka.
- (b) Fair percentage of candidates had correctly explained that off-shore companies are prohibited to carry on business in Sri Lanka but they have power to carry on business any other country.
- (d) Although a very high percentage of candidates are familiar with some of the documents that should be submitted to registrar of company to register an off shore company and only a very few had listed all such documents that should be submitted to registrar of companies for the purpose. It appears they have assumed that there are similar to the documents which should be fulfilled and furnished for incorporation of local limited liability company.

#### **Question No. 10**

- (a) A low percentage of candidates had furnished answers which are relevant to the question i.e. they had dealt within even when a shareholder is not happy with directors performance and request the company to buy the share he holds in the company or buy back the shares. Few other candidates know the procedure that should be followed by the board of directors of such a request received from a shareholder who is not happy with the performance of the board of directors.
- (b) A minor percentage of candidates had generally explained the legal implication, if the objective clause is included in the article.

Very few had clearly explained that when a company includes an object clause in its articles of association, it will be deemed to be a restriction placed by the articles in carrying on only business or activity that is not within those objects unless the articles expressly provide otherwise. The subject clause that clearly indicates that the company must act within the authority provided in the subject clause thus enforcing some restrictions on operations/activities of the company and subject to any other provisions expressly provided to the contrary.

Subject knowledge of the candidates

Different candidates have some satisfactory subject knowledge in different areas. Some have good subject knowledge in Commercial Law whilst some others have satisfactory knowledge in certain areas of Corporate Law. When they have good subject knowledge in certain areas, the answers provided by them on question covering those areas are good and relevant to the question.