

EXAMINERS' COMMENTS ON THE PERFORMANCE OF CANDIDATES

PAPER – 5 : ADVANCED MANAGEMENT ACCOUNTING

Question 1.(a) t distribution – problem – Performance: Average Many candidates identified that 't' distribution was to be used. Some candidates wrongly used the normal distribution. Many candidates did not understand the concept of null hypothesis. Only some candidates got full marks. Many lost marks while defining the hypothesis.

(b) Zero Based Budget – theory – Performance: Average. Most candidates failed to convey their ideas. They repeated the same point on not having a look at the earlier year's budget. Most of the candidates got 1 or 2 marks, though it has been a repetitive question.

(c) Shut down point. – Problem - Performance: Good: Most candidates were able to attempt this question well. Most of them did not work out the capacity level as a percentage.

(d) Throughput accounting – Problem – Performance: Not good: A large number of candidates got 2 marks by working out the contribution per minute and the ranking. Only a few candidates were able to proceed beyond this step.

Question 2.(a) Marginal Costing under constrained resources – problem – Performance: Bad Many candidates were able to identify that raw materials was the limiting factor and attempted to calculate contribution per limiting factor. The question could have clearly stated that each product A, B and C was limited to sales of 900 lacs the next year. If candidates had found out the current sales, contribution, fixed cost and profit, they could have earned some marks effortlessly due to the step wise marking.

(b) PRAISE – Theory – Performance: Very poor Some candidates managed to list out the remedies. Most of the candidates did not know the answer. The question could have indicated the topic of TQM so that they could have answered something in their own words.

Question 3. (a) Standard Costing Problem – Performance: Poor Most candidates were unprepared. The question was straightforward and a time saver for good marks. Yet, they had not prepared how to deal with idle time in fixed overhead variances. Most candidates got fixed overhead efficiency variance and the calendar ratio right. Only a handful of candidates got it fully right.

(b) Linear programming – Problem - Performance: Good Many candidates were able to get marks for formulation. Many of the candidates got the graph reasonably correct and the optimum contribution right.

Question 4. (a) Marginal Costing – Problem – Performance: Very good Most candidates got the answer fully correct. Even those who went wrong had reasonably approached the question and at least got the selling price right.

(b) Balanced Score Card – Theory - Performance: Good This is an often repeated theory question and was attempted well.

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(c) Critical Path method – theory - Performance: Good Many candidates made a good attempt.

(d) Return on capital employed – problem – Performance: Very Good Many candidates solved the problem correctly and scored full marks.

(e) Simulation – theory - Performance: Fair The question was attempted reasonably well.

Question 5.(a) ABC system Vs. traditional system – Performance: Very Good Most candidates did very well. The question was simple and marks were easily obtained.

(b) – Forecasting – time series – Performance: Average This simple question was adapted from the study material but was not attempted well enough.

Question 6.(a) Transportation – problem - Performance: Good This problem was designed well and had a unique answer. The cost differences had no ties and many candidates got the initial allocation right. A few candidates omitted to calculate the minimum cost and some did not work out the optimality test and lost marks.

(b) Material Requirement Planning – theory – Performance: Average Candidates had not prepared adequately for this question. They tried to attempt the question in a general manner and did not succeed. Main points were left out. Very few candidates who had prepared well did well and brought out all the points.

(c) Customer Profile in service costing – theory – Performance: Fair Many candidates had an idea of the answer and made a fair attempt to put across the points in their own words. Noticeably, most of the candidates came up with apt examples and had understood the concept. Some candidates elaborated the same point and lost marks.

Question 7.(a) Divisional Costing and Pricing – problem – Performance: Poor This problem was peculiar since the input material required was less than the output produced. Many candidates got the cost of raw material right by dividing the total value by the finished output. Very few candidates applied the yield factor to obtain the cost per tonne of output of raw material. Most candidates gave the weighted average value per tonne of divisional output and ranked two options. Marks were given for this approach also. The problem did not require too much calculation. It could have been solved easily by analysing the quantities needed in each division and then finally working out the values. Candidates lacked the skill of using weighted average costs, deriving cost per tonne of output using yield factor, etc. This resulted in a lot of wastage of time. Very few candidates got the problem fully right. Most got the first part, where variable cost per tonne of output had to be found. Many got zero for the second part for optimal divisional transfer and some did not get third part in determining the selling price per tonne.

(b) Learning Curve – theory – Performance: Fair Most candidates knew the concept, but wasted time in explaining the learning curve. The question also said 'features' of learning curve and the answer expected was the uses or application of the learning curve. Candidates lost time and marks by repeating a single point in different ways.

FINAL (NEW) EXAMINATION : NOVEMBER, 2010

PAPER – 6: INFORMATION SYSTEMS CONTROL AND AUDIT

Question 1.(a) None of the candidates answered in the desired manner. Candidates answered on the basis of *operations* instead of *controls* and hence, they did not obtain good marks.

(b) Many candidates got confused between *office automation* and *business automation* and as such did not discuss any operation of *office automation*. This resulted in a poor performance.

(c), (d) These parts were of general nature and hence, candidates could score well.

Question 2.(a) Many of the candidates did not understand the question, but still attempted and discussed ERP implementation and therefore got poor marks.

(b) This was a general question based on ERP evaluation and candidates got relatively good marks.

(c) Though the candidates got confused with *insurance of general items*, but still attempted well.

Question 3.(a) This question was based on the method to test the correctness of the module. It was poorly attempted by the candidates.

(b) Candidates confused *Documented audit program* with normal financial audit program and hence, did not answer correctly.

(c) Average performance was found in this question.

Question 4. All the parts of this question were of general nature. Overall performance was average.

Question 5.(a), (c) These parts of the question were of general nature.

Part (b) based on *database* was not attempted as per expectation.

Question 6.(a) This was a system development question based on the combination of prototype and waterfall models; poorly attempted by the candidates.

(b) This question based on the auditor's role while developing the Information System (SDLC). Candidates were confused and therefore they could not score well.

(c) This question was of general nature and poor performance was observed.

Question 7. This question was based on the short notes. Average score has been noticed.

PAPER – 7 : DIRECT TAX LAWS

A. OVERALL COMMENTS.

1. The overall performance of the candidates was found to be much below the expected level depicting poor knowledge of law and lack of application of statutory provisions. It was also observed that some candidates have reproduced the script of the questions in the answer book or have left the answer book blank even at the final level.

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2. Question No. 1(b), 1(d), 2(a), 3(a), 6(b) & 7(b) totalling 40 marks do not require either reproduction of any statutory provision or complicated calculation or application of case law. The performance of the candidates in these questions were also not found to be satisfactory.
3. The other questions asked in the paper are also based on simple issues requiring application of the substantive law.
4. Question No. 1(c), 4(b), 4(c), 7(c), & 7(d) totalling 21 marks are straight questions based on substantive law. The candidates have failed to give the correct answers to such questions which indicate that they have failed to read the statutory provisions properly.
5. The candidates have scored good marks in all the parts of question numbers 3, 6(b), and 7 and moderate marks in rest of the questions.

B. QUESTION-WISE COMMENTS ON PERFORMANCE OF CANDIDATES

1.(a) The candidates have not stated the various clauses of Form 3CD which require reporting of currency exchange losses by an auditor.

(b) The provisions of section 54 were not applied in relation to investment made by the assessee in purchase of residential house. Even the working of cost inflation index was wrong.

(d) The investment made out of gifted funds on the first day of the financial year was not worked out, as a result of which the amount to be clubbed under section 64 in the hands of spouse was wrongly calculated.

2.(a) Except for the adjustment of speculative loss of the amalgamating company which was not dealt with correctly, the other calculations were found to be in order.

(b) The provisions of section 28(va) read with section 194J and section 40(a)(ia) were not explained. Vague answers were given relating to transfer of building to the retired CEO of the Company.

3.(a) The application of proviso to section 54EC(1) and calculation of tax on long term capital gain as per section 112 was not correct.

(b) The various adjustments to compute the income chargeable to tax were not explained properly and vague answers were given. Simple issues covered under sections 41(1), 40A(3), 40(a)(i) and 43B were not properly explained.

4.(a) The concept of Explanation added to section 147 by the Finance (No.2) Act, 2009 was not explained which resulted in wrong answers. Majority of the candidates have stated that provisions of section 271(1)(c) would be invoked.

(b) This is a simple question on substantive law relating to LLP and was found to be answered well.

(c) Vague answers were given to this simple question based on substantive law.

(d) The working of depreciation on various assets was found to be correct.

5.(a) The concept of "manufacturing" was not applied properly and therefore, the candidates have not answered this question correctly.

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- (b) The invoking of provisions of section 154 on the matters which were not apparent from record was answered well.
 - (c) Answer to this question was found to be correct in general.
 - (d) Instead of explaining the chargeability of amount of bogus refund claimed, many candidates had answered about initiation of action for concealment.
 - (e) This question was answered correctly by most candidates.
- 6.(a)** Candidates failed to apply provisions of sections 269SS and 269T and further erred in not giving the answer as to penalty imposable as per sections 271D and 271E. Generally, the answers were based on provisions of section 40A(3).
- (b) A simple arithmetic calculation required in this question was found to be answered well by majority of the candidates.
- 7.(a)** In general, candidates have correctly worked out the perquisite value of interest on the loan amount given by the employer.
- (b) The treatment of various assets chargeable to wealth tax as per section 2(ea) of the Wealth-tax Act, 1957 was found to be correct.
 - (c) The provisions of Section 285BA were explained wrongly by most candidates.

PAPER – 8 : INDIRECT TAX LAWS

Question 1. Candidates secured very good marks in the question. Generally, they solved all the problems correctly except 1(d).

Question 2. Candidates did well in this question also. However, most of the candidates could not answer question No. 2 (c) correctly.

Question 3. Candidates did very well in respect of Q. No. 3 (a) & 3 (b). In respect of documents for claiming rebate Q. No.3(c), hardly any candidate could give the answer correctly. In respect of Q.No.3(d), candidates perhaps, could not understand the question, properly.

Question 4. Problem in Q. 4(a) could not be solved correctly by many candidates. Answers in respect of other sub-questions were also average. In respect of 4(d) relating to penalty for late payment of service tax, answer was not as per the expectation.

Question 5. Candidates generally did well except in respect of Q. 5(b).

Question 6. Least attempted question. Equally bad performance. This shows the poor knowledge of the candidates about provisions of law.

Question 7. Mixed performance by the candidates.

- (a) Candidates did not understand the problem posed. They were also confused between exempted goods and goods chargeable to nil rate of duty.
- (b) Good performance.
- (c) Average performance.
- (d) Very Good performance.