

## EXAMINERS' COMMENTS ON THE PERFORMANCE OF THE EXAMINEES

### PAPER – 1: ACCOUNTING

#### Specific Comments

**Question 1.(a)** Few examinees erred in treatment of refund of grant and charging of depreciation thereafter as per AS 12 "Accounting for Government Grants".

**(b)** Most of the examinees did not give the required journal entries in line with the AS 11 "Effects of Changes in Foreign Exchange Rates". Some of them failed to calculate the correct amount of foreign exchange difference to be accounted for the related year.

**(c)** Majority of the examinees were not able to give the required answer in line with AS 22. They failed to compute the amount of timing difference resulting into DTL/DTA and consequently, the amount of net deferred tax liability was also wrongly computed.

**(d)** Few candidates were not able to explain the treatment of given items in final accounts as per provisions of AS 5 "Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies".

**Question 2.(a)** Most of the examinees did not calculate the value of right shares subscribed and failed to post the correct entry of sales proceeds of rights. They were not able to arrive at the value of the shares on closing day. Consequently, they failed to provide the "Investment Account" in the required manner.

**(b)** Large number of the examinees could arrive at the correct gross profit rate but failed to provide the information in the Memorandum Trading Account for normal and abnormal items. Thus, they failed to compute the correct claim amount to be lodged with the insurer.

**Question 3.(a)** Few examinees erred in calculation of ratios for allocation of expenses among different departments and subsequently, they failed to calculate correct amount of net profit of each department.

**(b)** Many examinees failed to prepare Branch stock Adjustment account and Branch Profit and Loss account correctly.

**Question 4.(a)** Most of the examinees erred in computation of purchase consideration thereby workings related to distribution of shares among partners and net settlement in cash among partners also went wrong. Majority of examinees did not consider the payment made to sundry creditors and receipt from sundry debtors under cash account.

**(b)** Majority examinees could not explain the extent of liabilities of LLP and its partners.

**Question 5.(a)** Few examinees erred in calculation of ratios for allocation of expenses in pre-incorporation and post-incorporation periods. Hence, they could not prepare statement showing calculation of pre-incorporation and post incorporation profits after considering the information given in the question.

(b) Some of the examinees erred in calculation of amount to be transferred to capital redemption reserve.

**Question 6.** Many examinees Failed to give elements and their definitions in part (a) of the question. Majority examinees failed to pass necessary journal entries for purchases of debentures ex.-interest and cum interest in part (c) of the question. Few examinees failed to classify the activities as Operating, investing and Financing in line with requirements of AS 3 "Cash Flow Statements" for part (e).

## PAPER – 2: CORPORATE AND OTHER LAW

### Specific Comments

**Question 1.(a)** The question dealt with the knowledge about section 2(85) of the Companies Act, 2013. Performance of the examinees was good. Majority of examinees attempted this question and have written the correct provisions of Small Company.

(b) Performance of the examinees was above average. Most of the examinees have correctly stated the conditions with respect to formation of CSR Committee as per the provisions of the Companies Act,2013.

(c) Performance of examinees was good. Provisions with respect to relationship of Agency are written correctly by most of the examinees relating to the liability of the agent while acting beyond authority as contained in section 211 of the Indian Contract Act, 1872.

(d) Performance of examinees was above average. They have correctly written the meaning of the term 'Immovable Property' as per the provisions of the General Clauses Act, 1987.

**Question 2.(a) (i)** Performance of the examinees was average. Examinees failed to explain the provisions of declaration of interim dividend in case of incurring loss as per the provisions of the Companies Act, 2013.

(ii) Performance of the examinees in this part was good. They have correctly written the provisions regarding restrictions on declaration of dividends by companies registered under section 8 of the Companies Act, 2013.

(b) Performance of most of the examinees was poor. In general, they don't have knowledge of the contents of Annual Return prescribed in section 92 in Form MGT-7.

(c) Performance of the examinees was above average. The answer of most of the examinees was correct barring a few exceptions. But most of them failed to explain the meaning of the term 'holder in due course'.

(d) Performance of the examinees was average. Although most of the examinees have written the correct answer of the question but were unable to explain the provisions of the Negotiable Instruments Act, 1881 in support of their answer.

**Question 3.(a)** Examinees performance in this part was below average. Most of the examinees have failed to write the provisions relating to payment of underwriting commission except the provisions regarding the maximum permissible rate of underwriting commission on shares and debentures.

**(b) (i)** Performance of the examinees was below average. Most of the examinees have written general provisions relating to appointment of auditors instead of provisions relating to tenure of an auditor.

**(ii)** Performance of the examinees in this part was poor. Most of the examinees have not written the contents of the certificates to be issued by the auditor in accordance with the *Companies (Audit & Auditors) Rules, 2014*.

**(c)** Performance of the examinees in this part was poor. Most of the examinees failed to explain the effects of repeal of an existing Act by central legislation enumerated in the General Clauses Act, 1897.

**(d)** Performance of the examinees in this part was below average. Most of them have not written the factors which decide whether a provision is directory or mandatory

**Question 4.(a)** Examinees performance in this part was poor. Most of the examinees did not have the knowledge of the penal provisions for non- adherence of timelines for submission of Annual Return as per the provisions of the Companies Act, 2013.

**(b)** Examinees performance in this part was below average. In place of writing the provision relating to movement of various resolutions at a time, they have written provisions regarding general and special business.

**(c)** Examinees performance in this part was poor. Examinees didn't know the contents of Directors Responsibility Statement and have written the answer in general.

**(d) (i)** Examinees performance in this part was average. They have not written correctly the exceptions to Grammatical Interpretation.

**(e)** Performance of the examinees in this part was below average. They have failed to explain the meaning of 'Service by Post' as per the provisions of the General Clauses Act, 1897.

**Question 5.(a) (i)** Examinees performance in this part was average. Even though they have written the time frame in which the company supposed to reply to the transferee, most of them have failed to write the remedies against the company for not sending any intimation regarding transfer of shares.

**(c)** Examinees performance in this part was good. The question related to distinction between bailment and pledge.

**(d)** Examinees performance in this part was above average. Most of them have written correct answer regarding liability of the co-sureties as per the Indian Contract Act, 1872.

**Question 6.(a)** Examinees performance in this part was below average. Most of the examinees have written general answers without mentioning the conditions under which shares with differential voting rights may be issued as per the provisions of the Companies Act, 2013.

**(b)** Examinees performance in this part was above average. Most of the examinees have correctly written the meaning of 'Charge' and the time limit for the registration of charge. But they have failed to describe the circumstances under which the necessity to create a charge arises.

Or

**(b)** Very few examinees have attempted this part. Their performance in this part was above average. The question was related with 'Appointment of Trustee for Depositors' under the Companies Act, 2013.

**(c)** Examinees' performance in this part was good. They have correctly written the authority of an agent in an emergency situation as per the provisions of the Indian Contract Act, 1872.

**(d)** Examinees performance in this part was good. They have written the rules relating to date of maturity of bill of exchange correctly.

### PAPER – 3 : COST AND MANAGEMENT ACCOUNTING

#### Specific Comments

**Question 1.(a)** This was a Numerical question relating to the topic '**Economic Order Quantity (EOQ)**'. EOQ has been calculated correctly by the examinees in general but some committed mistakes in making calculation of total cost when quantity discount offer was taken into account. Performance of the examinees was above average in this question.

**(b)** This was a Numerical question on '**calculation of wages and factory cost under Rowan and Halsey plans**'. A majority of examinees answered in the correct line and obtained full marks.

**(c)** This was a Numerical question related to different aspects of '**Marginal Costing**'. Most of the examinees answered well.

**(d)** This was a Numerical question related to '**reconciliation of Cost and Financial Losses**'. Performance of the examinees was above average in this question.

Overall performance in this compulsory question was very good.

**Question 2.(a)** This was a practical question related to preparation of '**Cost Sheet**'. The performance of the examinees was not up to the mark. The wanting part of the question was treatment of sale of scrap of material and calculation of the value of closing stock of finished goods. Only few of the examinees answered well.

(b) This question was on the topic '**Contract costing**'. Performance of the examinees was very good in this question.

Overall performance of the examinee in this question was above average.

**Question 3.(a)** This was numerical question on calculation of '**labour turnover rates**'. Examinees performed well. However, equivalent annual employee turnover was calculated correctly by little number of examinees.

(b) This was a numerical question on 'Process Costing'. A majority of the examinees did well and secured full marks.

Overall performance of the examinee in this question was above average.

**Question 4.(a)** This was a numerical question on charging '**overhead cost**' on two products by Traditional Method and Activity Based Costing Method. Most of the students did not charge volume related overheads properly either on basis of cost drivers or on the basis of proportion. Performance of the examinees was not good in this question.

(b) This was a practical question relating on '**Service Costing**', A few number of candidates secured good marks. The candidates had issues on conceptual clarity on the concept of normal capacity.

Overall performance of the examinee in this question was below average.

**Question 5.(a)(i)** This was a numerical question on calculation of '**Stock Turnover ratio**'. Overall performance of the examinees was well in this question.

(ii) This was a numerical question on '**Standard Costing**' to calculate material variances. Examinees failed to understand the concept of Standard quantity for actual output. Performance of the examinees was average in this question.

(b) This was a numerical question on decision making based on '**marginal costing**' to test the conceptual clarity of the candidates. First part of this question was answered well but in the second part of the question, average performance was observed as most of the candidates could not succeed to calculate sales figure/ quantity to earn profit of 20% on sales.

Overall performance of the examinee in this question was average.

**Question 6.(a)** This was a theoretical question on '**requirement of cost and management accounting information**' for operational level staff, Most of the candidates failed to understand the requirement of question. Performance of the examinees was not good.

(b) This was a theoretical question on '**Just in time approach**' of inventory management. Average performance was observed by the examinees.

(c) This was a theoretical question on superiority of '**Zero Base budgeting over Traditional budgeting**'. Performance of the examinees was average in this question.

(d) This was a theoretical question on '**Job and Batch Costing**'. A few numbers of candidates answered well.

(e)(i) This was a theoretical question on 'Opportunity Cost'. Performance of the examinees was not satisfactory in this question.

(ii) This was a theoretical question based on 'FIFO and LIFO method' of store issue. Examinees performance was well in this question.

Overall performance on this question was not up to mark.

## PAPER – 4 : TAXATION

### SECTION A: INCOME TAX LAW

#### Specific Comments

**Question 1.** Very few examinees were aware of the correct treatment of interest on car loan not paid during the year. Depreciation computation was wrong in many cases. Hence, they were not able to arrive at the correct profits and gains from profession. Further, examinees were not able to correctly compute the amount allowable as deduction under section 80G in respect of donation to Prime Minister's Drought Relief fund.

**Question 2.** Some examinees have wrongly applied cost inflation indices for computation of capital gain on slump sale. Further, some examinees were not aware that in case of slump sale, revaluation is not to be considered while computing net worth, which is deemed to be the cost of acquisition.

**Question 4.** Most of the examinees have wrongly allowed exemption under section 10(14) in respect of combined allowance for education and hostel accommodation, without considering that such exemption is not available in respect of education and hostel facility outside India.

**Question 5.(a)** While answering sub-part (ii), some examinees did not seem to be aware that "car" does not fall under definition of "property" under section 56(2).

(b) Many examinees have not applied the concept of partial integration for computing the tax liability of Mr. Avani, a resident individual engaged in growing tea leaves and manufacturing tea in India. Hence, the tax liability computed by them was incorrect.

**Question 6.(a)** Some examinees were not aware that clubbing provisions are not attracted in respect of income of handicapped minor child, Master Tapan. Some examinees have wrongly included the dividend received by Master Manan in the total income of Mr. Madhav, without considering that the same is exempt u/s 10(34).

(b) Many of the examinees who had opted for the first alternative were not aware of the provisions of Section 139AA and hence, could not answer the question properly.

The examinees who had opted for the second alternative were not aware of the monetary limits above which quoting of PAN is mandatory in respect of different transactions, and hence, were not able to answer this question correctly with proper reasons.

**Question 7.(b)** Many examinees could not bring out correctly in their answer, the purpose for

which "provisos" and "explanations" are incorporated under the various sections of the Income-tax Act, 1961.

## SECTION B: INDIRECT TAXES

### Specific Comments

**Question 8.(a)** Most of the examinees did not adjust input tax credit with output tax liability. They were found to be unaware of the manner of utilization of input tax credit as per section 49(5) of CGST Act, 2017. They did not adjust the residual credit of CGST and SGST for payment of IGST.

**(b)** Some examinees did not adduce adequate reasoning in support of admissibility/inadmissibility of input tax credit while making computation of input tax credit available with Fun Pharma Private Limited for the month of September, 2017.

**Question 9.(b)** Most of the examinees depicted lack of clarity of the provisions relating to "recipient of supply of goods and/or services" under the CGST Act, 2017.

**Question 10.(c)** In majority of the cases, examinees got confused with the States covered under "Special category States" for the purpose of composition levy under section 10 of CGST Act, 2017. They wrongly applied the threshold limit of ₹ 75 lakh while determining applicability of composition scheme for the State of Andhra Pradesh and Jammu & Kashmir.

**Question 11.(c)** Some examinees depicted poor knowledge pertaining to state levies and central levies. They wrongly stated the central levies subsumed in GST as contrary to the requirement of the question which was to list state levies, which are subsumed in GST.

**Question 12.(b)** The answers given by most of the examinees were vague and general in nature and not based on the correct provisions of law. The inclusions and exclusions for computing the "aggregate turnover" under CGST Act, 2017 were not correctly brought out by them.

**(c)** The question aimed at testing the conceptual knowledge of the provisions relating to filing of final return. However, most of the examinees wrongly ended up in answering the question with respect to annual return.