

SUMMARY OF EXAMINERS' COMMENTS ON THE PERFORMANCE OF CANDIDATES

PAPER – 4 : COST ACCOUNTING AND FINANCIAL MANAGEMENT

General Comments

Overall performance of the candidates was not satisfactory. Performance revealed lack of in-depth knowledge and rigorous study. Candidates must practice numerical problems extensively and go through the theoretical part very carefully in order to provide precise and correct answers. It needs to be understood that knowledge of basic theoretical concepts is essential for attempting practical questions on desired lines. The candidates also need to fine tune their presentation skills.

Specific Comments

Question 1.(a) This was a practical question part requiring a sound understanding of the traditional methods of allocation of Overheads as well as Activity Based Costing. The question has been attempted well by most of the students; however, few students were able to compute correctly the total cost of each product. Some candidates failed to ascertain the Cost Driver rate of various activities. Very few students presented the comparison of cost as per Traditional Costing system and as per ABC system in tabular format.

(b) This theory question part was based on 'Cost Reduction'. This question was well attempted by most of the candidates.

(c) This theory question part related to 'Non-integrated Accounts' was attempted reasonably well by most of the candidates.

Question 2.(a) This practical question part related to 'Material' required examinees to compute the EOQ. Most of the candidates failed to work out the total inventory cost p.a. 'with quantity discount offer' correctly due to wrong computation of carrying cost.

(b) This practical question part required a sound knowledge of 'specific wage incentive Plans'. Majority of the candidates were unable to compute the normal rate of wages and cost of materials and hence went wrong while preparing comparative statement of factory cost of the product.

(c) This theory question part related to the 'treatment of By-Product cost in Cost Accounting' was attempted well by most of the candidates.

Question 3.(a) This was a practical problem based on Process Costing, where valuation of WIP, calculation of Abnormal loss (in Process I) and Abnormal Gain (in Process II) and preparation of Process Accounts (Both process I and process II) was required to be done. Few candidates were unable to compute the equivalent production units in Process II and hence prepared Process Account and Finished Stock Account wrongly.

(b) This theory question part related to 'labour turnover' was attempted reasonably well by most of the candidates.

Question 4.(a) This theory question part requires an understanding about the treatment of Spoilage and Defectives in Cost Accounting. Most of the candidates have answered this question part reasonably well.

(b) This was a practical part from 'Contract Costing' in which candidates were required to compute estimated profit. The amount of profit to be credited to the Profit and Loss Account was also required to be computed. Some students were confused between the term 'Estimated Profit' and 'Notional Profit' and hence answered this question on wrong lines.

(c) This theory question part regarding 'various reports prepared by the Cost Accounting department' was reasonably well answered by most of the candidates.

Question 5.(a) This practical question part required basic knowledge of secondary distribution of Overheads. Majority of the candidates failed to compute Overhead absorption rate per production hour of each production department.

(b) This theory question part required the knowledge of concepts regarding 'requisites for installation of Uniform Costing system'. Many candidates answered for 'requisites for installation of costing system' instead of what was required.

Question 6.(a) Being a compulsory question, it was attempted by a large percentage of candidates. Majority of the candidates calculated the pay back periods (non-discounted and discounted). However, a few candidates correctly gave decisions on the acceptability of projects. Only a few candidates answered the ranking of projects as per NPV correctly.

(b) This practical question part required candidates to compute the degree of operating, financial and combined leverages. Most of the candidates were able to compute correctly all the three leverages.

(c) Most of the candidates attempted the theory question well.

Question 7.(a) Only a few of the candidates prepared the statement showing estimate of working capital needed on correct lines. Majority of the candidates incorrectly computed investment in work-in-progress (WIP), finished goods and sundry debtors.

(b) A large number of candidates did not attempt this part of the question satisfactorily. It seems the candidates lacked knowledge of considerations in capital structure planning.

Question 8. Majority of the candidates could not prepare the statement of changes in working capital position on correct lines. They failed to consider trade investments and income tax payable in this statement. Only a few candidates prepared the statement of computation of funds from operations correctly. The figure of purchase of machinery was also computed incorrectly due to wrong treatment of profit on sale.

Question 9.(a) Most of the candidates gave roundabout answer to this question by stating only disadvantages of Profit Maximisation principle (objective) of a firm.

(b) This part of the question related to ratio analysis. Majority of the candidates have written only the formulae. Many candidates were unable to compute correctly the constituents of current assets. As a result, most of the candidates prepared the balance sheet on wrong lines.

PAPER – 5 : INCOME-TAX AND CENTRAL SALES TAX**General comments**

Most candidates do not have a thorough understanding of the provisions of the Income-tax Act and Central Sales Tax Act. They were not up to date with the recent amendments. The presentation of answers was also very poor. Also, in the case of True/False questions, they have simply stated True/False, without substantiating the reasons for the same. Most candidates were found wanting in communication skills and usage of precise legal terminology.

Specific Comments

Question 1. (a) Some common mistakes are -

- (i) Most of the candidates have not restricted the deduction under Chapter VIA available to Mrs. Mary to income other than capital gains taxable under sections 111A and 112.
- (ii) Some of the candidates have failed to provide deduction under section 24 @ 30% of Net Annual Value in the case of income from house property.
- (iii) A few candidates have treated pension received from Canadian Government as taxable income of the non-resident, Mrs. Rosy.

As a result, most candidates were not able to arrive at the correct total income and tax payable.

(b) Most of the candidates could not correctly compute the perquisite value of rent free accommodation and they have wrongly deducted the rent recovered from the employee from rent paid by the employer.

(c) Many of the candidates were not aware of the method for computing relief under section 89 of the Income tax Act.

Question 2 (First Alternative)

(a) Some of the candidates have not explained the meaning of substantial interest. They have not also explained the provisions of section 64(1)(iv).

(b) Most of the candidates have not explained the meaning of the term "record". They have also not mentioned the time limit for passing such revision order and the provisions related thereto.

Question 2 (Second Alternative)

(a) Though the requirement of the question was to state the provisions of carry forward and set off of business losses under section 72, some candidates wrote about set off of losses under sections 70 and 71.

(b) Most candidates were confused between the provisions of sections 80DD and 80DDB and interchanged the answers.

Question 3.(a) (i) Some candidates have wrongly answered that business loss is eligible to be set-off against salary income.

(ii)/(iv) Only a very few candidates were aware of the time limit for revision of order under section 154 and issue of notice under section 143(2).

(v) Some candidates have wrongly answered that Accounting Standard notified under section 145 is applicable for those following double entry system of accounting.

(b) (i) Most of the candidates could not correctly determine the residential status of Mr. Dey for the two assessment years.

(ii) A few candidates have wrongly answered that the statement is false since ownership of house property is essential for taxing arrears of rent.

(iii) Some candidates have wrongly answered that the assessee has the discretion to claim depreciation on fixed assets.

Question 4.(a) Many candidates have wrongly explained the exemption available under section 10(10C) to an employee opting for VRS though the question was on amortization of expenditure incurred an employer under voluntary retirement scheme, which is covered under section 35DDA.

(b) Some candidates have not written that the assessee will be deemed to have been allowed deductions under sections 30 to 38.

(c) Most candidates have not written that salary and interest must be authorised by partnership deed and it should not relate to a period before the date of such deed.

Question 5.(a) Some candidates have simply stated true or false without giving reasons for their answer.

(i) A few candidates have wrongly answered as true stating that works contract is not liable for central sales-tax.

(iv) Many candidates have wrongly answered as true stating that the dealer must inform the occurrence within 90 days in case of death of surety.

(b) Many candidates have given wrong answers for most of the five "fill in the blanks" type of questions reflecting lack of conceptual knowledge on the areas examined.

Question 6.(a) Very few candidates were aware of the forms and declarations used by dealers for availing concessional rate of tax or exemption from tax.

(c) Most of the candidates were not aware of the treatment of weightment dues and indemnity charges.

PAPER – 6 : INFORMATION TECHNOLOGY**General Comments**

Adequate subject knowledge and competency is required to attempt questions correctly that was not reflected in answers submitted by the examinees. Examinees are advised to learn and understand the fundamentals of the subject. They should apply the conceptual knowledge to their professional practice, which would be helpful in answering practical questions. They are required to improve the subject knowledge as well as language skills for achieving better performance.

Specific Comments

Question 1.(a) Most of the examinees attempted this question relating to conversion from one number system to another system and performed well.

(b) Some of the candidates were not able to explain the meaning of 'Rotational delay time', and 'file allocation table' correctly. They are required to understand the working procedure of the hardware and software to give appropriate answers.

(c) Few examinees could not explain the 'Need of auxiliary devices' and 'Use of Video RAM'.

(d) In this part, candidates were required to write true or false for various statements. Majority of the candidates exhibited very good performance .

Question 2

(i) Most of the candidates attempted this question nicely and secured good marks.

(ii) Some of the examinees did not know the technical differences between 'Online system and Real time system'.

(iii) This part was generally well answered by almost all the candidates.

(iv) This part was answered well by majority of the examinees.

(v) Some of the candidates could not give proper answer.

Question 3.(a) Quite a few of the examinees were not able to specify the advantages and disadvantages of Direct Access Storage.

(b) Most of the candidates attempted this question and performed well.

(c) Most of the examinees answered wrongly. They did not follow the procedures by which the flow chart is to be drawn. Examiners were of the opinion that the candidates must understand the basic symbols used to draw a flow chart. Candidates are also required to understand the importance and utility of 'Flow Charts' in programming.

Question 4.(a) Many candidates could not explain services provided by the data centre .

(b) Many of the candidates attempted this question with average performance.

(c) Most of the examinees were aware of the concept about the teleconferencing. Hence, performance was satisfactory.

Question 5.(a) Many of the examinees exhibited lack of the conceptual knowledge of EDI. Hence, the performance was poor.

(d) Many examinees were not able to explain most of the MS-Excel functions with correct syntax of the command.

Question 6. Some of the examinees attempted part(a) of this question wrongly. They failed to explain Communication Protocol correctly. Performance in other parts of the question was satisfactory.

Question 7.(i) Most of the examinees attempted this question correctly and explained Virtual memory well.

(ii) More than average number of examinees failed to give correct answer for Firmware.

(iii) Most of the examinees could not describe Integrated Test Facility(ITF) correctly.