

SUMMARY OF EXAMINERS' COMMENTS ON THE PERFORMANCE OF CANDIDATES

PAPER – 5 : COST MANAGEMENT

General Comments

The performance of the candidates in both theory and practical questions has not been up to the mark. It is important for students to understand the various concepts relating to both traditional and modern cost management. A proper knowledge of such concepts will help students approach the examination confidently. Students are advised to read extensively various reference books prescribed by the Board of Studies and try understanding the reasons behind the introduction of modern concepts in favour of certain established traditional procedures.

Specific Comments

Question 1. (a) This was a practical part requiring candidates to draw an activity network and identify the critical path. Most of the candidates attempted this question part on the right lines; however, a few were unable to compute the total and free float correctly.

(b) This was a practical part requiring students to have a clear knowledge of concepts regarding the application of marginal costing concepts for decision making purposes. Most of the students attempted this question part with correct answers.

(c) This practical question part required students to have conceptual understanding of relevant costs. Examiners have noticed a lack of knowledge of basic concepts underlying relevancy because of which a majority of the candidates got the answers wrong.

Question 2. (a) This practical question part required candidates to understand a brief scenario which provided them with two alternatives from which a decision had to be made regarding raw material purchases. Most of the students were unable to correctly comprehend and understand the scenario and hence arrived at the wrong answers.

(b) This theory part required candidates to explain the distinctive features of learning curve in a manufacturing environment. Most of the candidates provided incomplete and vague answers.

Question 3. This was a practical question part requiring candidates to have a sound understanding of standard and marginal costing. Most of the answers did not contain the reconciliation statement and the %age increase in selling price. Many students computed incorrectly the standards for 2006 and hence got the variances wrong.

Question 4. (a) This was a practical question part requiring candidates to determine the optimum assignment for maximising sales. Most of the students attempted this question part on the desired lines.

(b) This was a theory part requiring students to have a clear understanding of balanced scorecard. Examiners have reported a lack of understanding of this important concept which resulted in incorrect and incomplete answers.

Question 5. (a) This was a theory question part requiring candidates to explain the concept of cost management with reference to executional and structural cost drivers. Examiners have reported a lack of clear understanding of this important concept because of which most of the answers were attempted poorly.

(b) This theory question part required candidates to write about the main features of ERP. Many of the candidates gave irrelevant answers with a few restricting the answer to the definition of ERP.

(c) This practical question part required students to have a sound understanding of differential costs and its application in decision making. Very few students provided the right answer to this question part. Most of the candidates exhibited poor knowledge of incremental, relevant and differential concepts thereby arriving at wrong answers.

Question 6. (a) This theory question part required students to explain the fundamental differences between traditional and ABC concepts. Most of the students gave irrelevant answers reflecting a lack of knowledge of concepts.

(b) This theory question part required examinees to write about Target Costing and its relationship with marketing research. The majority of candidates gave satisfactory answers; however, a few misunderstood Target Costing as a simple technique/tool for cost determination.

PAPER – 6: MANAGEMENT INFORMATION AND CONTROL SYSTEMS

General Comments

Candidates failed to perform as per the expectation due to lack of adequate preparation, understanding of the questions and proper presentation of the answers. The candidates answered the questions on the basis of their general knowledge. They are advised to go through the study material thoroughly and take examination more seriously and with sincerity in order to perform well. It is also recommended that candidates should avoid unnecessary details while giving answers to the question.

Specific Comments:

Question 1. (a) Most of the candidates failed to explain the responsibility that the IS Auditor is having for establishing control objectives to reduce the risk in Information Security Audit. Candidates wrote answers without understanding the basic concept of Information Security environment.

(b) Most of the candidates did not cover all the points in respect to the Section 30 of Information Technology Act, though the performance was below average.

(c) More than average number of candidates could not answer properly. Hence, the performance was average.

(d) Less than average number of the candidates answered wrong. The candidates need to understand the relevance of the system analysis and design in business environment.

Question 2. (a) Answered by most of the candidates with average performance.

(b) The question asked was straight forward. Hence, well answered by almost all the candidates.

Question 3. (a) Answered by few candidates with poor performance. Various aspects of test work bench under CASE work benches were not explained properly, although the question asked was straight forward.

(b) The question was asked based on the organisations' inventory control system in general but only few candidates attempted, rest skipped the question as they were required to give practical diagram.

Question 4. (a) Average performance by majority of the candidates. Many candidates mixed up the activities for successful conversion with conversion strategies.

(b) Satisfactory performance by majority of the examinees.

(c) Most of the candidates answered in general and not technical terms. Also they did not cover the salient features of the question. Hence, the performance was not satisfactory.

Question 5. (a) Most of the candidates answered wrongly. They were confused with CASE tools and system development tools, covered irrelevant points in the answer. Hence, the performance was not satisfactory.

(b) Only some of the candidates wrote the answer correctly and others were not able to understand the basic concept of DBMS, covering security (backup and recovery) features. Hence, the performance was poor.

(c) Most of the candidates were not able to understand as well as explain the concept of frauds in computer system. Instead of giving the categories of computer frauds, definitions of computer frauds were given. Hence, performance was not satisfactory.

Question 6. (a) Satisfactory performance by the average number of the candidates. Candidates were required to understand the difference between the features, characteristics and the benefits of ERP.

(b) Most of the candidates wrote correct answer. The performance was good.

(c) Vague answers were given by the candidates. Instead of giving guiding principal in EIS, only description of EIS was given. Hence, performance was not at all satisfactory.

Question 7. (a) Satisfactory performance by the majority of the candidates.

(b) Mostly all candidates wrote well and secured good marks.

(c) Many candidates were confused with business process integration, that was wrong. Performance was below average.

(d) Answered by most of the candidates with average performance.

PAPER – 7 : DIRECT TAXES

General Comments

Most candidates do not possess the required expert knowledge in income-tax. The substance of legal provisions was not present in their answers. 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. Other deficiencies were very poor handwriting, poor English, lack of expression and spelling and grammatical mistakes.

Specific Comments

Question 1.(i) For the purpose of working out the excess depreciation debited to profit & loss account, many candidates have wrongly taken the rate of depreciation on plant and machinery as 20% instead of 15%. Further, some candidates have wrongly taken the rate of building as 5% instead of 10% for the purpose of computing the excess depreciation charged.

(ii) Some of the candidates were not aware that the expenses on promoting family planning amongst employees is allowable under section 36(1)(ix) only to company assesses and not to firms.

(iii) Most of the candidates were not aware of the decision of Supreme Court holding that compensation paid for the breach of contract for supply of capital asset is in the nature of capital expenditure.

(iv) Only a very few candidates were aware of the decision of the Apex Court in the case of Dr. T.A. Quereshi v. CIT (2006) 287 ITR 0547 holding that Explanation to section 37(1) is not relevant in the case of business loss.

Question 2 . (a) Though income chargeable to tax has been arrived at correctly, the reasons for the additions made have not been explained correctly.

(b) Some of the candidates have wrongly treated free motor cycle as a fringe benefit chargeable to tax in the hands of the employer. A few candidates have wrongly treated reimbursement of medical expenses up to Rs.15,000 as salary and the balance Rs.2,500 as a fringe benefit.

Question 3.(a) Most candidates were not aware that depreciation is not admissible under section 32 on imported car acquired between 1.3.75 and 31.3.01.

(b) Some of the candidates have wrongly answered that payment of licence fee has to be treated as capital expenditure and depreciation is allowable on the same.

(c) A few candidates were not aware of the clarification regarding filing of return of income by the coffee growers given vide circular No.10/2006 dated 16.10.2006. Some candidates have stated that "Nil" return has to be filed, though the assessee does not have taxable income.

Question 4.(a) Many candidates were not aware that execution of sale deed is not compulsory for the purpose of charge of capital gains. Some candidates have wrongly taken the fair market value as on 1.4.81, even though the same is lower than the cost of acquisition.

(b) Some of the candidates were not aware of the provisions of section 172(3) and were therefore, not able to answer the question correctly.

(c) A few candidates have simply stated that the Assessing Officer can issue show cause notice to the company to rectify the computation of income without giving proper reasons for the same.

Question 5. (a)(a) Some candidates have wrongly stated that the papers relating to Sri Krishna Ltd. should be handed over to Sri Krishna Ltd.

(a)(d) Some candidates have wrongly stated that the time limit for completion of assessments is 4 years.

(b) Very few candidates were aware of the provisions of section 91 providing for deduction from the Indian income-tax payable by a person resident in India, of tax paid in any country with which no agreement under section 90 exists.

Question 6. (a) Many candidates were not aware of the rebate available under section 86 read with section 110.

(b) Only a very few candidates could state the correct quantum of penalty leviable in each of the cases.

Question 7.(ii) Most candidates were not aware of the provisions of section 133(6) and were, therefore, not able to answer the question correctly.

(iii) Very few candidates were aware that for section 64(1)(ii) to get attracted, it is necessary that the spouse should be a partner in a partnership firm in his individual capacity.

Question 8. (a) A few candidates have wrongly included the amount of Rs.1 lakh in the net wealth instead of Rs.5 lakh, being the market value of jewellery on valuation date. Some candidates have wrongly included the value of house located in Noida in the wealth of Mr. Rajpal, though it was sold by him on 20.3.07.

(b) Some of the candidates could not correctly explain the meaning of Urban land as per the provisions of section 2(ea)(v) of the Wealth-tax Act.

PAPER – 8 : INDIRECT TAXES

General comments

The candidates showed marked tendency to write general answers instead of referring to actual provisions in a concise and to the point manner. The answers were vague, lengthy and not up to the point. Candidates lacked in-depth study of the subject. Further, the presentation of answers was not up to the mark. Candidates are advised to carefully study the latest case laws and the latest amendments made in the Acts (relevant for the particular exams).

Specific comments

Question 1.(a) (iii) Provisions in respect of labelling and branding activities were not clear to many candidates.

(c)(ii) This question was based on a recent amendment relating to the concession available to large tax paying units. Majority of the answers were not satisfactory thereby indicating that the candidates have not been updating their knowledge.

(d) Provisions of rule 5 of the CENVAT Credit Rules, 2004 were not clear to many candidates as the answers were not up to the mark.

Question 2.(b)(iii) As per rule 10 of the CENVAT Credit Rules, 2004 in case of transfer of ownership of the factory by way of sale along with inputs and capital goods, a manufacturer is allowed to transfer the credit lying unutilized provided the transfer takes place with specific provision for transfer of liabilities of such factory and the inputs and capital goods are duly accounted for to the satisfaction of the Deputy or Assistant Commissioner of Central Excise. However, many candidates failed to mention the conditions of the transfer of liabilities and recording of inputs and capital goods to the satisfaction of the Deputy or Assistant Commissioner of Central Excise.

(c) Majority of the candidates correctly concluded in part (i) that since there is no influence on the price, notional interest is not includible. However, in part (ii), they wrongly stated that since it is the only sale transaction, price is influenced and notional interest should be added.

Question 3.(a) Considerable number of candidates had no idea of application of section 11A of the Central Excise Act, 1944 vis-a-vis orders of the Appellate authority. Many of them wrongly concluded that the Assistant Commissioner of Central Excise was empowered to issue a notice under section 11A demanding the amount of refund erroneously given by the Appellate Authority.

(c) The procedure relating to removal of goods by a 100% EOU to DTA prescribed under rule 17 of the Central Excise Rules, 2002 has not been understood by many candidates.

(d) Most of the candidates failed to explain the manner in which records can be maintained electronically.

Question 4.(a) Most of the candidates wrongly concluded that mistake in interpretation of section notes, circular, notification etc. were "mistakes apparent from the record".

(b) Few of the candidates failed to explain the reasons as to why a special audit can be called for and how the same should be conducted.

Question 5.(a) Many candidates wrongly concluded that the process of confiscation and penalty in departmental adjudication and prosecution in criminal proceedings are not independent but inter-linked.

(c) Many candidates failed to explain the correct procedure to be followed by the Authority for Advance Ruling on receipt of an application.

(d) Very few candidates were able to correctly explain the provisions of section 11C of the Central Excise Act, 1944.

Question 6.(b) Many candidates wrongly concluded that the Interpretative Rules would apply and the goods would be classified in accordance with Rule 3.

(d)(i)(b) Few candidates wrongly explained that once the fine is paid, the same can never be refunded.

Question 7.(a) It was not clear to many candidates that, unless specifically provided, an amendment cannot have retrospective operation.

Question 8.(a) Some of the candidates instead of explaining the provisions of Customs Act, 1962 in respect of Special Economic Zones, wrongly explained the provisions of Income Tax Act relating to Special Economic Zones.

(b) & (c) Only a handful of the candidates had clear knowledge of the two newly introduced sections viz. 28(1A) and 28 BA of the Customs Act, 1962.

Question 9.(a) (iii) Instead of explaining the three categories of taxable services specified in rule 3 of the Import Rules, many candidates wrongly explained three different taxable services like courier services, clearing and forwarding agent's services etc.

(c)(i) Most of the candidates wrongly explained that service tax would not be applicable on manpower recruitment agency services' in respect of staff not contractually employed by the recipient of services but who come under its direction.