

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 a lack of knowledge of concepts in the areas of Cost Accounting and Financial Management as expected of a professional student of Accountancy course. The candidates need to understand the subjects conceptually and also fine tune their presentation skills. Further, some candidates attempted different parts of the same question at random instead of answering them consecutively.

Specific Comments

Question 1.(a) This practical question part required students to have a sound knowledge of concepts related to Activity Based Costing. The answer to this question was satisfactory. The allocation of manufacturing overheads was done correctly by a majority of the candidates; however, a few were unable to compute the overheads per unit. Some of the candidates were unable to compute the product cost and profitability on the desired lines. Also, a few candidates only worked out the gross margin figure and not the net profit.

(b) Many of the students mentioned the benefits and advantages of a cost accounting system instead of emphasizing upon the essentials of a good cost accounting system.

(c) This theory question part was attempted reasonably well by most of the candidates. A few candidates confused 'ABC as a technique of inventory control' with 'Activity Based Costing' and hence answered the question on completely wrong lines.

Question 2. This was a practical problem based on valuation of WIP and preparation of process accounts. Majority of the candidates were unable to compute the equivalent production units and hence went wrong while preparing process accounts.

Question 3.(a) This theory part required candidates to discuss the circumstances and purpose of a cost audit; however, a large number of candidates discussed the provision of section 233 (B) of the Companies Act, 1956, mentioning the functions of the cost auditor.

(b) This numerical question part required examinees to prepare a proforma costing profit and loss account, control accounts and subsequently reconcile the profits disclosed by cost records with those shown in the financial statements. Many of the candidates could not draw the costing profit and loss account correctly; however, the reconciliation part was generally well answered.

Question 4.(a) This practical question part was poorly attempted by most of the candidates. Many of the candidates failed to compute the sales value and effective output correctly.

(b) This practical question part was also not attempted properly by a majority of the candidates. Most of the candidates failed to compute the labour cost under various plans;

however, a few candidates were able to compute the existing time wage rate correctly.

Question 5. This practical question required candidates to compute a comprehensive machine hour rate from the given data. Many of the candidates failed to compute the rate correctly due to wrong computation of wages of machine man and helper.

Question 6. Majority of the candidates prepared the statement of changes in working capital position on correct lines. However, a few candidates incorrectly included provision for dividends and provision for taxation in this statement.

Most candidates prepared the Fixed Assets A/c., Provision for Depreciation Account and Provision for Taxation account appropriately.

Only a few candidates prepared the statement of computation of funds from operations correctly. The most common mistakes being taking bad debts of Rs. 27,000 and depreciation figures of Rs. 56,250 in the statement. Also, a few candidates made errors in calculating the loss on sale of fixed asset.

In preparing the funds flow statement, the most common errors committed by candidates were not taking the premium on redemption of debentures, taking sale of investments as Rs. 90,000 instead of Rs. 1,01,250 and incorrect placement of increase in working capital as a source of funds instead of as an application of funds.

Question 7. A large percentage of the candidates attempted this question. However, a few candidates computed inventory on sales figures instead of cost of goods sold and also, did not show working of how cash and fixed assets and creditors figures had been arrived at.

Question 8. Only a handful of candidates attempted this question. The most common mistakes committed by them were wrong computation of net cash flow per year, net salvage value, NPV and IRR.

Question 9.(a) (i) Most of the candidates got the EPS working per share correct in each of the three plans. Though, a few candidates used the number of shares incorrectly to arrive at EPS and PAT for ordinary shareholders under Plan III.

(ii) Most candidates gave a roundabout answer to this question by stating the preferred alternative under each of the EBIT figures.

(iii) Many candidates calculated the EBIT-EPS indifference points correctly by using the appropriate formulae. However, a few candidates either used incorrect formulae or incorrect figures in the correct formulae and thus arrived at incorrect EBIT-EPS indifference points.

(b) Most of the candidates who answered this question exhibited the correct graph. Besides, in a few cases, even a formula was presented.

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

The question paper is of good standard and contains the right mix of objective, practical and theory questions. However, the candidates lack thorough understanding of the provisions of the Income-tax Act and the Central Sales Tax Act. Many candidates have not given proper notes and assumptions in support of their answers. The presentation of answers is also very poor. Most candidates have not started the answer to a new question on a fresh page. The handwriting of some of the candidates is poor and illegible.

Specific Comments

Question 1.(a) Most of the candidates have not taken into consideration depreciation on building used for business purposes while computing business income. Some candidates have not set-off loss from discontinued business against business income. Further, some candidates have wrongly allowed deduction under section 80D in respect of mediclaim premium paid for major son not dependent on Mr.Ashok.

(b) Many of the candidates were not aware of the method of computation of rebate under section 88E. Some candidates have omitted to deduct interest on income-tax refund while determining business income.

(c) Most of the candidates failed to allow deduction under section 80L while determining total income of Mr.A. Further, some candidates considered the exemption under section 10(32) to be Rs.1,500 in total whereas the same is Rs.1,500 per child.

Question 2. (First Alternative)

(a) Some candidates have not understood the question properly and have wrongly explained the provisions of section 44AA regarding compulsory maintenance of books of accounts.

(b) Most of the candidates have wrongly explained the scope of total income as envisaged in section 5 and accrual or arisal of income under section 9 of the Income-tax Act, instead of explaining the activities and operations, income from which is not deemed to accrue or arise in India.

(c) Most of the candidates have wrongly written that since interest credited in Non-resident (External) Account as well as other income are chargeable to tax in India, Mr.A is required to file his return of income in India. Further, some candidates have unnecessarily explained in detail the provisions of section 139 relating to filing of return of income.

Question 2. (Second Alternative)

(a) Very few candidates were aware of the exceptions to section 78(2), which provides that loss can be carried forward and set-off only by the person who has incurred the loss.

(b) Only a very few candidates have related the provisions of section 54B, 54D & 54G with

this question. Majority of the candidates have explained the provisions of section 111A providing for concessional rate of tax on short-term capital gains in respect of securities chargeable to securities transaction tax.

Question 3.(a) (iv) Most candidates have wrongly considered fair market value of assets transferred as the full value of consideration.

(b) (ii) Some candidates have wrongly answered as “False” by stating that once exemption is granted to a trust, the Commissioner of Income-tax does not have any power to cancel registration of the trust.

(iv) Many candidates have wrongly answered that rebate under section 88D is available to a HUF also, and hence the statement is “True”.

Question 4.(a) Most of the candidates have wrongly explained the exemption in respect of leave travel concession or assistance under section 10(5) of the Act instead of explaining the valuation of paid holidays for perquisite purposes under section 17(2).

(d) Many candidates have confused the powers of income-tax authorities under section 131 with the powers of search and seizure under section 132.

Question 5.(a) In sub-division (d), many candidates have wrongly given the answer as “export sale as it is a foreign ship” instead of as “inter-State sale”.

(c) (i) Some candidates have wrongly answered that the statement is false and that the amendment would be effective from the date on which the amended certificate is issued by the authority.

(iii) Many candidates have wrongly answered that the statement is false and one Form C issued by the buyer to seller cannot cover all transactions in one financial year.

Question 6.(a) Some candidates have simply stated examples of document of title, instead of explaining the meaning of “document of title” in the context of inter-State sale.

PAPER – 6 : INFORMATION TECHNOLOGY

General Comments

The overall performance of the candidates was satisfactory. However, many candidates exhibited lack of in-depth knowledge of the subject. Presentation of answers and quality of language used was poor. Answers were not specific and to the point, in many cases handwriting was not legible. Candidates did not attempt all parts of the question in continuity and many examinees did not adhere to the instruction of answering each question on a fresh page. Examiners were of the view since this paper is highly technical in nature, there is no room for ambiguity. Candidates are advised to familiarize themselves with the glossary terms included in the subject. Besides, examinees have been advised to take up preparatory tests under examination condition. This will help them in better time management in the examination hall to ensure higher scores.

Specific Comments

Question 1.(b) Majority of the candidates exhibited lack of clarity with respect to various terms, in particular w.r.t. digitization, PCI Slots and debug.

(c) Many candidates failed to give proper reasoning for use of graph plotter and operating systems.

(d) Most of the candidates wrote true or false for various statements asked in the question based on the guess work.

Question 2. While majority of the examinees could differentiate between DDL vs. DML, Dumb vs. Intelligent Terminal and LAN vs. WAN correctly, they failed to write satisfactory answers for CAD vs. CAM and Sequential vs. Random File Organisation.

Question 3. (a) Many candidates did not highlight the role of artificial intelligence while explaining expert systems.

(b) Almost all the candidates failed to write “constituents of data centres” correctly.

(c) While drawing the flowchart, candidates failed to take into account the flow and proper information as given in the question.

Question 4. (a) Majority of the candidates did not exhibit any clarity on the functions of communication software.

(b) Only a handful of candidates could give examples of communication interface devices correctly.

(c) Quite a few students had written lengthy answers on DBMS without explaining the integrity controls.

Question 5. (a) Very few examinees discussed the decision table on correct lines.

(b) Instead of describing five formatting features available in MS-Word, many candidates explained other features of MS-Word. Some even discussed language tools offered by MS-Word.

(c) Most of the candidates failed to define TRANC and LN functions of MS-Excel correctly.

(d) Instead of explaining five features offered by e-mail software, many examinees explained benefits of e-mail software.

Question 6. Majority of the candidates failed to write relevant answers on power of controller under IT Act and OLE Automation Support given by E.X.NGN software.

Question 7. Most of the examinees failed to give precise answers for parallel processing, extranet and IT Act 2000.