

SUMMARY OF EXAMINERS' COMMENTS ON THE PERFORMANCE OF CANDIDATES

I. General Comments :

- (1) Most of the candidates do not possess the expert level of knowledge required at the Final level. They also lack conceptual understanding. Therefore, some of their answers were found to be extremely vague and lacking in substance. An indepth learning of the study material would help to build a strong conceptual base.
- (2) In many cases, lengthy answers dealing with irrelevant points were common. The answer should be directed towards the question asked, and in case of questions requiring descriptive answers, the same should preferably be given point-wise.
- (3) While solving practical problems, the answers have not been supported with appropriate working notes. Working notes are very important and they should form part of the answer.
- (4) At the Final level, in taxation papers, the candidates are expected to have the ability to apply the provisions of law in solving a problem or issue. However, candidates were found lacking in analytical and application skills.
- (5) Although in the taxation papers, there has been a fine balance between questions involving application provisions and theoretical questions as well as questions on latest amendments and case laws, the performance was not up to the mark and reflected lack of adequate preparation and lack of awareness of latest amendments and judicial rulings.
- (6) For questions relating to case laws in taxation papers, logical arguments in favour of the decision should be given instead of just giving the decision.
- (7) Some candidates have also resorted to selective study. This has been specifically observed in Indirect Taxes, where the syllabus is divided into Central Excise, Service tax and VAT and Customs. The performance of the candidates was not consistent i.e., if they have done well in one part, they have performed poorly in the other parts.
- (8) The presentation of answers was also very poor in many cases. The major deficiencies are -
 - (i) not starting the answer to a new question on a fresh page.
 - (ii) answering the different sub-parts of the questions in different places instead of answering the same one after the other
 - (iii) leaving blank pages in between the answers
 - (iv) writing the question number outside the margin, which is intended for answers.
 - (v) not marking the questions answered in the cover page inspite of specific instructions to do so.
 - (vi) very poor handwriting,
 - (vii) lack of expression
 - (viii) spelling mistakes and

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II. Paper-Wise Specific Comments :

PAPER – 5 : COST MANAGEMENT

Question 1.(a) The question asked to compute break even points under both Absorption Costing and Marginal Costing from given data and also to find out Profit under Absorption costing at a certain level of sales. The answers in respect of Absorption costing were mostly incorrect as the candidates had very little idea about how to deal with the impacts of under absorbed overheads and adjustments for increase in inventories, as asked for in the question. Most of the students were not clear about the difference in the approach to find out profit under the two systems, particularly impact of under absorption of overheads. A large number of examinees were able to calculate BEP correctly under marginal costing but they were failed to calculate the profit under absorption costing.

(b) Majority of the candidates had reasonable idea about the application of either CPM or PERT in the given conditions. Most of the examinees attempted well in this question.

Question 2.(a) This was a practical question of working out total costs at various level of capacity utilization in a period covering 12 months. This numerical could not be answered by most of the candidates. Two points mentioned in the question – (i) for labour there was a minimum cost per month and (ii) increase in semi – variable cost by a fixed amount at a certain level of capacity utilization; were not clearly understood by them and as a result, the ultimate answers were incorrect.

(b)& (c) These theory questions were on the topics of Target Costing and Product Life Cycle. The question produced answers of different qualities – some good answers from candidates with knowledge of the topics and some ludicrous from candidates who based there answers on guess works.

Question 3.(a) Most of the examinees did not find out optimal solution through simplex table and only a few students had successfully calculated the correct contribution.

(b) This numerical problem was an assignment problem and most of the examinees attempted it correctly.

(c) This was a theory problem on benchmarking. Although the majority of the students could answer the first part of the question, most of them failed to state the code of conducts suggested for ethical and effective bench marking.

Question 4.(a) The problem asked the candidates to work out best strategies for Divisional performances over two consecutive years under given parameters and interdependence. As the question required to consider different Sales Mixes, in Order to find out the best strategy to be adopted it is essential to rank the various options on the basis of contribution and then proceed to find out the best one providing maximum profitability. A large number of students, could not understand the problem and as a result failed to come to correct conclusions.

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It was evident that they lacked adequate practice to solve such problems based on opportunity cost-concept and did not have any key to how to go about finding a logical answer. Most of the answers were incomplete and wrong.

(b) This theory question related to unbalanced minimization transportation was well answered by the large number of students. Many of them were able to find out an optimal solution of transportation problem.

Question 5.(a) Although most of the candidates could work out variances under traditional standard costing system, majority could not work out the variance under Activity Based Costing (ABC) system.

(b) The theory question on penetration pricing was generally well answered. However, some of them could not explain the use of 'penetration pricing' correctly.

(c) In the problem relating to simulation, most of the candidates could allocate the random numbers, but on a few cases they failed to work out the simulation table correctly.

PAPER – 6: MANAGEMENT INFORMATION AND CONTROL SYSTEMS

Question 1.(a) Some of the examinees did not mention the type of information required under different types of information systems. Further, they did not mention the levels of management by whom these systems are being used. However, the question was well answered by most of the examinees.

(b) Many examinees could not answer 'duties of certifying authorities with respect to digital signature' in the context of Information Technology (Amendment) Act, 2008. Performance was not satisfactory in this question.

(c) This question was well attempted by the examinees. However, a few of them discussed the objectives in generalized way without referring to information systems.

Question 2.(a) Examinees discussed correctly about the constraints of an effective MIS but the methods by which these constraints can be avoided, were not explained adequately in many cases.

(b) Instead of mentioning the components of CASE work bench, many examinees discussed the CASE tools/ types of work bench which resulted in poor performance.

(c) Majority of the examinees have given a generalized answer instead of mentioning the sub systems of Marketing Information System. Hence, the performance of the examinees was not satisfactory.

Question 3.(a) Most of the examinees well attempted the question based on the 'Evaluation of ERP Package' but in some cases, examinees mentioned evolution of ERP/Phases of ERP implementation.

(b) Various stages of developing an in-house software were described by the majority of the examinees, correctly. The performance was good in this question.

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(c) Most of the examinees answered this question correctly. However, in some cases, examinees described the fraud reduction methods with respect to employees, instead of computers.

Question 4.(a) 'Components of client/server architecture' was explained satisfactorily by the examinees.

(b) Instead of describing the control objectives of an operating system, some of the examinees described either basics of the operating system or gave a generalized discussion. However, the overall performance was satisfactory.

(c) Majority of the examinees gave a generalized discussion on the role of a security administrator, instead of to-the-point answer. But, the overall performance was satisfactory.

Question 5.(a) Advantages of prewritten application software packages were well described by almost all the examinees. Performance was very good in this question.

(b) Examinees well explained the contents of system manual of systems design; hence, the performance was good for this question.

(c) Majority of the students could not describe 'Data Dictionary' in the desired way. Hence, the performance was not satisfactory in this question.

(d) Most of the examinees wrote the note on training for system operators and users in the desired manner.

PAPER – 7 : DIRECT TAXES

Question 1. This question requires computation of total income of a company. Most of the candidates have not correctly worked out the effect of understatement of stock and sales on computation of business income. The candidates have not explained the reasons for additions/disallowances of various items of expenditure. Many candidates have computed minimum alternate tax under section 115JB, which was not required. Some candidates have calculated tax liability, which was also not required.

Question 2.(a) Some of the candidates were not able to explain that mere disallowance of an exemption claimed by the assessee will not tantamount to concealment of income and unless there is concealment of particulars of income or furnishing inaccurate particulars of income, penalty under section 271(1)(c) would not be leviable.

(c) Candidates could not correctly explain that the employer is not responsible for verifying the genuineness of the employee's claim for exemption of leave travel concession under section 10(5) for the purpose of tax deduction at source under section 192.

Question 3.(b) This is a direct question based on the provisions of section 288. However, many candidates have failed to state correctly the persons who can act as authorised representative. Some candidates have answered that only chartered accountants and lawyers can be authorized representatives.

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(c) This question is on tax treatment of premium payable on redemption of debentures. Some candidates have not been able to answer that the provision for premium has to be allowed uniformly over the tenure of debentures.

(d) The reasoning given in the Supreme Court decision, on which this question is based, has not been clearly brought out by the candidates in their answers.

Question 4.(a) Some of the candidates were not aware of the amendment made in section 92C(2) by the Finance (No.2) Act, 2009 in respect of determination of arm's length price, where more than one price is determined by the most appropriate method.

(b) Many candidates were not aware of the amendment made in section 80-IA by the Finance (No.2) Act, 2009 to the effect that deduction under that section would not be available to an assessee who merely executes a works contract.

Question 5.(b) Some candidates were not aware of the retrospective amendment in section 115JB by the Finance (No.2) Act, 2009 requiring provision for diminution in the value of any asset to be added back for computing book profit. Instead, they have answered that the same is not an unascertained liability and therefore, should not be added back.

(c) Many candidates were not aware of the CBDT Circular No.10/2008 dated 5.12.2008 which defines "fish or fish products" to include "other marine products like crab, lobster, etc" and clarifies that disallowance under section 40A(3) would not be attracted in the case of payment in excess of Rs.20,000, made otherwise than by way of account payee cheque or account payee bank draft, to a producer being a fishermen or head of fishermen but disallowance would be attracted if such payment is made to a middlemen or trader, by whatever name called. Instead, candidates have discussed the exceptions contained in Rule 6DD generally.

Question 7.(a) Some of the candidates could not answer that reference cannot be made to the Valuation Officer under section 55A, where the value of the concerned asset as on 1.4.1981 adopted by the assessee is more than the fair market value.

Question 8.(c) Many candidates have wrongly taken loan for purchase of shares as a deduction when shares themselves do not fall within the definition of asset under section 2(ea) and hence, are not chargeable to wealth-tax. They have wrongly considered that since the loan was taken by pledging jewellery, which is an asset chargeable to wealth-tax, the same is allowable as deduction.

PAPER – 8 : INDIRECT TAXES

Question 1. (a) (i) Many students were not aware of the provision relating to return of goods to supplier under Central Excise (Removal of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 2001. Whereas some of them have wrongly explained the provisions of rule 16 of the Central Excise Rules, 2007 with regard to return of duty paid goods to the factory for being re-made, refined etc., others have wrongly explained the provisions of reversal of CENVAT credit when inputs are removed as such.

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(b) (i) Instead of mentioning the time limits prescribed for filing of Annual Installed Capacity Statement, many students have wrongly mentioned the due date for filing of Annual Information Return.

(ii) Hardly any student was aware of the time limit prescribed for return of seized records that have not been relied upon by the Department. They have wrongly explained certain provisions of seizure of documentations etc.

(c) A large number of students got confused between the registration requirement under service tax vis-a-vis central excise and thus wrongly explained the provisions of centralized registration under service tax. None of the students were aware that in the case of textiles and compressed natural gas, a single registration can be obtained in respect of more than one premises. Also, some students instead of explaining the provision of registration in case of more than one premises explained the provisions relating to registration of a new premises, which was not asked for.

(e) (ii) Rule 6(3) of the CENVAT Credit Rules, 2004 gave an option to the manufacturer opting not to maintain separate accounts to pay an amount equal to 10% of the price of the exempted goods. With effect from 07.07.2009, rule 6(3) was amended vide Notification No. 16/2009 CE (NT) dated 07.07.2009 so as to reduce the said percentage of 10 points of the price of the goods to 5 points of the value of the goods. The question required the students to state whether the statement, "Rule 6(3) of the CENVAT Credit Rules, 2004 gives an option to the manufacturer opting not to maintain separate accounts to pay an amount equal to 5% of the price of the exempted goods", is correct. Almost all the students wrongly concluded that the statement is correct without noticing the subtle difference between price and value.

Question 2.(c) Few students wrongly provided CENVAT credit in respect of electrical lamps for lighting the manufacturing area under the misconception that such lighting directly helps the manufacturing process. Few students mistook the raw steel as capital goods and did not provide CENVAT credit on the same.

(d) Though most of the students correctly computed the excise duty liability, they failed to explain the treatment in respect of availment of CENVAT credit as they were not aware of the specific exclusion relating to watches under SSI Notification.

Question 3.(a) Most of the students have not understand the principles of classification. Though many of them have reproduced the classification rules and referred the case law, they failed to apply the principle to the case in hand.

(b) Some students wrongly concluded that the process of addition of stabilizing agents etc. for deriving liquid mosquito destroyer amounts to manufacture since the characteristics of the finished goods is different from the inputs. Further, some of them instead of discussing the possibility of emergence/non-emergence of a new product, wrongly referred to marketability test.

(c) Very few students were able to enlist the purposes for which the Consumer Welfare Fund is utilized. Most of them explained the concept of unjust enrichment, which was not asked for.

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Question 4.(b) This question required the students to explain the methodology for calculation of export duty after the introduction of the 'transaction value' concept under section 14 of the Customs Act, 1962. A large number of students wrongly explained the provisions relating to transaction value and explained how transaction value is determined under different circumstances.

(c) Majority of the students failed to distinguish between the functioning of Inland Container Depots (ICD) and Container Fright Stations (CFS) and wrote very general answers explaining un-necessary details.

(d) In this question, students were required to examine whether the statement, "Interest under section 47 is chargeable only after the expiry of warehousing period specified under section 61(1) of the Customs Act, 1962" is correct. However, many students wrongly explained the procedure of recovery of interest, in the event of default.

(e) Some students could not explain the term 'export' for the purpose of duty draw back.

Question 5.(a) Overall performance of the students for this question was good, though only a few of them provided adequate working notes.

(b) Though many of the students were aware of the case of Sony India Ltd., they could not apply the ratio of the decision to the given situation.

(c) Most of the students wrongly explained that the exporter who has been held guilty of exporting "prohibited goods" is entitled to an option to pay fine in lieu of confiscation.

Question 6. (a) (iii) Many students have wrongly concluded that services provided to any person by Government Railways in relation to transportation of goods by rail is chargeable to service tax. It may be noted that for May 2010 examinations, notifications issued till 31.10.2009 were relevant and Notification No. 33/2009 ST issued on 01.09.2009 exempted the service provided or to be provided by Government Railways in relation to transport of goods by rail, whether in container or otherwise.

(b) Students performed poorly in this question. Most of the students wrongly answered that the Commissioner of Central Excise is empowered to revise or review the orders relating to service tax passed by any adjudicating authority subordinate to him, thereby failing to distinguish between the power to revise and review.

(c) (i) Very few students were aware of the specific provisions relating to Rule 5 of the Taxation of Services (Provided from Outside India and Received in India) Rules, 2006 and explained a lot of un-necessary and irrelevant details.

(ii) Instead of explaining the provisions relating to payment of interest, many students have wrongly narrated the provisions relating to penalty for late filing of returns.

(d) Students were found lacking in the knowledge of procedures relating to refund.