

EXAMINERS' COMMENTS ON THE PERFORMANCE OF CANDIDATES

PAPER - 5 : ADVANCED MANAGEMENT ACCOUNTING

General Comments

1. No of Examiners submitted Report : 55
2. Quality of Report : Some Reports are good and objective oriented – pinpointing deficiencies of the candidates – question wise.

Specific Comments

Question 1.(a) Not many candidates could get the variances worked out correctly mainly due to lack of knowledge of the formula of how to calculate sales margin Mix and Price variance.

(b) Very poor answer as the candidates failed to work out the relevant costs of inspection correctly and scored very poor marks.

(c) Well answered by most.

(d) Transportation costs could not be worked out correctly by the majority and the possibility of more than one solution, as indicated in the question, was not dealt by most.

Question 2.(a) Almost 90% of the candidates could get the answer of this problem on ABC correct.

(b) Average answer.

(c) Quite a few candidates described generally about Cost plus pricing without specifically highlighting its disadvantage.

Question 3.(a) The question was bit specialized type as it called to correct certain steps already taken in solving a problem on Assignment. The performance of the candidates was poor as they failed to proceed step by step to arrive at correct conclusions.

(b) Candidates mostly failed to appreciate what was asked for and did not categorise the following measures under appropriate categories of BSC.

(c) Very few candidates could work out the opportunity cost correctly clearly indicating lack of conceptual knowledge.

Question 4.(a) Although most of the Candidates worked out the price under monopoly correctly but they failed to calculate the same under competitive market. They did not appreciate that all parameters were same other than the no. of units.

(b) Generally well answered.

(c) The question asked to classify the items under the three measures used in the theory of constraints. This was not understood by most, which resulted in wrong answer.

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Question 5.(a) Answers are not upto expected standard and the yardsticks of outside purchase cost, contribution and variable cost and their interaction could not be worked out by most.

(b) First part generally well answered but in the second part most of the students failed to restate the problem.

Question 6.(a) Generally well answered.

(b) Most of the answers, instead of being specific, dealt with the problem in a general manner.

(c) The question was decision making based on incremental cost approach, most of the candidates failed to answer it correctly.

Question 7.(a) Generally well answered.

(b) Very poor answer – none of the candidates approached the problem correctly.

PAPER – 6: INFORMATION SYSTEMS CONTROL AND AUDIT

Specific Comments

Question1. It was a simple case study based question comprising four sub parts.

(a) Most of the candidates answered only first part but could not answer the second part i.e. the activities performed during the system requirements phase. In response to the second part, some of them mentioned only 'fact finding techniques' used to gather data. Performance was not up to the mark for this question.

(b) Most of the candidates mentioned only the names of business risks in migrating to ERP but did not explain them properly. Hence, the performance was poor.

(c) Many candidates answered this part correctly by mentioning the points that need to be taken into account for the proper implementation of physical and environmental security in respect of Information system security. However, some of them could not understand the question asked and gave wrong answers. Overall performance was satisfactory.

(d) Many candidates described Chapter-III of ITAA, 2008 in brief rather than clearly discussing only Section 7 of Chapter-III of ITAA, 2008 namely 'retention of electronic records'. Hence, performance was not up to the mark for this part.

Question 2. (a) Some candidates gave the details of PKI instead of discussing the policies and controls that any financial institution needs to consider when utilizing PKI. Hence, performance was average.

(b) This part was answered correctly by most of the candidates by describing the benefits of performing a technology risk assessment.

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(c) This part was answered well by those who were thorough with SAS 70 with respect to examination of general controls over IT and related processes. Overall performance was satisfactory.

Question 3.(a) Most of the candidates could answer this part correctly by mentioning the contents to be included in a standard audit report. However, some candidates answered this question based on the general knowledge. Overall performance was good.

(b) Characteristics of EIS were clearly discussed by most of the candidates. Hence, performance was good.

(c) Some candidates mentioned types of backup instead of mentioning backup options considered by a security administrator while arranging alternate process facility. Overall performance was satisfactory for this part.

Question 4.(a) This part dealing with the common threats to the computerized environment was answered well by the candidates. Hence, performance was very good for this question.

(b) This question was based on the role of an IS auditor in the evaluation of physical controls. Candidates answered this part based on the discussion given in the study material. Hence, the performance was good.

(c) This question was related to the post-implementation period of an ERP system, but some candidates wrongly answered with respect to the pre-implementation period. Hence, overall performance was not satisfactory.

Question 5.(a) Mixed performance was observed for this question. Some of the candidates could not answer correctly about the factors verified under different heads of ISO 27001-ISMS.

(b) Many candidates answered well but some of them could not mention the characteristics of a Computer Based Information System. Hence, performance was below average.

(c) Many candidates mentioned the general duties of Certifying Authorities rather than discussing the duties of Certifying Authorities under Section 30 of ITAA, 2008. Overall performance was average.

Question 6.(a) This part of the question was based on various functional areas to be studied by a system analyst for a detailed investigation of the present system. Candidates attempted well and the performance was good in this question.

(b) Many of the candidates explained about SCARF rather than writing 'types of information collected using SCARF technique'. However, overall performance was satisfactory.

(c) Many candidates explained the contents of a Disaster Recovery Plan instead of giving the audit tools and techniques used by an IS auditor to ensure that Disaster Recovery Plan is in order. As a result of this, mixed performance was observed in this part.

Question 7. Question was based on the short notes.

(a) General description about the Expert systems was given by some of the candidates instead of giving business applications of Expert Systems. Some candidates wrongly mentioned the components of an Expert system. Hence, performance was not satisfactory for this part.

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- (b) Candidates answered this part correctly. But, some of the candidates could not discuss the types of firewalls.
- (c) This part was also answered correctly by most of the candidates but some of them confused the 'Delphi technique' with 'Scoring Approach'.
- (d) Many candidates were not clear about CMM; even some of them could not name its five levels. Performance was not up to the mark for this part.
- (e) Mixed performance was observed for this part. Some of the candidates could not write the authentication process by digital signature in the light of ITAA, 2008.

PAPER – 7 : DIRECT TAX LAWS

General Comments

The overall performance of the candidates was found to be below the expected level showing lack of knowledge and skill relating to application of statutory provisions. Overall, the candidates have failed to identify the provision or concept on which in the question was based and therefore, their answers to some questions were found to be very general.

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Question 1.(A)(i) Many of the candidates were not able to specify that indexation is not available in case of slump sale. Also, some candidates wrongly considered written down value of depreciable assets as per books of accounts and revalued value of land instead of considering written down value of depreciable assets as per section 43(6) and cost of acquisition of land respectively, for the calculation of net worth. Tax liability was not calculated correctly as the long term capital gain tax rate at 20% and surcharge were not considered by many.

(B) Most of the candidates were not aware of the provisions of Section 37A(5A) and Section 37C of the Wealth-tax Act, 1957 and gave vague and unrelated answers.

(C) Majority of the candidates simply stated the answer as yes or no, without giving a valid reason for the same. Some of the candidates explained provisions of Section 16A without answering to the issue raised in the question.

(D) Some candidates answered this question as per the provisions of Income-tax Act, 1961 instead of the Wealth-tax Act, 1957. Though the candidates were conceptually right in answering the question, they confused the names of the grand parents given in the question as the names of the parents, which resulted in final answers being wrong in terms of name of the assessee with whom the net worth of the adopted minor child has to be clubbed.

Question 2.(A) This question, based on provisions of recovery of tax due or arrears of tax from a non-resident, was not answered correctly by most candidates, since they were not aware of the provisions of Section 173.

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(B)(i) Though the candidates have correctly explained the concept of DTAA, however, in some cases the aspect of “promotion of mutual economic relations” was missing in the answer.

(B)(ii) Candidates failed to explain the term “rate of tax in other country”. The concept and provisions regarding this was not clear to most candidates. Some candidates mentioned it as “rate decided in the agreement” and some others about the tax advantage i.e. answers were largely based on general reasoning.

Question 3.(A) Candidates were found lacking in their knowledge in relation to latest amendments in the Income-tax Act, 1961. Some of them gave general answers and some others gave yes/no answers, without proper reasoning.

(B) Candidates were not able to differentiate between the object of ‘preservation of wild life’ and ‘advancement of object of general public utility’. Many of the candidates were not aware of the recent amendment made in Section 2(15).

(C) Majority of the candidates were not able to bring out the difference in treatment of voluntary contribution received and other income of the electoral trust under the Income-tax Act, 1961. Some of the candidates were not aware of the provisions relating to the electoral trust and answered on the basis of normal trust provisions.

(D) Most of the candidates were able to answer the question correctly, but in some cases candidates could not differentiate between the tax treatment for LTC in case of twin births before and after the birth of single child.

(E) Very few candidates could apply the provisions of Rule 3(8) of the Income-tax Rules, 1962 correctly. The value of shares on date of allotment was considered instead of value of shares on the date of exercise of option. Also, average price of the shares on BSE and NSE was taken into consideration instead of price of shares on NSE which recorded higher volume of trading in that share. Moreover, candidates were not able to mention that the valuation of perquisite for sweat equity shares shall not differ whether it is granted for making available intellectual property rights or for providing technical know how.

Question 4.(A) The answers to this question were given on simple yes/no basis without proper reasoning.

(A)(iii) Candidates were confused regarding the provisions of Section 271(1)(c) and were not able to explain that mere a debatable or arguable claim would not amount to concealment with an intention to evade tax.

Question 5.(A) Many of the candidates merely answered whether the amount referred to is a revenue receipt or a capital receipt. No proper reasoning was given. Some of the candidates also wrongly answered that the amount referred to in the question is taxable under the head ‘Income from other sources’ and not under ‘Profit and gains of Business and Profession’.

(B) The candidates were not able to relate the question to Section 43C and wrongly treated the profit on sale of asset acquired on amalgamation and held as stock-in-trade as chargeable to capital gain instead of as business income. Those candidates who were able to touch upon

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the computation of business income in the answer, wrongly considered cost of acquisition of the stock as ` 110 lacs i.e., takeover value instead of ` 125 lacs being the original cost of the stock, leading to wrong calculation of taxable business income.

Question 6.(A) Deduction under Section 91 was not worked out rightly since the candidates were not able to compute the Indian rate of tax and rate of tax on income in foreign country correctly. Many candidates allowed the deduction for medical treatment of father as ` 20,000 in place of ` 15,000, treating him as senior citizen and not considering that a resident individual can only be a senior citizen to qualify for a deduction of ` 20,000. Some candidates wrongly considered the deduction for Long Term Infrastructure Bonds under Section 80CCF to be included in ` 1 Lac limit under Section 80CCE and restricted the deduction to the same.

(B) The answers to this question were found to be correct in most cases. However, some candidates gave vague answers and were not clear about the concept of 'mistake apparent from record'.

(C) Many of the candidates were not aware of the Circular No.3/2010 dated 02.03.2010, relating to 'macro monitoring by use of CBS software'. They were also not able to give their answers on the basis of the provisions of Section 194A with proper reasoning.

Question 7.(A) Candidates lacked knowledge regarding powers of Settlement Commission and gave answers without substantiating the same with the provisions of Act or the relevant Apex Court ruling.

(B) The answers were given only on the basis of Section 56(2) by stating that the gifts under this section given by relatives will be exempt from tax, rather than explaining Section 56(2) together with the concept of cross transfers attracting clubbing provisions under Section 64 and consequent taxability thereof in the hands of the transferor. Some candidates wrongly gave the answers on the basis of Wealth-tax Act, 1957.

(C) The provisions of Section 139(4C) were not known to most of the candidates. The limit of ` 100 Lacs for a charitable trust to be eligible for exemption under section 10(23C)(iiiad) was confused with the limit of ` 60 Lacs given under section 44AB. Some candidates were not clear about the concept of tax audit which resulted in mentioning wrong date of filing of return.

PAPER – 8 : INDIRECT TAX LAWS

General Comments

It was observed that candidates were generally aware of the recent amendments, but they possessed poor knowledge of the procedural laws. In questions based on case laws, some candidates merely quoted the citation of case law without explaining the ratio of the case properly.

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In case of questions requiring the candidates to test the correctness of the statements, few candidates who were not sure of the correct answer had written lengthy and vague answers, without inferring the correctness of the statement or otherwise.

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Question 1.(a) In few cases, candidates erroneously availed the CENVAT credit in respect of Light diesel oil amounting to ₹ 40,000/-. Some candidates did not compute the total credit available and had only given the individual figures with explanations.

(b) Majority of the candidates failed to determine correctly the turnover to be excluded for determining the limit of ₹ 150 lakh. Few candidates wrongly included the captive consumption for determining the limit of ₹ 150 lakh.

(c) In number of cases, candidates had erroneously included 'service provided to M/s. XYZ Co. Ltd. and 'service provided as clearing and forwarding agent' in the value of taxable services for determining net tax liability of M/s. Commercial Goods Services. Few candidates did not provide the abatement of 75% from the gross amount. Few candidates wrongly availed CENVAT credit in respect of service tax paid on input services.

Question 5.(a)(i) The question requires the candidates to give a short note on goods and exempted goods. The term "goods" was required to be answered with reference to the explanation to section 2(d) of the Central Excise Act, 1944. However, the candidates ended up giving lengthy explanation of goods in terms of the Sales Tax Act and various judgments.

(b)(ii) Many candidates answered the question on the basis of the general understanding of the VAT laws. Some candidates had stated that White paper on VAT is the copy of an invoice.

Question 6.(a) Very few candidates had mentioned the correct procedure. Some candidates had mentioned the procedure for removal of goods under bond without payment of duty.

(b)(ii) Few candidates got confused between due dates for payment of service tax and due dates for filing of service tax returns.

Question 7.(a)(i) Majority of the candidates were not aware of circumstances under which refund of Central excise duty would be given to the claimant.

(c) Most of the candidates provided general meaning of prohibited goods without referring to the definition provided under the Customs Act. Few candidates listed out few prohibited goods.