

SUMMARY OF EXAMINERS' COMMENTS ON THE PERFORMANCE OF CANDIDATES

PAPER – 4 : COST ACCOUNTING AND FINANCIAL MANAGEMENT

General Comments

The overall performance of the candidates was not satisfactory. The quality of most of the answers reflected lack of candidates' knowledge and understanding of the subject. It is also observed that the candidates neglect the theoretical aspects of the subject; they should go through the study material carefully. A thorough practice and lots of reading of the subject is required to maintain the level of knowledge expected from the students of PCC level.

Specific Comments

Question 1.(i) This theory question related to 'Basic Concepts' was attempted by majority of the candidates. The imputed and capitalised costs were correctly defined by most of the candidates.

(ii) This practical question related to labour (Variance analysis of labour) was attempted by the majority of the candidates. Many of them were not able to answer it correctly. However some of them depicted the relationship of activity ratio, efficiency ratio and capacity ratio correctly.

(iii) This theory question part related to 'Non Integrated Accounts' was answered well by majority of the students. They have mentioned the list of the financial expenses which are not included in cost.

(iv) This theory question related to 'Contract Costing' was correctly answered by a handful number of the students. The advantages of cost plus contracts were stated correctly by those students only.

(v) This practical question part related to 'Marginal Costing' was correctly answered by many of the students. Calculation of BEP was done correctly by the examinees.

(vi) This theory question related to 'Non – Integrated Accounts' was not well answered by most of the candidates. Many of them failed to mention a situation where reconciliation statement of cost and financial account are not required.

Question 2. This numerical question related to 'Marginal Costing and Absorption Costing' was attempted by the most of the examinees. The students were confused with the preparation of income statement of marginal and absorption costing. Most of the candidates could not solve this question correctly.

Question 3.(a) This numerical problem related to 'Process Costing' is covered under 'Method of Costing (II)' was attempted by a large number of students. Most of the examinees were able to prepare 'statement of equivalent production' correctly. However they were not able to

PROFESSIONAL COMPETENCE EXAMINATION :NOVEMBER, 2009

calculate the cost of closing work in progress cost of finished goods and abnormal loss correctly.

(b) This practical question related to 'Standard Costing' was satisfactorily answered by majority of the students. Variance related to material and labour was correctly calculated by most of the candidates.

Question 4.(i) This numerical question related to 'Labour' was wrongly answered by maximum number of candidates. They failed to understand the question correctly and hence were not able to calculate hourly rate of wages correctly.

(ii) This theory question part related to 'Operating Costing' is covered under 'Method of Costing (I)' was correctly answered by maximum number of candidates. However some of them were not able to show that how composite units are computed.

(iii) This numerical question related to 'Material' is attempted by the maximum number of students satisfactorily. EOQ was calculated by majority of them.

(iv) This theory question related to 'Budgets & Budgetary Control' was very well answered by the majority number of students. They have listed out different budgets prepared by a business.

Question 5.(i) Short note on Limitations of Financial Ratios was not answered correctly by most of the candidates. Many of them failed to consider inflation and diversified business as limitations of financial ratios.

(ii) Concept of Business Risk and Financial Risk was also not well written by majority of the candidates.

(iii) Differentiation between Factoring and Bills Discounting was well written by most of the candidates. However, few candidates differentiated between factoring and discounting instead.

(iv) A large percentage of the candidates discussed the differentiation between Financial Management and Financial Accounting well.

(v) Very few candidates could compute the Cost of Retained Earnings on correct lines. Most of the candidates did not consider brokerage in calculating the cost of retained earnings.

(vi) Majority of the candidates were able to calculate the amount of Fixed Assets and Proprietor's Fund correctly. However, a few of them erred in computing the net working capital on correct lines.

Question 6. Majority of the candidates prepared the Cash Flow Statement on correct lines but failed to present it in the proper format. However, a few candidates could not work out cash flow from operating activities correctly. Few of them failed to calculate premium on redemption of debentures and dividend paid. Further, the candidates have not presented their answers supported by proper working notes in preparation of cash flow statement.

SUMMARY OF EXAMINERS' COMMENTS

Question 7.(a) Though a large percentage of the candidates prepared correctly the Income Statement, however, few of the candidates did not support their answers by proper working notes.

(b) This part of the question was not well answered by majority of the candidates. Most of them failed to take into consideration the loss of commission. Few of the candidates even added the commission to the income instead of treating it as an opportunity lost. Further, the candidates also faltered in computing the net present value and profitability index of the machine.

Question 8.(i) Majority of the candidates answered well the two basic functions of Financial Management. However, a few of them discussed the objectives of Financial Management instead.

(ii) A large percentage of the candidates attempted this part of the question on short notes on Ploughing back of profits and Desirability factor. However, only a handful could discuss logically and in short. Few of the candidates have written ploughing back of profits as profit on sale of old assets.

(iii) A large percentage of candidates explained well the concept of Weighted Average Cost of Capital.

(iv) While most of the candidates attempted the problem, only a few of them could calculate the value of the firms according to MM Hypothesis correctly.

PAPER – 5 : TAXATION

General Comments

The standard of the question paper is good. Some candidates exhibited lack of conceptual clarity and presentation. Candidates should avoid attempting different parts of the same question at different places. Many answers lacked lucid presentation. Besides, lengthy answers and unnecessary explanations were given in many answers. Students should improvise on their writing skills.

Specific Comments

Question 1. It has been observed that some candidates are replying in one word true and false and some are repeated the question by replying true and false only.

(a) Mostly candidates have failed to specify that the conversion of shares will not amount to "transfer".

(c) Many candidates did not read the question carefully and wrongly answered that the weighted deduction has not been enhanced from 125% to 150%.

Question 2. Most of the candidates are not able to compute the taxable income and the tax thereon. The answer to this part lacks clarity and presentation. Mostly candidates are not

PROFESSIONAL COMPETENCE EXAMINATION :NOVEMBER, 2009

giving weightage to the working notes, which is essential part of the solution.

- (a) Most of the candidates have exempted the Post Office MIS interest, which is taxable.
- (b) Many candidates have either exempted the pension from LIC or treated it as a income under the head salary.
- (c) Some of the candidates have done mistake in calculation of income from business and profession and treated partner's remuneration as salary income instead of business income.
- (d) Most of the candidates have not taken marginal relief and method of tax calculation is incorrect.

Question 3.(a)(i) Most of the candidates have not correctly calculated the Income from house property. Many of them have taken standard rent as gross annual value for the property let-out in Mumbai instead of actual rent received. They have taken gross annual value of let out portion of the house situated at Mumbai as Rs.1,32,000 instead of Rs.1,20,000.

(ii) Many candidates have not apportioned the interest on housing loan between self occupied and let-out portions.

(iii) Few candidates have calculated the income from house in USA in dollars and added it to the income, without converting it into rupees.

(b) Many candidates have wrongly calculated TDS by taking rent amount excluding service tax.

Question 4.(a) Many candidates are not aware about the rate of tax of foreign company. Some of the candidates have not shown the respective tax liability and deductions on incomes separately.

(b) Some candidates have wrongly calculated the tax liability by not considering the benefit of basic exemption limit for calculating the tax on long term capital gain.

Question 5.(a) Very few candidates have knowledge about the provisions of restriction of allowability of interest and remuneration to partner's under section 40(b) of the Income Tax Act, 1961. Some of them even though have mentioned correct rates of profit to be charged, a proper title has not been given to them i.e. "in case of Professional firm" and "in case of any other firm".

(b) Most of the candidates have treated interest under section 234A for late filing of income tax return as interest on non payment of advance tax liability.

(c) Most of the candidates have failed to distinguish between Tax deducted at source and Tax collection at source. Some of them are not even aware of the term Tax collection at source.

(d) Most of the candidates have described tax rate of individual instead of average rate of tax. Also most of them have confused with marginal relief in place of maximum marginal rate.

SUMMARY OF EXAMINERS' COMMENTS

Question 6. Value of taxable service was correctly computed by most of the candidates. However, they were confused about the rate of service tax applicable. Majority of them wrongly took the rate of service tax as 10.30% instead of 12.36% ignoring the fact that the services, in the given case, have been rendered prior to February 24, 2009.

Question 7. Students were not aware of the VAT provisions. Most of the candidates have not considered the tax on purchases from other state for which input tax credit is not available.

Question 8. In part (d), students lacked the knowledge of provisions of services provided abroad and in part (e), students were not aware about the laws and rules which govern the service tax. Most of them mentioned only the Finance Act, 1994 and failed to mention the rules.

PAPER – 6 : INFORMATION TECHNOLOGY AND STRATEGIC MANAGEMENT

SECTION – A : INFORMATION TECHNOLOGY

General Comments

The overall performance of the candidates was below average. Most of the candidates did not appear to have done a detailed study and understanding of the concepts before appearing for the examination. Rather, general understanding / perception seemed to be the basis for answering the questions.

Examiners were of the view that conceptual understanding of the subject was required to properly answer the practical oriented questions. Candidates did not seem to appreciate the key aspects of the concepts that need to be mentioned while answering the questions, which resulted in very sketchy and vague answers. Candidates have to improve the subject knowledge as well as the language skills for better performance. Most of the candidates did not adhere to the instructions for writing each question on fresh page. Examinees have been advised to study the prescribed study material in depth.

Specific Comments

Question 1. Almost all the examinees attempted this question, very few could write correct answer for it. Although the level of the question was easy, still answers were generally vague because of poor understanding of basics of Information Technology. Some candidates wrote only the abbreviations of the terms and their performance was average.

Specifically,

(a) Many examinees could not briefly describe terms – (i) LSI Circuit, (iv) Layer 3 or Network Layer and (v) Data Dictionary.

(b) Most candidates failed to give answers with proper explanation. Concepts of (i) BIOS, (ii) Transaction Log, (iii) Random Access and (iv) FAT were unclear to most of the examinees.

PROFESSIONAL COMPETENCE EXAMINATION :NOVEMBER, 2009

Question 2.(a) Many candidates could not explain the concept of “Image processing” and the steps involved in “Document Imaging” and instead dwelt upon manipulation of photo images or pictures.

(b) The concept of “Decision Support System” was fairly explained by many candidates, however very few mentioned all the characteristics of DSS. In some cases, candidates wrote components of DSS instead of its characteristics.

Question 3.(a) Many examinees mentioned the outcome of a good “File Organization” rather than the factors to be considered in deciding the best file organization.

(b) This part was answered reasonably well by many candidates, though most of them failed to mention the key aspect of standard syntax used for “Electronic Data Interchange” between independent organizations.

Question 4. This question at large was not understood by many candidates and many drew the flowchart again instead of writing the output sequence in both the parts (a) & (b). The examinees exhibited lack of flowchart understanding while attempting this question.

Question 5.(a) Most of the candidates could not describe advantages and disadvantages of “Ring Network”. Ring Network was often confused with other network topologies, which was evident in the description as well as diagrammatic representation provided by few candidates.

(b) Very few examinees could attempt this part and the performance in this part was below average. The candidates could not put across the key attributes in differentiating the “Proxy Server” and “Caching Server” because of lack of technical understanding of both the servers.

SECTION – B : STRATEGIC MANAGEMENT

General Comments

- ◆ In few cases, it was brought to notice that the examinees have not provided proper question numbers.
- ◆ Some candidates gave vague answers. It is advisable to be specific and not write irrelevant answers.
- ◆ Handwriting of many examinees was illegible.
- ◆ Analytical and planned presentation was missing in most cases.

Special Comments

Question 6. Although majority of the candidates were able to provide answers in terms of correctness or incorrectness of the statements, they were not able to substantiate their answers with adequate and valid reasoning. Problems were more in part (b) related to corporate culture and part (c) related to opportunity and challenge in “change”.

Question 7. The answer of the examinees reflected that most of them were not aware about the relevance of TOWS matrix in strategic planning process. Part (b) was not well attempted

SUMMARY OF EXAMINERS' COMMENTS

by the examinees which was related to the framing of the mission statement of a company.

Question 8. Majority of the candidates attempted this question but only few of them were able to explain Porters five forces correctly. The overall performance of the examinees in this question was average.

Question 9. This question was divided into three parts. Most of the examinees were able to explain six sigma but for part (b) which was related to differentiate six sigma with other quality programs and part (c) which was related to six sigma themes were either not attempted by the candidates or they gave vague answer for them.

Question 10. Being a case study, the answers varied. There were five Questions asked to the candidates in the case study. The conceptual part was alright but application part was found wanting. The candidates secured good marks in conceptual part of each question but they could not obtain good marks in application part. There was a general leave of articulation on the part of students hence students could obtain average marks. However, some students attempted this question extremely well and obtained as high as 17-18 marks.