

Financial Reporting Framework –December 2012

This was the first FRF paper under the Open Book Exam introduced as a remedy for the most grueling, splitting headache of the candidates – that of memorizing volumes of standards, codes and guidelines. Marks earned depend, to a greater extent, on the candidates’ profundity of reasoning and intensity of analysis. Use of selected material is permitted within the examination hall. However, at the time of evaluating answer scripts, examiners do not attempt to ascertain whether the candidates have actually made use of those books or other material. Answers are evaluated on their own merits. Examiners might be more interested in identifying logical flows in an argument as in the case of question 02 on segment reporting (described below) or the books may not be of any use. (question 07).

With the open book exam, examiners are now able to provide more insight into the poor performance of the candidates, hitherto believed to have caused by failure or weakness on the part of those evaluating answer scripts as evidenced by grievances of candidates expressed by impulsive criticisms of their teachers or lecturers. Failure to recall a key phrase from a standard within the exam-hall could have caused mental depression even to the best prepared candidates. This will no longer be a reason for distraction under open book exam. Panel of examiners have unified in their view that the major cause of failure on the part of the candidates is inability to express ideas correctly. Many of the examiners have attributed this to the language – taking the exam in English for the first time after completing CAB II exam either in Sinhalese or Tamil medium.

It would be more appropriate to provide some guidelines to the candidates on how to tackle a question under the open book exam.

1. Identify the subject matter (or object such as building or machinery) that requires application of accounting standards.
2. Identify the Accounting Standard that could have a direct impact on the subject identified above.
3. Attempts to identify Accounting Standards with lesser or remote impact will not be required in many instances.
4. If you have no clue or the subject is new to you (such as IFRICS), skip to the next question. You may return to that question if there is time left at the end.
5. Refer to the books available if you have any doubts to clear. Never try to do your studies in the exam hall. Do not panic.
6. Write the answer as neatly as possible with proper spelling, grammar and punctuation. Books available with you will of immense help in this exercise.
7. Time allocated of 195 minutes is more than enough. Paper could be answered within 90 minutes by the above-average candidates.

This paper was more or less similar to previous papers. Number of questions (8) and weight given to the first question were the differences. It could have been answered without referring to any of the books permitted. That is because examiner had to take into consideration those who would be taking this paper after several attempts, without paying much attention to the open book method. As per the level of difficulty, paper was much easier than previous papers. Overall performance of the candidates was more satisfactory than the previous sessions.

Given below are the specific weaknesses of the candidates whose performance was below the expected level.

Question No. 01

This question was somewhat lengthy with a scenario more or less similar to a case study. It carried 30 marks. Questions given clearly identified the subject matter requiring application of accounting standards. Candidates were thus relieved from the cumbersome exercise of scrutinizing the scenario given for any hints or clues.

Part (a)

Candidates had tried to display their knowledge by discussing many aspects of accounting as relevant to the question such as Investment property, Owner Occupied Property, fair value, impairment gains/losses.

- (i) This part of the question has narrowed down the answer by referring to “books” and “group financial statements”. Answer could be treated as relevant only to the extent it refers to those aspects. The most common weakness of the candidates was the failure to distinguish between the Consolidated and Separate Financial Statements.
- (ii) This part required a calculation as at a particular date. Many candidates had added the cost of the extension, incurred after that date.
- (iii) This part required a calculation which depended on the answers to parts (i) and (ii) above. Only those candidates who did the above two parts correctly could earn marks for this part.
- (iv) This part seemed somewhat awkward. However, candidates had generally referred to capitalization of interest, mostly with wrong conclusions. Candidates failed to approach the question by tracing time of completion the construction.

Part (b)

This part tested a direct application of SLFRS – 5. Candidates should have studied the application guide in depth in order to find the answer to this part. Examples given in the application guide do not reflect time intervals in the same way as given in the question.

However, application guide highlights the information needs of users of financial statements.

Candidates failed to identify the fact that actual closing down is nine months later (December 31). If the operations are going on, there would be income/and expenditure reported in the Income Statement. Therefore, describing the same as ‘discontinued’ is both wrong and misleading at this stage.

Most of the Candidates failed to address the above aspects. So the marks earned were very poor.

Part (c)

A lot of Candidates were not familiar with the subject matter – factoring. Answer depended on the substance of the transaction than recommendations of the standards. Marks earned to this part were very much less

Part (d)

This question would have put the candidates into trouble. There was no income recognizable for the period under review. This is an instance, where candidates are required to highlight the criteria given in the standard in response to activities taking place incidental to transactions.

However, many candidates had provided the correct answer, without correct justification by application of provisions of the standard.

Part (e)

This question could have been answered correctly, had the candidates known (read before the exam) where the definition of financial liability is given among the permitted books.

Question No. 02

This question required candidates to identify segments to be included in the annual report. Question was simple and straightforward. It was only a matter of deciding which rule to apply.

The rules are given in the IFRS 8 in the books permitted. Some quantitative information given for analysis as a basis for conclusion.

Most of the candidates did their analysis part well.

But many had drawn the wrong conclusions. Their reasoning was not correct. They were not able to explain their calculations in a logical manner.

Few candidates had commented on the need to cover at least 75% of the entity's revenue even though the question did not cover that aspect.

It appears that the candidates are not conversant with the structure of the English Language (such as grammar, order or method use of phrases) in order to explain a point correctly.

Marks earned by majority candidates were in the range of 5-7 for this question.

Question No. 03

This question required candidates to identify a list of items as provisions or other liabilities with reasons.

Candidates had prepared for this type of question. Many were able to earn 7-8 marks for this question.

Weaknesses were :

- a) Describing characteristics of provisions or liabilities for each item without identifying the item as a provision or a liability.
- b) Wrong classifications – classifying a provision as other liability or vice-versa
- c) Copying down as many points as possible from the standard to provide lengthy answers.
- d) Writing down extracted text (irrelevant) from the standard as reasons or basis for classification

Question No. 04

It appeared that majority of the candidates had seen IFRIC 13 as a surprise at the examination hall. The question did not refer to LKAS 18 Revenue. Most of the candidates appeared to have no idea of what this IFRIC related to.

The subject matter covered in this question is a development of some trading practices as an extension of the main or core business of the enterprise. This IFRIC had been issued due to problems faced by enterprises in accounting for such programmes. Candidates need to learn the subject before attempting to apply this IFRIC.

The answer had to be built on the theme “further qualifying conditions”. Many candidates’ capacity appeared to be far below (conceptually) to grasp the essence of the question.

Performance of this was very unsatisfactory.

Question No. 05

This question fitted very well to the open book examination methodology. It required the candidates to decide whether the given facts meet the requirements of LKAS 37.

Both the question and the LKAS 37 referred to a “plan”. So the candidates had to decide whether this ‘plan’ has the qualities or details specified in the LKAS 37.

An exceptionally smart candidate would have answered this without the help of the books. For a typical candidate, reference to the book is a must for finding a suitable answer.

Other common approaches like *fair presentation* and *information requirements of users* are not suitable as the LKAS provides adequate guidelines for determining this. So candidates need to have a thorough understanding of this LKAS.

Many answers were outside the scope outlined above. Candidates had attempted to ‘guess’ an answer with no reasons to support their conclusions.

Performance in this question too, was below the expected level.

Question No. 06

This question was very easy and tested subject matter which were covered to a considerable extent at CAB II level.

Many candidates performed very well in part (a) to this question.

Many candidates who had neglected recording aspects of a transaction while preparing to the FRF paper were not able to earn marks for part (b).

Question No. 07

This question did not appear to be of types tested in open book examinations. But similar calculations could be found in several LKASs. It was a bonus question for those with high QT ability.

The question required the candidates to calculate the effective interest rate without which the carrying in value of the loan cannot be computed annually.

Many candidates had faced with the difficulty of setting up the answer. It was only a matter of finding IRR with the cash flows that would come to (1,012,500) outflow in year 1 to 1,150,000 inflow in year 5. There will be an inflow of 150,000 each in the years in between.

Excel worksheet provides the easiest method to calculate IRR. However, there is no such facility in the examination hall. So IRR has to be found with calculators. IRR could be found by calculating NPV with two rates of interest, say 15% and 14%.

However, this relates to the measurement criteria of Financial Instruments as per LKAS. Many candidates appeared to have paid little attention to learning them.

Only very few candidates were able to attempt this with success. Many others had not attempted this question at all. Most difficult part was to identify the relevant party – borrower or lender for determining the carrying value.

Question No. 08

This question was little more open in scope compared to other questions in the paper. Candidates with good writing ability scored well in this question.

- (a) Candidates had mixed reactions to this part.
- (b) Many had provided the correct answer.
- (c) Candidates had difficulties in writing criteria. Many answers appeared like definitions.

Many could earn around 8-10 marks for this question.

Other weaknesses

Many candidates had faced with the problem of selecting a suitable format for presenting the answer. e.g Table, list or paragraph. So the candidates have to answer as many sample questions as possible before the exam. This skill cannot be developed by doing selected few questions.

Inability to write amounts expressed by words with the correct number of digits for notations such as thousands, millions etc. and inability to state a number correctly by words.

Attempting to do their studies within the exam hall.

Rushing to answers without correct estimates of time available to the question.

Concentration on few questions and omitting some questions. Candidates need to keep in mind that there are no penalties for wrong answers. Omission of a question completely will result in lowering the total marks earned by the marks allocated to the questions.



Strategic Management Accounting – December 2012

Question No. 01

(1) What was good in answers?

Understanding the question:	Part A - Many had failed to identify all options. Hence it cannot be said that candidates had properly understood the question. Part B - Properly understood.
Position (quality) of the answer:	Satisfactory, however, Part A (decision tree) candidates had failed to identify all possible options. Quality of the answer for Part B, satisfactory.
Planning (building) the answer:	Fair.

What was bad in answers?

Understanding the question:	Many had not understood the problem (Part A) and thereby failed to draw the decision tree to include all possible options. This may also due to the poor analytical ability of the candidates.
Position (quality) of the answer:	Poor. Candidates need to work more problems (decision tree) and need to be thorough on learning curve theory.
Subject knowledge of the student:	Decision tree – identification of options – poor Learning curve – theory – poor Application poor.
Planning (building) the answer:	Poor planning is evident by the incomplete and erroneous decision tree diagrams drawn by the candidates

(2) Common difficulties faced by the students

- Analysing a decision tree problem and identifying all possible options. Calculation of expected value. Applying the learning curve and calculating the labour cost
- Spending more time than necessary – e.g. Part (c) of the question carries only 4 marks. However, candidates have written lengthy answers.

(3) Possible areas where majority made mistakes

Failure to appreciate that when RM_1/RM_2 process fails initially there are 3 other options possible – current process, RM_2/RM_1 & license. When RM_2/RM_1 fails in the secondary stage, still there are two other possible options – current process and the license.

Question No. 02

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

Understanding the question	:	Properly understood by majority of the candidates.
Position (quality) of the answer:		Candidates have used correct methodology in answering the question.
Planning (building) of the answer:		Properly planned.

What was bad in answers?

Understanding the question:		Some had not properly understood parts (a), (d) & (e)
Position (quality) of the answer:		Some candidates had done workings in one diagram with lot of corrections. Tables were not properly presented.
Subject knowledge of the students:		About 15% of the candidates did not have the subject knowledge.
Planning (building) the answer:		No specific weak points found but some had not worked out the parts of the question sequentially

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

Some candidates could not apply the modified distribution method correctly.

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

Part (b) of the question requires to be attempted using modified distribution method. However some candidates had used other methods.

Question No. 03

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

Understanding the question	:	Properly understood.
Position (quality) of the answer:		Parts (a) & (c) (i) satisfactory.

What was bad in answers?

Understanding the question	:	Noted poor with some candidates' irrelevant answers to some parts.
Position (quality) of the answer:		Poor. Many displayed their lack of theoretical knowledge on ABC method.
Subject knowledge of the students:		Poor. Many of them unable to appreciate the different treatments applicable under traditional and ABC systems
Planning (building) the answer:		Poor for parts (b) (i) and (ii) and c (ii).

- (2) **Common difficulties faced by the students**
Wrong formulae being used for calculation of variances.
- (3) **Possible areas where majority made mistakes**
Many could not describe how expenditure and efficiency variances arise and the interpreted in an ABC environment.

Question No. 04

- (1) **What was good in answer?**

Understanding the question : Good

Position (quality) of the answer : Part (a) – good.

Answer relevant to the question : Yes.

Subject knowledge of the students : Only few were able to demonstrate a good level of competence in performance evaluation.

Planning (building) the answer : Satisfactory.

What was bad in the answer?

Understanding the question : Poor.

Position (quality) of the answer : Not at a satisfactory level.

Answer relevant to the question : Some had given irrelevant answers, e.g. calculating gross profit ratio for ROI.

Subject knowledge of the students : Poor. Many could not calculate RI

Planning (building) the answer : Poor for parts (c) & (d)

- (2) **Common difficulties faced by the students**
Incorrect calculation of ROI, e.g. adding back depreciation, not considering the head office expenses.
- (3) **Possible areas where majority made mistakes**
RI calculation, failure to calculate 6 months profit (taking the annual profit instead)

Question No. 05

- (3) **What was good in answer?**

Understanding the question : Good

Position (quality) of the answer : Satisfactory.
 Answer relevant to the question : Satisfactory.
 Subject knowledge of the students : Satisfactory.
 Planning (building) the answer : Satisfactory.

What was bad in the answer?

Understanding the question : Improvements are necessary.
 Position (quality) of the answer : Need improvements.
 Answer relevant to the question : Some irrelevant calculations for parts (a) & (b) with candidates applying irrelevant formulae.
 Subject knowledge of the students : need improvements.
 Planning (building) the answer : Poor for parts (a), (b) & (c). However some had given satisfactory answers to part (d). Candidates were weak in planning their answer to parts (a) & (b).

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

Relating the problem given to queing theory and selecting the appropriate formulae. Candidates could not appreciate that in the given problem average number in the system need to be calculated.

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

Relating the given probabilities to random numbers.

Question No. 06

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

Understanding the question: Majority of the candidates had understood the question and answered accordingly.
 Position (quality) of the answer: Few had presented answers in tabloid format giving main focus, specific objectives and relevant measurements of each perspective.
 Answer relevant to the question : Yes.
 Subject knowledge of the students : Satisfactory.

Planning (building) the answer	:	Fair
What was bad in the answer?		
Understanding the question	:	Around 10% had failed to understand the requirements of the question which could be due to their limited language ability. E.g. many had given examples how benchmarking could be used to improve performance of perspectives other than customers' perspective.
Position (quality) of the answer	:	Illegible handwriting. Giving vague answers, required clarity not present, poor communication skills found in some answers.
Answer relevant to the question	:	Without describing BSc concept some had explained strategic planning and competitive advantages. Vague answers such as stating the ratios instead of giving an example how benchmarking could be used to improve performance measures in customer perspective.
Subject knowledge of the students	:	Explaining the benchmark concept was unsatisfactory.
Planning (building) the answer	:	Poor planning of the answer with some candidates giving irrelevant answers along with the relevant answer to the question wasting their time as well as that of the marking examiners.

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

Defining each perspective of BSc and benchmarking concept, e.g. financial perspective – correct answer -increase in shareholder value. Most answers gave it as a measure of financial performance.

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

Benchmarking concept examples. Most candidates had given ratios as examples instead of the processes to be benchmarking.

Advanced Taxation and Strategic Tax Planning – December 2012

Consolidated comments on question nos. 1,2,3,4,5& 6

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

Understanding the question : Majority of the candidates understood the questions attempted by them.

Position (quality) of the answer : Computation of income tax liability of a company, an individual and a club were well answered by many candidates displaying a sound knowledge of the concepts of statutory, assessable & taxable incomes, and the provisions of sections 25 & 26 of the Inland Revenue Act. (allowable and disallowable items)

Q. No. 04 A good no. of candidates adopted correct method of computing Value Added tax Payable.

Q. No. 06 Many candidates identified the relevant case law.

Answer relevant to the question: A majority of the answers were relevant to the questions.

Subject knowledge of the student: A good no. of candidates had a sound knowledge of the subjects tested in the questions.

Planning (building) the answer: It is encouraging to note that majority of the candidates adopted a methodical approach in their answers to questions.

However, the building of the answer to question no. 06 was disappointing. A good no. of candidates identified the relevant case law and the judgment but failed to state the reasoning leading to the judgment.

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

Understanding the question: However some candidates did not understand certain parts of the question. E.g. Q. No. 01.(a) (ii) the question requires computation of the balance distribution to be made before 30.09.2012 out of profits for the Y/A 2011/12. Some candidates misunderstood the question and attempted to compute “deemed dividend tax”.

Q. No.03 (b)the question required 4 conditions to be fulfilled for lodging a valid appeal with appeal commission. However, some candidates mentioned the procedures involved in dealing with an appeal

Q.No. 03 (c) Here the assessor disagrees with the computation of a refund claim by a tax payer. Some candidates mentioned the procedure for making a refund claim.

Position (quality) of the answer:

Majority of the answers to question no. 3 (tax administration) and Q. No. 06 (case law) were of poor quality.

Q. No. 06 (case law) Majority of candidates mentioned the relevant case law and judgment (adventure in the nature of trade, capital expenditure, etc.) but failed to state the reasons leading to the judgment. This suggested that candidates had not spent enough time on reading case law.

Answer relevant to the question:

Some answers furnished by a few candidates were not required in the question. For example, in question no. 05 (a) some candidates claimed tax credit against gross tax income tax payable. This was not required in the question. This is a waste of valuable examination time earning no extra marks.

Subject knowledge of the candidates:

There was also a lack of knowledge and understanding of the Inland Revenue (Amendment) Act No. 22 of 2012.

Income tax law is subject to frequent amendments and therefore the candidates should endeavor to keep themselves updated.

E.g. (a) Employment income (including terminal benefits)
(b) Income tax rates.
(c) Qualifying payments

are some of the areas where significant amendments have been effected

Planning (building) the answer:

A good number of candidates wrote unnecessary statements to certain questions. E.g. In question no. 2 (b) a good number of candidates mentioned that to close on income tax file the employment income should be less than Rs. one million!

(3) **Common difficulties faced by candidates**

Difficulties faced by majority of candidates are in relation to administration questions and case law questions. Illegible handwriting and poor communication skills contributed to lose marks for many candidates. Besides, failure to devote enough time to these subject areas would have been the reason for a vast number of candidates not attempting these questions.

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

- (a) Failure to update themselves with the amendments to the Inland Revenue Act.
- (b) Improper reading/understanding of the question. Candidates should read the questions once, twice or even thrice so that they properly understood before attempting to answer.
- (c) Handwriting and communication skills should be improved.
- (d) Candidates should allocate more time in their learning process to such important areas like administration provisions and case law.
- (e) Candidates should read carefully all the statements/facts given in a question. These are intended to test their knowledge. Therefore, candidates should demonstrate their knowledge by writing in the body of answer or by way of a note. These statement/facts carry marks and the examiner cannot award marks if the candidates knowledge is not evident in the answer script.

(5) **Rough overall percentage of marks taken by students**

- (a) About 20% of the candidates have scored 50 and above marks.
- (b) About 35% have scored between 40 – 49 marks.
- (c) About 45% have scored below 40 marks.

All questions are within the syllabus

Strategic Management Process – December 2012

Around 50% of the students who sat for the exam have managed to score considerable marks. Nevertheless, common mistakes committed by students are given below part-wise of the each question.

Question No. 01

(a) **Strengths of LHA--Allocated Marks – 03, Average Performance – 03**

- A. Some have understood the question, managed to earn full marks. Answers were relevant to the question and significant strengths of LHA were indicated. Eg. A variety of innovated product range, uniqueness of the products etc.
- B. Some just indicated “R&D team” was a strength for LHA rather than being briefly elaborated. i.e. highly expertise R&D team.
- C. Some identified the planning of expansion of outlets as a strength which earned no marks.
- D. Some stated “Capital”, “Business Network” as strength which should have been precisely elaborated.

(b) (i) **Core Competencies and Distinctive Capabilities- Allocated Marks-04, Average Performance-02**

- A. Only a few understood the question and answers were relevant to the question.
- B. Some identified core competencies as “resources” to perform business sans being elaborated, which earned no marks.
- C. Some were of the wrong view that core competencies and distinctive competencies are unique products of an Organization.
- D. Some students have provided examples of core competencies and distinctive competencies rather than being defined/described.
- E. A few were of the wrong view that the term “Competencies” is equivalent to “Competition”

(ii) **Characteristics of distinctive capabilities-Allocated Marks-08, Average Performance-03**

- A. Some have understood the question well and all 03 characteristics of Distinctive capabilities, i.e. Contribution to superior customer value, difficulties for competitors to imitate, allow using capabilities in variety of ways, were written by them and managed to earn full marks.
- B. A few have not provided characteristics of distinctive capabilities at all. Instead they have cited examples from the given “case” as “Characteristics”.
- C. Some students kept on describing the strengths of LHA. Eg. 1. “The LHA has the first standardized laboratory and development Centre” Eg. 2. “R&D” will help investing of new products, which earned no marks. They should have cited introduction of newer products such as Cosmetic Mask, with Green Tea Extracts, Green Tea Body Gel, Green Tea Mouth Wash etc. as application in the context of LHA.

- D. Distinctive capabilities are based on unique resources, according to some students, which is not a main characteristic the Examiner expected.

(c) **Value Disciplines-Allocated Marks-10, Average Performance-05**

- A. Only a few understood the question properly and concluded that LHA has been following product leadership discipline.
- B. Most of the students have not briefly discussed the concepts of value disciplines. Nevertheless they have correctly mentioned the 03 dimensions of the value discipline i.e. Operational Excellence, Product Leadership and Consumer Intimacy. What was lacking in answers was that brief explanation of the concept and brief description of the 03 dimensions.
- C. Most of the students have not identified the dimension followed by LHA and not given examples as indicated in the “case” (Question paper)
- D. Some have provided evidences from the given case without the dimension followed by LHA being labeled.

Question No. 02

(a) **Strategic Decisions-Allocated Marks-04, Average Performance-03**

- A. Some have not mentioned main characteristics of the strategic decision like; they are taken by the top management, they are concerned with long term directions and future prosperity which were indicated by a few correctly.
- B. Some have written general answers, E.g: Strategic decisions will result in gains to the Organization.
- C. Some were of the wrong view that strategic decisions are involved with only existing resources of a firm.
- D. Strategic decisions should be reliable, measurable, acceptable, comparable etc. according to some students which earned no marks.

(b) **Decisions of top management and the Marketing management -Allocated Marks-04, Average Performance-02**

- A. When students were required to provide examples of decisions taken by the top management, some students unnecessarily explained the way such decision should be taken. Eg: 1. Top Management should take decisions taken into consideration holistic view of the Organization. Eg: 2. By a committee of experts etc.
- B. Some were of the wrong view that exercising control over staff, lies with the top management.
- C. Only a few mentioned that decisions like mergers, acquisitions, major investment decisions etc. are taken by the top management whilst decisions like organizing distribution channel, promotional campaigns etc. are done by Marketing Manager.

(c) **Mission Statement-Allocated Marks-04, Average Performance-03**

- A. Some have just indicated “what is the purpose”, “What is the business” etc. without a brief explanations being provided. For example, a Company exists, say the customer group to be satisfied.
- B. Some stated that mission statement should be in compliance with the vision statement and as to how Company’s vision is achieved.
- C. Some stated that mission statement should be a guidance/guide line for employees to work, which earned only a few marks.

(d) **Market Segmentation-Allocated Marks-03, Average Performance-01**

- A. Some have stated that Market Segmentation is the process of classifying customers into groups which earned a few marks. Nevertheless they have ignored to mention that the grouping is to be done based on common characteristics.

- B. Some were of wrong view where market segmentation means market share of the Company.
 - C. Market segmentation is process of gathering information, according to some students.
- (e) **Inflation /Interest rates on housing construction-Allocated Marks-05, Average Performance-02**
- A. Most of the students have correctly mentioned the impact of rising interest rates and inflation on the cost of production of the firm. Nevertheless they have ignored to mention the impact of higher (resultant) cost of production on the pricing of the houses.
 - B. Only a few stated that the timing of expenditure and the revenue due to interest rates and inflation and as a result, the impact on the firm's cash flow.
 - C. Some have concluded that the firm will incur losses due to higher cost of production sans the analysis made on revenue under different cash flow scenarios.

Question No. 03

- (a) **Resources/Skills required for strategy implementation-Allocated Marks-08, Average Performance-05**
- A. Some have correctly mentioned process engineering skills, low cost distribution system etc. under skills required for a cost leader and product engineering skills, marketing skills etc. are required for differentiation strategy. Nevertheless some have repeated same point under different terminology.
 - B. Some have just mentioned advanced technology under both cost leadership and differentiation without being related to the two strategies as to how advanced technology will help the strategy concern.
 - C. Product differentiation and product quality were differentiation strategies according to some students which earned no marks.
- (b) **Strategy Clock-Allocated Marks-08, Average Performance-06**
- A. Strategy clock diagram was correctly drawn by some students and managed to earn full marks allocated. However some were not correctly labeling the eight strategies. Some did not identify correctly the horizontal and vertical lines of the diagram which resulted in low marks.
 - B. Some did not clearly differentiate the two concepts, in that, students should have indicated that Porter dealt with 3 mutually exclusive strategies i.e. cost leadership or differentiation or focus and "strategy clock" recognizes possibility of implementing several strategies including a hybrid strategy. Some students listed out 3 strategies of Porter's generic strategy and 8 strategies of "strategic clock" in order to differentiate the two, which earned only a few marks.
- (c) **Hybrid Strategy-Allocated Marks-04, Average Performance-02**
- Even though some students correctly mentioned that the hybrid strategy seeks both differentiation and a lower price than competitors, some students were unable to mention the ideal relationship between the cost and the price for successful hybrid strategy. B Two actions to adopt hybrid strategy should be basically that cost base to be low-enough to permit reduced prices and to re-investment to maintain differentiation. Nevertheless most of the students listed out actions without the basic parameter under reference being considered, which earned only a few marks. Eg: 1.Aggressive advertisement Eg.2Establish more outlets Eg 3 Invest a lot of money on R&D

Question No. 04

- (a) **Strategic and operational controls- Allocated Marks-04, Average Performance-02**
- A. Strategic control is the process of establishing the appropriate types of control systems at corporate business and functional levels. A few students have managed to provide

acceptable definition. Nevertheless, according to explanation provided by some students “Strategic control” is carried out by strategic level of the Organization.

- B. Only a few mentioned correctly the meaning of operational control systems, i.e. operational controls guide, monitor and evaluate the progress in meeting the Company’s annual objectives. According to some other students, functional controls are operational controls.
- (b) **Feed back /Feed forward controls-Allocated Marks-06, Average Performance-03**
- A. Feed-forward controls are pre-action controls and feedback controls are post action controls, some students have correctly indicated correct descriptions. However a few stated other way round. According to them, feedback controls takes place before activity begins and feed-forward controls take place after the work is completed which earned no marks.
- B. Some have provided vague answers like, concurrent controls is relevant for existing activities and events, which earned no marks. They should have mentioned that concurrent controls take place while an activity takes place.
- (c) **Simons Model-Allocated Marks-08, Average Performance-04**
- A. Only a few had answered well. A fair number of students have not answered at all.
- B. Some have just indicated 4 control systems namely Belief systems, Boundary systems, Diagnostic systems and Interactive systems without any explanations being given which earned only half marks that were allocated. C Some were of the wrong view that boundary systems means physical boundaries. It is limits of freedom in terms of employee behavior.
- (d) **System- Allocated Marks-02, Average Performance-01**
- A. Some have indicated unacceptable answers like, system is a meaningful process.
- B. Some indicated that system is a collection of related activities which did earn some marks. However they have forgotten to add that any system operates to achieve some specific objectives.
- C. According to some, system is a process or procedure.

Question No. 05

- (a) (i) **Outsourcing-Allocated Marks-03, Average Performance-02**
- A. Some stated outsourcing is cost effective than producing internally, which earned only half a mark. They should have mentioned when an outside specialist undertakes the job, the cost of the outsourced service becomes lower.
- B. Only a few mentioned that outsourcing pave the way for focusing on core business.
- C. Some mentioned that the firm which outsource certain functions can reduce the costs compared to competitors without further explanations to earn full marks.
- (ii) **Org Policies- Allocated Marks-05, Average Performance-02**
- A. Policy refers to specific guidelines, procedures that are formulated to encourage work towards stated organizational goals. Some students mentioned that policies are systems/rules of an Organization which earned only a few marks.
- B. Most of the students ignored to mention the benefit that policies enforce consistency in how critical activities are performed, instead they kept on describing one benefit i.e. policies provide top-down guidelines.
- (b) **Mckinsey 7-S Model-Allocated Marks-07, Average Performance-05**
- A. Most of the students had not mentioned the fact that Mckinsey 7-S’ Model provides a framework for strategy implementation for which 1 mark was allocated.
- B. Some have correctly categorized hard and soft elements in the model, whilst others incorrectly strategy, structure & system identified as soft elements rather than hard elements.

- C. Some had understanding over basis for categorization of hard & soft i.e. hard elements are easily quantified whereas others were silent on the basis of categorization.
- D. Most of the students were unable to explain what the shared values are i.e. values, belief, norms that guides employee behavior.



Commercial Law and Corporate Law – December 2012

(1) Understanding the question

It is a fact that anyone who appears for a question paper in any examination it is essential for him/her to understand the questions properly before starting to answer the questions. This is an essential point to be followed by candidates for all the examinations. Even though some candidates are very well conversant with areas tested by questions unless they understand the question properly no satisfactory answers could be expected. To understand any question properly it is equally important to read the questions carefully may be once twice or even thrice. What could be observed is that some candidates have not followed this procedure therefore the answers produced by them are not up to expectations. Accordingly the standard of answers furnished by majority for most of the questions in Commercial Law and Corporate Law paper are below the average. However a handful of candidates have understood the questions and the answers produced by them are in some standard.

- E.g.
- 1 (a) Communication of the offer through a third party had been identified correctly.
 - 2 (b) An agent has no right to earn profit(secret profits) without the consent of his/her principal too had identified correctly.
 - 3 (b) (ii) Effect of dated cheque correctly identified.
 - 4 (ii) Instances where a partner can apply to court for dissolution of the partnership business were also correctly given.
 - 6 (b) Type of resolutions required for certain purposes are known to them.

Quality of answers

Standard or quality of some answers produced by them are in an acceptable standards. For example;

- 1 (a) It had been discussed that an offer can be revoked at any time before acceptances and acceptance should be done while it is in existence. If withdrawn the offer that should be communicated to the offeree directly or through a third party. Accordingly withdrawal of the offer made to Jane by Peter through Kevin is a proper withdrawal.
- 3 (b) Some had stated that an “account payee only” cheque cannot be collected through any other account other than the account of the payee. Post dated cheques cannot be deposited before the dates stated in those cheques.

Quality of the explanations given on instances where partner can apply to court for dissolution of the partnership business, the rights to resell the good under Sale of Goods Ordinance, the type of resolutions that should be passed for certain purposes and so on were in an acceptable manner.

Answers for some questions such as stated here above are relevant to the questions and subject knowledge of the candidates is satisfactory though no satisfactory planning of answers could be observed and that should be improved to a very great extent.

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

Answers produced by the majority reveal that they have not understood the questions properly. This may be mainly due to the fact that they have no good habit of reading the questions properly till they realize as to what has been tested by a particular question. When they start answering the questions without understanding them it is natural that they write whatever come to their mind. As a result some have focused their answers in incorrect directions.

Few examples could quoted,

- Q. No. 02** Though the question is very clear and asks to explain legal positions of the parties involved in the given situations, they had explained various ways by which agency can be created, Possibilities of subsequent ratification of acts done by the agent by principal, Agency for necessity and so on had been discussed.
- Q.No.03** When question clearly asks whether they do agree with the statement “crossed cheques cannot be encashed over the counter”, they have gone and explained various types of crossings with examples, endorsement that could be made on cheques and so on.
- Q. No. 06 (a)** Question is clear and states that “ Yatra Company (Pvt.) Ltd” seeks your advice as to the steps to be followed after passing of special resolution to change the existing name of the company under the Provisions of the Companies Act, the complete procedure that should be followed in changing of name of a company has been explained from the very beginning starting from the name approval.
- Q.No.10 (a)** Although the question has asked to list out the contents that should be included in an amalgamation proposal, some have listed out the documents that should be delivered to registrar of companies by the secretary of a company under Companies Act, for the purpose of amalgamation.
There were some other answers which had been furnished by some candidates without relevant subject knowledge, for example;
- Q. No. 01 (b) Even though Jane has received the message re.revocation of offer made by Peter through a third party it is not a proper communication of Peter’s revocation of offer, and that communication should be a direct communication made by Peter himself and not through anyone else.
- Q. No. 5 (b) (i) Any other instances when company registrar think it is just and equitable had been written as an instances where courts can lift the veil of incorporation.
- (ii) Company is in a near position of insolvent and if directors and other authorized persons don’t take corrective actions, which should be taken by such persons under that circumstances too court can lift the veil of incorporation.

In addition to that the following instances had been given as part of their answers for lift the veil of incorporation.

- (a) When the directors make secret profits.
- (b) When the company failed to be a limited liability company.
- (c) If the Articles of the Company provide to do so and so on.

Planning (building) the answers

The most common weakness/shortcoming that could be observed is that candidates have no habit of planning their answers. They must realize that they have 3 hour period for the question paper and they must plan to score 100 marks within that time period i.e. within 180 minutes. For the 100 marks different question papers have different number of questions and Commercial Law and Corporate Law paper there are 10 questions. When planning the answering it is very important to allocate time for reading the questions arranging the relevant points and writing the answer. They must always try to manage the answer each question during the time allocate for it and not to spend more time than that.

Once the full question paper is read at the start they will have an idea regarding the easiest question. It will be benefited to start answering with the easiest question and follow the second easiest and so on. This procedure may be useful/beneficial in different ways such as;

- i. When first answer the easiest question first they will have better chances to score higher marks for it and next easiest question will follow.
- ii. When started with easiest question first they will have the confidence and mind will be free of complications. If starts with a question which they are not much conversant with and if face to some complicated positions, then proceeding with balance of the questions will be difficult as their mind is in a complicated status, even though they are capable of answering them well.
- iii. Allocate time for each question based on marks allocated for them i.e. more time for question carries more marks and lesser time for questions which carries lesser marks. In this paper similar time can be allocated for all the questions since all the 10 questions carry equal marks i.e. 10 marks for each.

(3) Common difficulties faced by candidates

In addition to the language problem the most common difficulty faced by them is that they are not much competent to decide as to what direction they have to focus their answers.

(4) Possible areas where majority made mistakes

It appears that majority has mistaken mainly due to not reading the question properly before they have start answering. What could be presumed is that a habit of start answering just after glancing through the question or sometime after going through the first few lines of the question. It is a fact unless whole question is read carefully the expected answer cannot be decided. For example when question clearly asks instances where a partner can apply to courts for dissolution of the partnership business all the possible instances under which partnership business could be dissolved including automatically dissolutions have been given (Q. No. 4).

Also in question No. 06, candidates are requested to furnish advice on steps that should be followed by a company after passing a special resolution for changing its name majority had started from the very beginning including the obtaining name approval and explained from beginning to the end.

The other areas where majority had made mistakes can be summarized as follows. These mistakes mainly

due to lack of knowledge on subject matter or they are not sure what is correct and what is wrong. Therefore answers were based on some assumptions made by them.

Question No. 05 requests to briefly explain whether they do agree with the term “A company is separate and distinct from those who own it and those who manage it”.

They are not sure from what source the ruling has been laid down and stated that “according to the Companies Act. No. 07 of 2007, a company is a separate entity and it can be distinct from those who own it and manage it. This is called veil of incorporation. Practically what has happened here is that since their knowledge on subject area is poor and since part ‘b’ of the question is on veil incorporation, candidates have assumed that the said term and veil of incorporation are interrelated and has tried to join the answers for both parts, as they have failed to understand that those are two different areas.