

EXAMINERS' COMMENTS ON THE PERFORMANCE OF CANDIDATES

PAPER - 5 : ADVANCED MANAGEMENT ACCOUNTING

Question 1.(a) When and Whether to manufacture : The students were required to decide on the range of market demand for which fully manufacture or sub contract or no production at all was recommended. A few students did this right. Some did the BEP for the 2 products. Many worked out the indifference point for preference of one option over the other, but did not do the BEP part and many did the BEP for only one product. Most students failed to conclude properly. They had a set of figures in front of them, but were unable to conclude. Even when some concluded, they gave one conclusion contradicting their own earlier conclusion. Application of concept was found lacking.

(b) Process further or not- Incremental Cost Approach: A very few students used the incremental cost approach. Most tried to work out the total costs under each option. Some concluded wrongly.

(c) Limitations on assumptions of PERT and CPM: Students were not prepared at all for this though this is a repeatedly asked question from the study material. Most students converted the question into differentiating between PERT and CPM and wasted time on lengthy answers. Generally, performance was poor.

(d) Classification of Quality Costs: This was a new type of question, which tested the application of the concept of quality costs. Performance was moderate on the whole.

Question 2.(a) Standard Costing – Sales Margin Variances: Many students lacked understanding of the concept of eliminating cost variances from the margin variances by taking the budgeted cost for both actual and budgeted margins. This fundamental mistake has been committed earlier also. Most students identified that the variances were favourable or adverse, but a few of them interchanged the favourable and adverse tags. Some were confused whether to take the margins and compute or just the selling price. Many did not know the mix variance calculation. Some had price, volume and mix variances interchanged.

(b) Assignment – (Operations Research): Many students lacked understanding of the concept of the topic. They did not use the information of the part answer given in the question. They laboured out fully from the start. Many had fruitfully used the information and proceeded from that point to finish it quickly. Some students could not interpret the solution for finding the discount figure.

Question 3.(a) ABC Costing: This was an analytical question. Students applying their minds on a basic cost-benefit analysis would have attempted reasonably. Very few got this fully right. Normally, students perform very well on ABC system of costing, by using their calculator and routinely distributing overheads among products. This question sought to test their fundamentals on appreciating ABC system and its suitability. They had no grasp of the

concept. But a good number did justice to the second part. Even those who reasonably analysed were not able to report effectively. Performance was poor.

(b) **Transfer Pricing:** This question was a test on the entire topic of transfer pricing. The question had an error on the transferring division. But most students took it correctly and stated the assumption. Many were able to appreciate only the usual variable cost or market price transfers. Most were able to do part (vi) by adding specific transfer costs to the price. Performance was average.

Question 4.(a) Performance Budget: Most students fared very well. Calculations were simple. A few missed out marks for not classifying into the fixed and variable parts. A very few students did badly.

(b) **Marginal Costing with step costs:** Many students ignored the step fixed costs concept. They calculated these as variable costs.

Question 5.(a) Relevant Costs for decision making: Most students fared very badly. Though they normally get good marks when a theory is asked on relevant costs, they exhibited complete lack of knowledge. The problem had very minor calculations. A few students got the answer, presented a clear solution and got full marks. Performance was poor on the whole.

(b) **Simplex – Linear Program (Operations Research):** Most of the students got the first part of formulating the inequations. Many tried to complete the table. But the question gave a portion of the table and required interpretation of the numbers. Students are probably used to memorising the steps and therefore had no understanding of what the contents of the table are. Student have not read the study material, where the meanings of these figures are well discussed.

Question 6.(a) – Network – (Operations Research): Many students did not even draw the network properly. There was a mistake in the problem on the float of a particular activity. But students did not even reach there. This was a reverse question. Given the floats and the ESTs, they had to find the paths and their durations. Actually, the problem could have been solved very simply by subtracting the floats of each path from the total duration. Very few students understood this concept and submitted a neat and effortless answer.

(b) **Pricing Strategy:** Many students had not read through this portion clearly, though this is a repeatedly asked topic.

(c) **P/V ratio- Product performance:** Most students got this right. Some cared to give an example. But many wrote precisely and got the marks.

Question 7.(a) Steps in Simulation Process – (Operations Research): Though the general simulation process was asked, many students wrote about Monte Carlo simulation and explained the problem solving process. Many students had not prepared well enough from the study material, though this is an often repeated question. Some secured full marks, some got zero, and some got one or two. Performance in general was average.

(b) Learning curve theory – (Operations Research): This is a repeated question. Some students lost marks as they tried to explain the same point as many. Performance was average.

(c) Life cycle of a product: Performance was mostly good as this was an easy and repeated question.

(d) Pareto analysis: Most students had prepared well. Performance was good.

(e) Just -in -time concept: Many students only discussed the raw material aspect and missed the marks. This is also a repeated question. Performance was average.

PAPER – 6: INFORMATION SYSTEMS CONTROL AND AUDIT

Question 1. It was a simple case study based question comprising four sub parts.

(a) For the first part, most of the candidates were able to identify the areas, which are required to be studied in order to know about the present system. In second part, problems faced by ABC Udyog were also covered fairly well by quite a few students. However, some candidates could not link the questions with the case study but they answered theoretically correct. Performance was average for this question.

(b) Most of the candidates mentioned the reasons for selecting ERP solution with a detailed description. Hence, the performance was very good for this part.

(c) Only a few candidates mentioned about the trainings to various stakeholders for effective utilization of the proposed new system and standards. Overall performance was below average for this question.

(d) Most of the candidates explained different backup techniques with their proper explanation. However, some of them had difficulty to differentiate between differential and incremental backup; accordingly for recommending one backup technique for the given case. Hence, performance was average for this part.

Question 2.(a) 'Information' and its important attributes were discussed by the candidates well. Accordingly, very good performance was observed for this part.

(b) Only a few candidates wrote the correct answer. Some of the candidates have not been specific to the System Requirements Specification (SRS) and therefore, they could not write the content precisely. Overall performance was average for this question.

(c) In many cases, discussion was focused both on generalized view and technicalities and not on the core significance of Post Implementation Review. Overall performance was average for this question.

Question 3.(a) Though the concept of 'Risk Assessment' was clear to most of the candidates but quite a few candidates could not write about its various areas that needed to be focused. Accordingly, an average performance was observed for this part.

(b) Most of the candidates wrote the appropriate answer. However, some of the candidates gave a generic answer and they have not been specific to various roles involved in the SDLC, as asked in the question. But, overall performance was good.

(c) Flowchart to find the sum of first 50 even numbers, starting from 2 was not drawn correctly by most of the candidates; very poor understanding of the logic was observed in most of the cases. Overall performance was below average for this part.

Question 4.(a) This part dealing with various General Components of a Disaster Recovery Plan was answered well by the candidates. Hence, performance was good for this part.

(b) Most of the candidates did not attempt the question in the desired way by explaining Data Privacy, Policy Communication-P3P and Policy Enforcement- XACML, EPAL and WS-Privacy. Hence, the performance was poor.

(c) Very few candidates wrote about the significance of audit trail to support security objectives. Hence, overall performance was average for this part.

Question 5.(a) In this question, many candidates listed threats with a generic description; many wrote about the categories of controls without explaining 'what control works for what threat'. But, overall performance was average.

(b) Most of the candidates attempted the question well by explaining major advantages and disadvantages of Continuous Auditing Techniques. Hence, performance was good.

(c) The question based on the commonly known techniques to assess and evaluate risk was well attempted by the candidates. However, a few candidates did not understand the question and wrote irrelevant techniques. Overall performance was good.

Question 6.(a) For the first part, candidates explained the significance of Business Impact Analysis up to a satisfactory level. But, most of the candidates were not able to enumerate the tasks to be undertaken in BIA. Very few candidates could write the ways by which information can be obtained for this analysis. Overall performance was average for this question.

(b) Many of the candidates discussed the information security policies well but some of them could not show the hierarchy of these policies by chart/diagram. Overall performance was average.

(c) First part based on the Composition of Cyber Regulatory Appellate Tribunal was not properly answered by many candidates; however, most of the candidates wrote the powers of the Tribunal, correctly in the second part. As a result of this, average performance was observed for this part.

Question 7. Question was based on the short notes.

(a) General description of Operating System was given by most of the candidates instead of giving some of its fundamental objectives. Hence, overall performance was average for this part.

(b) Most of the candidates could not answer this question properly by explaining Information systems maintenance and its various types; rather, it was interpreted in terms of AMC by many candidates. Hence, overall performance was below average for this part.

(c) Meaning of the Client/Server Technology was explained well by most of the candidates but further explanation about the same was not given by many candidates. Performance was average for this part.

(d) The question was based on the 'Locks on Doors with respect to Physical Access Control'. The candidates, who understood the question, attempted well; otherwise many candidates could not write the answer appropriately. Overall performance was below average for this part.

(e) Most of the candidates had fairly clear understanding of HIPAA while security rule was not clear to many candidates. An average performance was observed for this part.

PAPER – 7 : DIRECT TAX LAWS

General Comments

- (1) The presentation of the answers were poor.
- (2) Precise legal terminology were used by very few candidates.
- (3) Communication skills were poor.
- (4) For questions 1(a) and 2, most of the students could not adduce proper reasons for the tax treatment of the concerned items. The brief nature of the item as appearing in the question paper and the amount were reproduced by many of them.
- (5) Few students could correctly state the provisions involved in solving the answers for the impugned questions.
- (6) Even students who appear to know the answers, simply mentioned correctly the case law involved and the conclusion. Students should understand that they must also clearly state the rationale involved in their answer.

Specific Comments

Question 1.(a) Most of the students did not know the concept involved in income to be applied by a charitable trust as per the provisions of section 11 of the Income-tax Act, 1961. Very few students could solve this problem in satisfactory manner.

(b) These two sub-divisions were answered satisfactorily by several students. However, the precise treatment as regards building under construction was meted out by few students only.

(c) Though the clubbing provisions in wealth-tax relating to a minor child were known to most of the students, some of them did not understand that assets acquired out of capital gains arising from sale of an asset, is liable for clubbing.

(d) This sub-division was the most poorly answered one amongst all the sub-divisions in the question paper. Most of the students wrongly opined that the rules enshrined in Schedule III of the Wealth-tax Act, 1957 are not binding on Valuation Officers.

Question 2. Proper treatment of various issues in this question [i.e., waiver of bank loan principal and interest, disallowance of payment made to contractor without TDS and depreciation on intangible asset (franchise fee)] was not known to many students.

Question 3.(a) Many students did not know the proper treatment of unabsorbed depreciation. Certain students were not aware of the concept involved in the computation of presumptive income and computed the deductions from the total turnover of ₹ 55 Lakhs and arrived at the total income.

(b) Several students wrongly concluded that the resultant capital gain was long term in nature and hence went wrong in the entire computation, thus losing valuable marks.

(c) This sub-division evoked a satisfactory response, though precision was lacking.

Question 4.(a) Though most of the students stated that the CBDT had the power to condone the delay, only a few of them could state the provisions of section 119(2)(b).

(b) This sub-division was answered in a satisfactory manner by several students.

(c) Several students simply stated that the liquidated damages received was a capital receipt and hence not taxable. They could not elaborate the reasons as to why the said receipt had to be treated as a capital receipt.

(d) Though most of the students could decipher that TDS provisions under section 194-I were involved, they did not adduce reasons as to why the landing and parking charges paid by the airlines constituted "rent".

(e) By and large, this sub-division met with a satisfactory response. The underlying reasons could however, be precisely pinpointed by few students only.

Question 5.(a) Vague and general answers were given for this sub-division.

(b) Several students were not aware of the correct interpretation of the provisions of chapter XII-A of the Income-tax Act, 1961.

(c) This sub-division was also one of the poorly answered questions. Neither the precise consequence, nor the remedies available, were known to several students.

Question 6.(a) The general aspects of survey as per the provisions of section 133A were known to many students. However, the power to impound books was not known to several students.

(b) Though the conclusions could be correctly drawn in a satisfactory number of cases, several students did not explain the provision of sections 80 and 139(3) of the Income-tax Act, 1961.

(c) The validity of the reassessment proceeding was properly explained by few candidates only. Very few amongst them were aware of the option available to the Department in this regard.

(d) Most of the students did not give satisfactory answers for both the sub-divisions.

Question 7(a) Few students could correctly compute the deductions available under Chapter VIA.

(b) Provisions relating to interest chargeable under section 201(1A) were known to few students only.

(c) Vague and general answers were given by most students. Even the portion relating to tax treatment of both the items were satisfactorily explained by few students only.

PAPER – 8 : INDIRECT TAX LAWS

General Comments

The overall performance of the students was “above average” and many candidates were able to answer the numerical questions representing 25% of the total marks of the paper quite well. Moreover, a good performance in case law based questions particularly on Central excise and service tax enabled the candidates to score high marks. The students were well aware about the latest amendments also, which was reflected in the answers written by them for question no. 2. However, in most cases, the theoretical part was not attempted adequately owing to lack of preparation and the concepts not being understood properly by the students.

Question 1. This is a compulsory question with sub-parts (a) to (e) involving numerical problems to be solved based on application of law in Central excise, customs, service tax and VAT. Most of the students were able to attempt this part quite satisfactorily.

(a) Many candidates did not consider turnover of previous tenant and some candidates wrongly treated the turnover/clearance of branded goods.

(b) While computing cost of production, many candidates included ‘administration cost not related to production’ also.

(c) Very few candidates provided proper reasoning for not including commission on distribution of UTI mutual fund & on procurement of advertisements. The abatement of 30% for services of processing parts & accessories of cycles was also not clear to the most of the candidates.

(d) Set off of input tax credit of goods ‘Y’ and ‘Z’ and branch transfer was wrongly treated by most of the candidates.

(e) Many candidates got confused in rate of exchange. Some candidates added design and development charges in UK to find FOB and few candidates added design/development charges paid in India also while arriving at the assessable value.

Question 2. The performance was generally satisfactory as the questions were based on the recent amendments. However, in sub-part (a), some candidates wrongly concluded that no CENVAT credit is available for services used in repair/renovation of factory/office. In sub-part (b), the category of service in which the services were taxable and reasoning thereof were not provided correctly.

Question 3 and 4. The performance with respect to the case law based problems on Central excise was satisfactory in general while the problems relating to customs and service tax revealed that candidates had not fully understood the application of the legal concepts involved in the same. The analysis of the cases was not up to the mark. In sub-part (c), only few candidates arrived at the correct conclusion that penalty under section 112(a) can be imposed.

Question 5. The question on "Basic Concepts" in Central excise was answered well while in the case of customs and service tax, the answers showed that the candidates had not prepared adequately. In sub-part (c), most of the candidates only mentioned the point that imported goods would be valued at highest rate. They did not provide comprehensive answer elaborating the provisions of section 19 of the Custom Act.

Question 6. This question with a sectional choice is mainly on procedural parts and the performance was below average since it appears that the candidates had not particularly focused on the procedural aspects as part of their preparation. In sub-part (a)(ii) of the alternative question, only few candidates mentioned the exemptions from filing the Annual Installed Capacity Statement. In sub-part (b), some candidates wrongly opined that deemed registration is same as centralized registration under service tax.

Question 7. This question is a mix of procedure and substantive law and the performance was far from satisfactory since the candidates were not well equipped to deal with this portion. However, this question was least attempted.