SUMMARY OF EXAMINERS' COMMENTS ON THE PERFORMANCE OF CANDIDATES

I. General Comments:

(1) At the Final level, advanced knowledge is expected from the candidates, which they seem to lack. They also lack basic conceptual understanding, which was reflected in their answers. Study Material would provide them the ideal base to develop conceptual clarity.

(2) Candidates have a tendency to write much more than the required answer or give vague answers. The answers should be directed towards the question asked, and preferably be given point-wise.

(3) It is very much necessary to support the answers with proper working notes while solving practical problems.

(4) In the paper on Information Systems Control and Audit, there are many terms which are being used interchangeably by the candidates without understanding their meaning, e.g. assess and excess, default and fault etc. The candidates should clearly understand the concept as well as the meaning of every term used by them.

(5) At the Final level, in taxation papers, the candidates are expected to have the ability to apply the provisions of law in solving a problem or issue. However, candidates were found lacking in analytical and application skills.

(6) One of the main deficiencies noted in the taxation papers is the lack of knowledge of the latest amendments and judicial rulings.

(7) The presentation of answers was also very poor in many cases. The major deficiencies are -

- (i) not starting the answer to a new question on a fresh page.
- (ii) answering the different sub-parts of the questions in different places instead of answering the same one after the other
- (iii) leaving blank pages in between the answers
- (iv) writing the question number outside the margin, which is intended for answers.
- (v) not marking the questions answered in the cover page inspite of specific instructions to do so.
- (vi) very poor handwriting,
- (vii) lack of expression
- (viii) spelling mistakes and
- (ix) grammatical mistakes.

II. Paper-Wise Specific Comments :

PAPER – 5 : ADVANCED MANAGEMENT ACCOUNTING

Question 1.(a) Decision making based on contribution and avoidable fixed costs. The question was fairly simple and had to be attempted logically, taking one proposal after another. Most students mixed up the total contribution approach and the incremental benefit approach and made errors in calculation. They were mistaken about product A's avoidable fixed cost and made a mess of A's contribution lost on its discontinuance. Many others, surprisingly, at the Final level, took the fixed cost per unit given in the question and erroneously incorporated it into the calculation of the incremental benefits. Many students were able to identify the idle hours unutilized and correctly added it to the hours released by A's discontinuance. A few students attempted to compute idle capacity in terms of units. Here, some of the examinees failed to continue the process to calculate the hours from the units.

(b) Production Budget_ This portion must have been covered in the Intermediate level itself. But students may have forgotten the formulae for EOQ and it is not available in the current study material. Many lost credit on EOQ due to ignorance of the formula.

Some students did not identify the requirement of Z and consequently, the requirement of Y went wrong. A well spaced out matrix would have easily led to the correct answer. Many students got the whole problem right. About 80 % of the candidates arrived at the correct production figures. The EOQ part must have been most unexpected for the examination.

(c) Trend Identification This question which tests the knowledge of students on ability to identify the nature of trend on relevant practical situations, rather than merely memorizing the various trends. A handful of students got the answer completely right.

Question 2.(a) Activity based costing This was a very simple question. The allocation of overheads as per ABC was very simple, with very little calculation. This question helped students pass. The target cost was worked out correctly by a large number of students. However, some students went wrong while decreasing the price in steps of % instead of steps of one rupee. Barring a very small number of students, no one was able to interpret the use of ABC costing in favour of other modes of costing.

The question had the fallacy of giving the answer of the number of units to be produced at the maximum capacity. The intention was probably to indicate till what level of production the prices would have declined in steps of Re. 1 per 10 % increase in capacity. Also, the question was to compute unit costs as per the traditional, target and ABC methods of costing at the maximum level. The language of the question was slightly confusing in that some students had taken the overhead costs as other than customer support costs, since according to ABC classification, customer support was just one activity. Their assumption was quite logical, but the question may be analysed to check that total overhead costs made up to 30 % of prime cost.

SUMMARY OF EXAMINERS' COMMENTS

Most students failed to analyse the costs under the three methods. This was reflected poorly. Students must attempt to understand why so much effort is being taken by business entities in implementing a cost effective ABC analysis.

(b) Uniform costing This is a straightforward theory question from the study material. Yet, many students were ignorant about the concept and attempted to write their own ideas without having ever read the study material.

Question 3.(a) Standard Costing This problem had no major difference from the ordinary questions. Only material price variance had to be calculated at the time of receipt. More than half the number of students did not do this correctly. The average performance was poor. Many students had a problem in fixing the standard as per actual production. This fundamental concept was found wanting.

(b) – Backflushing Though this is a very frequently appearing question, some students had not read about the concept. They managed to link it with Just in Time (JIT), yet, could not justify their answer. Many students attempted this question fairly well.

Question 4 (a) – Learning curve Many students answered it correctly. A few stopped at the weighted average price without calculating the price per unit of the successive orders.

(b) Incremental/differential cost This question was attempted well by most students, as this relates to a topic on which students have been doing a number of problems. However, a few were not able to concisely express their knowledge.

Question 5.(a) Simulation Many students were able to do half the problem right. Almost all were able to assign the random numbers successfully to the cumulative probabilities. Performance of the examinees attempted this question part was good.

(b) Network This problem was well attempted by the most of the examinees. However, the question had some unwanted 'Z' values probably inadvertently printed.

(c) Synchronous manufacturing Only a handful of students had studied this theory from the material. Performance of the examinees was poor in this question.

Question 6. (a) Contribution and decision making This was a good question on contribution and testing the student's ability to take decision. Many could do half of the problem right. However, a few students tried the linear programming approach and failed to solve this problem.

(b) Degeneracy in transportation problem Almost all students attempted this part well. But the students had confusion over whether the no. of allocations were less than m + n – 1 or the other way round. They attempted to tide over the difficulty by saying that if no. of allocations is unequal to m+n-1, there is degeneracy. Performance of the students was good in answering this question.

(c) Price discrimination Many students had a fair understanding of the topic. They were able to provide practical examples and explain this concept fairly well. Performance of the students was good in answering this question.

PAPER – 6: INFORMATION SYSTEMS CONTROL AND AUDIT

Question 1. This is a case study based question framed on the concepts of 2-3 chapters.

(a) In this part, examinees were required to discuss the primary methods through which the analyst would have collected the data such as reviewing internal documents and conducting interviews but these methods have not been answered specially by the examinees; rather they vaguely quoted many other methods. Hence, the performance was below average for this part.

(b) Most of the examinees were able to understand BS 7799 but they failed to mention how BS 7799 ensures that the objectives of the organizations are met. Hence, the performance was below average for this part.

(c) Good number of examinees were unable to write the answer correctly. They failed to understand that the question only requires knowing if the responsibility for the state of the affairs in the company lies on the auditor or on the management and hence need to address the question from that angle. Hence, the performance was below average for this question also.

(d) This question was directly based on Section 7 of the Information Technology (Amendment) Act, 2008. Most of the examinees gave the correct answer but a few of them did not mention the condition that needs to be satisfied regarding the details which facilitate the identification of the information. Some of the examinees were also unable to mention the non-applicability of the clause under the specified conditions.

Question 2.(a) In this question, examinees were required to discuss the threats to computerized environments other than natural disasters, fire and power failures. However, in some cases, examinees also discussed the normal disasters, fire and power failure.

(b) Some examinees misunderstood the data dictionary; they assumed the data dictionary to be a table having transaction details in addition to Meta data about the database. The performance was average in this question.

(c) Many examinees misunderstood the question and discussed only the detective controls and/or security objectives instead of describing how audit trail can be used to support security objectives. The performance was average in this question.

Question 3.(a) Some examinees have not specifically answered on how to get over impediments for successful implementation of ERP. Instead, they have answered on how to go about implementation of ERP. Perhaps, a few examinees could not understand the meaning of the word ‘impediments’. Examinees’ performance was average for this question.

(b) Most of the examinees touched upon a few key points to be considered by the security administrator while writing the contract for the usage of third party site for back-up and recovery purposes. Hence, the performance was above average rather reasonably good.

(c) Few examinees restricted the discussion on the validation of rules relating to User ID and Password; they did not mention the need of secure servers and operating systems while working with logical access controls mechanism. Performance of the examinees was average for this question.

Question 4.(a) A few examinees have been able to describe the applications of continuous audit techniques correctly while in other cases, it was not clear whether they understood that continuous audit has got something to do with the system and not with auditor visiting the client's office on a daily or weekly basis. Performance was average in this question.

(b) Definition of the terminologies used in Information Technology (Amendment) Act, 2008 have not been given correctly by some of the examinees particularly in part (i) and (iv), due to lack of conceptual clarity. However, the overall performance was good for this question.

(c) The advantages of information systems in business were well written by the examinees.

(d) Many examinees expanded the acronym 'COBIT' but were unable to explain what COBIT means. In addition, they failed to categorize three vantage points under proper heads namely business Objectives, Resources, and Processes. Some examinees were confused them with the CMM. Overall performance was not satisfactory for this question.

Question 5.(a) Majority of the examinees discussed correctly the two primary questions while evaluating the risk inherent in a business function and the purpose of risk evaluation. Hence, the performance of the examinees was good for this question.

(b) Instead of discussing the factors that would be considered before undertaking the implementation of an ERP system, some examinees have answered on how to go about implementation. Performance of the examinees for this question was average.

(c) Some of the examinees misunderstood the question. Instead of explaining the characteristics of the types of information used in executive decision making, they explained the types of decisions taken by the management. However, some of the examinees well understood the topic and were able to explain it correctly; therefore the overall performance was satisfactory.

(d) Some of the examinees could not pin-point the benefits and limitations of Unit Testing, instead of they wrote generalized answer. Overall performance was good.

FINAL (NEW) EXAMINATION : MAY, 2010

PAPER – 7 : DIRECT TAX LAWS

Question 1. Most of the candidates were not able to apply the provisions of sections 41(1), 40A(3), 36(1)(vi) and 2(22)(e) correctly, and were hence, not able to answer the question correctly. Some of the candidates were not aware of the amendment in section 40A(3) in respect of payments to transport contractors. The adjustment for deemed dividend under section 2(22)(e), was not brought out correctly. In respect of animals used for business which have died, majority of the candidates have treated the same as a capital loss instead of allowing deduction from business income under section 36(1)(vi).

Question 2.(a) (i) Some of the candidates have wrongly considered dividend income as business income and interest expenditure incurred to earn the same as allowable business expenditure.

(iii) Many candidates have wrongly answered that weighted deduction was allowable in respect of capital expenditure incurred on scientific research related to the subsidiary company.

Question 3.(a) Though the provisions of section 35AD were explained correctly, the candidates have not explained application of provisions of section 73A properly.

(c) The question was well answered with reference to the application of provisions of section 50C in computing the capital gains of Bala. However, the application of provisions of section 56(2) and computation of capital gains in the hands of Kala were not satisfactory.

Question 4.(a) This question requires the candidates to explain the applicability of the provisions relating to the deduction of tax at source. While answering sub-part (i), many candidates did not bring out the point that if the cost of the material is separately shown in the bill, the same has to be excluded from the value of the invoice to compute TDS.

(b) Instead of explaining the situations when the amount withdrawn from recognized provident fund is taxable, some candidates have wrongly explained the provisions of section 80C.

Question 5.(a) This question relates to the powers of Appellate Tribunal to review its own order and to allow the assessee to urge any ground of appeal not taken up before the Commissioner (Appeals). It was not answered well by majority of the candidates, as they were not able to understand the issues raised in the question correctly.

(b) This question relates to allowability of deduction for stamp duty and registration charges while computing income from house property. Some of the candidates have answered based on the provisions of section 143(3), which is incorrect.

Question 6.(a) Many of the candidates resorted to giving vague answers having no relevance with the statutory provisions or with the judgments pronounced by the Courts.

(b) This question is on the application of provisions of section 90, but some candidates have wrongly answered by stating that the dividend income earned by a resident outside India is exempt under section 10(34).

(c) The candidates were not able to apply the provisions of section 11 and 115BBC correctly in computing the income of the trust.

Question 7.(a) This question requires computation of net wealth by applying the provisions of section 2(ea) and Rules 14 & 15 of Schedule III in computing the value of the assets. The candidates have not applied the relevant provisions correctly, and thus, could not arrive at the right values for each of the assets.

(b) This question is on whether penalty can be levied on the legal heir for the concealment of particulars of wealth by the deceased. Majority of the candidates have wrongly stated that to the extent of wealth inherited, the penalty can be imposed.

PAPER – 8 : INDIRECT TAX LAWS

Question 1.(a) Many candidates took price at factory i.e. Rs. 200 per unit as the transaction value instead of price at depot i.e. Rs. 220. Few candidates computed the excise duty @ 8% instead of 10%.

Question 2.(b) Candidates could not identify the difference in the provisions of sub-section (1A) and (2B) of section 11A of the Central Excise Act, 1944 with regard to levy of interest & penalty.

Question 4.(a) Many candidates applied incorrect rates while computing the amount under rule 6(3)(i) of the CENVAT Credit Rules, 2004. Moreover, few candidates also charged education cess and secondary and higher education cess on the said amount.

Question 7.(a) Many candidates were not aware of the method of calculating "landed value" required for computation of anti-dumping duty.