

SUMMARY OF EXAMINERS' COMMENTS ON THE PERFORMANCE OF CANDIDATES

PAPER – 5 : COST MANAGEMENT

General Comments

The overall performance of the candidates was unsatisfactory. It was observed that examinees lacked conceptual clarity. Many examiners are of the opinion that examinees do not take this subject very seriously. Examinees need to understand various techniques and tools used in Cost Management to perform better in this subject.

Specific Comments

Question 1.(a) This practical question part related to Activity Based costing. Most of the candidates confused target cost with traditional costing system, thus the comparison between target costing and ABC was also defective.

(b) In this practical problem related to PERT-CPM, network diagram was not properly drawn by many of the examinees. Dummy activities were not properly conceived by many of the students. Standard deviation and probabilities of completion of job was also not calculated correctly by many of them.

(c) This question related to the application of learning curve was not properly answered by many of the examinees.

Question 2.(a) This practical question related to standard costing and variance analysis was attempted by many examinees. Many of them failed to prepare the statement of equivalent production in units correctly and consequently calculation of material, labour, overhead and sales variance calculation had been wrong.

(b) This practical question related to the decision making was attempted well by many of the examinees. However, some of them has not treated 'opportunity cost' properly while solving this problem.

(c) This theoretical question related to total quality management was poorly answered by many of the candidates.

Question 3.(a) This question part related to 'Simulation' was attempted by many of the students. However, most of them were not able to calculate 'average queue length', 'waiting times', 'service time' accurately.

(b) This theory part related to 'Margin of safety' and the improvement of it was attempted fairly well by the examinees.

(c) Answer to this theory question our benchmarking was poorly exhibited by the students. Examinees failed to brief various stages involved in the process.

Question 4.(a) This numerical question related to the 'Product Mix Decision' was well answered by the students. However, 'profit for the production mix' could not be calculated accurately by many of them. In some cases 'most profitable crop' and 'break even point' of most profitable crop was calculated wrongly.

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(b) This numerical question related to linear programming was solved correctly by many of the candidates.

(c) To answer this theory question related to transportation problem the understanding of the concept the 'degeneracy' was not clear. The performance of the examinees was average.

Question 5.(a) This numerical question related to 'Costing of service sector' was not attempted well by the examinees. Many candidates were not able to calculate 'operating income' accurately.

(b) The performance on numerical question part of 'pricing of a product' was poor.

(c) This theory question part related to sunk cost was fairly well attempted by the examinees.

PAPER – 6: MANAGEMENT INFORMATION AND CONTROL SYSTEMS

General Comments

The question paper was simple, direct and comprehensive. The question paper had no choice and the examinees were supposed to answer all the questions. The examiners were of the view that the examinees are expected to write the answers precisely and to the point. Hence, they advised the examinees to read the study material and reference material thoroughly so that they can write complete and to-the-point answers.

Specific Comments

Question 1.(a) Many of the examinees' answers indicated lack of understanding of "System Stress" and "System Change".

(b) Many of the examinees failed to explain the major components of transaction processing system instead, the examinees explained Transaction Processing System cycle.

(c) Most of the candidates answered the question on the effect of applying computer technology to information system vaguely without being specific.

(d) Many of the examinees failed to list the objectives of the inventory control system.

Question 2.(a) Many of the examinees explained only the functions of production planning and control systems instead of the basic requirements of the production planning and control systems.

(b) Most of the examinees explained only one advantage of parallel conversion from manual to computerized system.

(c) Some of the examinees explained the components of the client/server technology instead of the characteristics of client/server technology.

(d) Most of the examinees failed to write the precise answer for the meaning of information security. The definition of information security should address the safeguard and protection of all data and information relating to the organization.

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Question 3.(a) Most of the examinees explained about the steps involved in executive decision making instead of the characteristics of the types of information used in executive decision making.

(b) Most of the candidates could not write about the risks involved in the end-user computing.

(c) Many of the examinees did not give correct example of the source document fraud.

d) Many of the candidates have answered the question on the factors to design user output well.

Question 4.(a) Some of the candidates mixed-up the answer on program design tools with system development tools.

(b) Many of the candidates explained the uses of ERP instead of the characteristics of an ERP solution.

(c) This question on different level of integration of CASE tools has been well answered.

(d) Most of the candidates answered this question by listing various techniques for concurrent audit instead of techniques for preserving audit trails.

Question 5.(a) Most of the examinees explained about the procedure of audit trail instead of writing the objectives of audit trail.

(b) Most of the candidates mixed up the characteristics of Internet which are likely to attract fraudsters with the uses of Internet.

(c) Many of the candidates could not give reasons why the audit methods that are effective for manual audits prove ineffective in many IS audits.

(d) Most of the candidates attempted this question but the answers for various basic terms included in IT Act 2000 were not up to the mark.

PAPER – 7 : DIRECT TAXES

General Comments

Most of the candidates do not possess the required expert knowledge in income-tax. Further, some of the candidates lack conceptual understanding. Therefore, their answers were vague and based on surmises and conjectures. Lengthy answers dealing with irrelevant points were common. Many candidates have not given proper notes in support of their answers. The presentation of answers was also very poor in many cases.

Specific Comments

Question 1.(i) Many candidates were not aware of the provisions of section 33AB(6) that expenditure incurred out of withdrawal from Tea Deposit account is not allowable as deduction.

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(ii) Some candidates were not aware that profit from sale of tea leaves has to be treated as agricultural income.

(iii) The landmark Supreme Court ruling holding that stamp duty and registration fee in connection with issue of bonus shares are revenue expenditure is not known to many candidates.

(iv) The requirement of depositing the tax on or before 31st March of the year in respect of tax deducted between April and February and before the due date of filing of return in respect of tax deducted in March, for claiming deduction of the expenditure in the relevant previous year, is not known to many candidates.

(v) Very few candidates were aware that when arrears of interest is converted into a loan, subsequent repayment of the same is allowable as deduction.

Question 2.(a) Some of the candidates were not aware that as per the provisions of section 35D, the expenditure to be amortised has to be restricted to 5% of capital employed. Very few candidates were aware that discount on issue of debentures has to be amortised over the life of the debentures.

(b) Some of the candidates were confused regarding the treatment of stamp duty paid during a later year i.e., whether the same can be treated as cost of improvement.

Question 3.(a) Many candidates were not aware of the reasons for difference between e-commerce transactions and traditional business transactions causing difficulty to tax the income of e-commerce transactions.

(b) A very few candidates were aware that income on the asset transferred has to be clubbed but if there is accretion to the asset, any income on such accretion should not be clubbed.

(c) Some candidates were not aware of the provisions of section 44B and hence, were not able to answer the question correctly.

Question 4.(a) Many candidates were not aware of the relevant provisions of the Income-tax Act for launching prosecution in case of the defaults mentioned in the question.

(b) Most of the candidates have not mentioned that the conditions contained in section 2(1A) have to be complied with/fulfilled by the assessee for claiming exemption of agricultural income under section 10(1).

(c) A few candidates have deducted total income from book profit and considered the balance as tax payable.

Question 5.(a) Although many candidates have explained the meaning of "charitable purpose" correctly, they were not able to explain whether rural reconstruction and upliftment of the masses through cottage industry and welfare of industrial workers with a stipulation that the workers of the settlor of trust have got preference over others, constituted "charitable purpose".

(b) Most of the candidates were not aware of the conditions specified under section 264(4) and were, therefore, not able to answer the question correctly.

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(c) A very few candidates were aware of the CBDT Circular No.785 dated 24.11.99 which clarifies that even in those cases where tax has been borne by the payer of income, he is under a legal obligation to furnish a TDS Certificate as per the provisions of section 203 of the Income-tax Act, 1961.

Question 6.(a) Most of the candidates were not aware that the right to blend is limited to coparceners and were hence, not able to answer the question correctly.

(c) This question is based on a recent amendment in section 254(2A), which some candidates were not aware of.

(d) Many candidates were not able to state that X Ltd. and Yen Ltd. are associated enterprises. Consequently, they were not aware of the penal provisions attracted in case of the defaults mentioned in the question.

Question 7.(a) Most of the candidates were not able to apply the provisions of section 140A(3) and section 221(1) and were hence, not able to answer the question correctly.

(b) This question is based on section 268A, inserted by the Finance Act, 2008, which some candidates were not aware of.

(c) Very few candidates were aware of the conditions prescribed in the proviso to section 132B(1)(i).

Question 8.(a) Some of the candidates have not added back lease rent paid by the tenant to arrive at the annual rent.

(b) The candidates have not clearly brought out the fact that the approval of the Chief Commissioner or Director General is required only if the conditions specified in section 18B are not satisfied or, where the conditions are satisfied, when the concealed net wealth exceeds Rs.5 lakh.

PAPER – 8 : INDIRECT TAXES

General comments

The performance in the paper was not satisfactory. Candidates do not answer all parts of a question at one place making valuation difficult for examiners. The presentation skills of the candidates need to be improved as the handwriting of many candidates was not legible. Candidates lack in-depth study of the subject as they write lot of irrelevant matter in the answers.

Specific comments:

Question 2.(b) Candidates in most of the cases wrongly mentioned that in the event of cessation of business/death of the owner, certificate of registration can be revoked.

Question 3.(a) Many candidates were not aware about SSI exemption available to branded packing materials.

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(b) Candidates in most of the cases explained the situations under which imprisonment can be sentenced instead of giving the reasons not considered as special and adequate for awarding sentence of imprisonment for a term of less than six months.

Question 4.(a) Few candidates could not explain the terms as per Customs Valuation (Determination of Value of Imported Goods) Rules, 2007.

(b) Few candidates wrongly mentioned that power to arrest is not statutory but subject to certain conditions and that High Court enjoys the power to award anticipatory bail to provide protection to any importer.

(d) Many candidates were not able to calculate the correct amount of drawback under two cases. In part (ii), many candidates wrongly allowed proportional drawback since market price was lower than the drawback.

Question 5.(b) Many candidates did not know how to calculate additional duty of customs under section 3(1) of the Customs Tariff Act 1975 when goods are assessable under section 4A of the Central Excise Act, 1944.

(b) Some candidates did not present the provisions made for control over warehoused goods correctly. Instead they mentioned the provisions not relevant to the question.

(c) Large number of candidates did not discuss the concessions available on re-import of goods completely.

(d) Answers to the question regarding personal hearing and order under advance ruling were quite poor.

Question 6.(c) Amount of refund of service tax paid, although very easy to calculate, was made complicated unnecessarily by some candidates.

(d) A few candidates explained the best judgement assessment as provided under Income-tax Act, 1961 instead of explaining the provisions as provided under the Finance Act, 1994.