

EXAMINERS' COMMENTS ON THE PERFORMANCE OF THE EXAMINEES

PAPER – 1: ACCOUNTING

Specific Comments

Question 1.(a) Majority examinees failed to describe the disclosure requirements, for the given items, correctly in the cash flow statement in line with requirements of AS 3 “Cash Flow Statements”.

(b) Few examinees could not judge validity of the given statements in the question as per provisions of AS 1 “Disclosure of Accounting Policies”.

(c) Majority of the examinees failed to bifurcate the amount of securities premium from the amount of purchase consideration while giving journal entry. Liquidation expenses and payment to debenture holders were also wrongly included as part of purchase consideration by some of them.

(d) Majority of the examinees failed to explain ‘Bearer Plants’ and ‘Biological Assets’ as per AS 10 “Property, Plant and Equipment”.

Question 2. Large number of examinees were not able to prepare the Balance sheet of the company as per Schedule III of the Companies Act, 2013 from the given ledger balances and additional information provided in the question.

Question 3.(a) Few examinees erred in calculation of ratios for allocation of expenses in pre-incorporation and post-incorporation periods. They also failed in determining the basis for apportionment of interest on borrowing and bad debts recovered into pre and post incorporation periods. Consequently, they could not prepare statement showing calculation of pre and post incorporation profits after considering the information given in the question.

(b) Most of examinees were not able to post entries correctly in ‘Debtors Ledger Adjustment Account’ in ‘General Ledger’ and ‘General Ledger Adjustment Account’ in ‘Creditors Ledger’.

Question 4. Large number of examinees failed to find out the opening capital fund of the Society. Moreover, some of them erred in adjustment required for transfer of Building fund and donation for lab equipment in Capital fund.

Question 5.(a) Most of examinees correctly calculated the cash price of generator but failed in giving correct journal entries.

(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 6. Most of the examinees failed to arrive at the correct amount of cash settled between the partners at the time of retirement of a partner. Consequently, they could not prepare the correct partners’ capital accounts and balance sheet of the firm after retirement of partner.

Question 7.(a) Majority examinees failed to give the correct journal entries as per the terms of reconstruction given in the question.

(b) Most examinees considered all transactions together without segregating the sale/purchase transactions, while computing the product amount of various transactions of different dates. Hence, they could not calculate the correct "Average Due Date".

(c) Few examinees were confused with terms like cost value/book value/ fair market value/ carrying value/ net realizable value and consequently, failed to state the values for re-classification of investments from current to long term and vice versa as per provisions of AS 13 "Accounting for Investments".

(d) Instead of writing the advantages of outsourcing the accounting functions of an enterprise, most of the examinees provided answer for the "advantages of computerization of accounts".

(e) Few examinees failed to calculate the goodwill of a partnership firm under "Super profit method".

PAPER – 2: BUSINESS LAWS, ETHICS AND COMMUNICATION

Specific Comments

Question 1.(a) Performance of the examinees was above average. Most of the examinees have referred the provision of Section 73 of The Indian Contract Act, 1872 in their answers correctly.

(b) Performance of the examinees was above average. Majority of examinees have stated the relevant provisions of section 3(1)(b) of the Companies Act, 2013 correctly.

(c) Performance of examinees was below average. A large part of the examinees could not state correctly the social issues with which the business corporation are concerned since a long time.

Question 2.(a)(i) Performance of the examinees was below average. The problem is related to section 6 of the Payment of Bonus Act, 1965 which deals with the prior deductions from gross profit as prior charges. Most of the examinees have not deducted 8.5% of the paid up equity share capital and 6% of reserves at the commencement of the accounting year according to the law laid down in the Third Schedule of section 6 of the Payment of Bonus Act, 1965.

(ii) Performance of the examinees in this part was satisfactory. Most of the examinees have stated the provision of Section 4(2) of the Payment of Gratuity Act, 1972 and its calculation correctly.

(b) Performance of most of the examinees was satisfactory. The question was related to corporate citizenship and its benefits. The answer given by most of the examinees was generic in nature.

Question 3.(a)(i) Examinees' performance in this part was average. Most of the examinees could not mention correctly the gist of the provisions of section 45 of the Indian Contract Act, 1872. However, the conclusion was correctly stated.

(ii) Performance of the examinees was good. Barring few exceptions, most of the examinees have explained the differences correctly.

(b) Performance of the examinees in this part was satisfactory. Question is related to the Green Accounting System and its benefits, examinees answered in general and that too was correct.

(c) Performance of the examinees in this part was average. Question is related to NCA's credo for ethical communication. Most of the examinees answered in general and could not describe the optimum credo's in its significant sense.

Question 4.(a)(i) Examinees' performance in this part was satisfactory. Examinees have referred section 14 of the Companies Act, 2013 and answered correctly the provisions regarding alteration of the Articles of Association.

(ii) Examinees' performance in this part was good. Most of the examinees have specifically described the meaning and the provision for appointment of proxy as per section 105 of the Companies Act, 2013.

(b) Examinees' performance in this part was satisfactory. They have correctly discussed the reasons for adopting ethical behaviour in marketing.

(c) Examinees' performance in this part was satisfactory. Most of the examinees supported their answer stating the qualities of critical thinker.

Question 5.(a)(i) Examinees' performance in this part was average. Most of the examinees correctly stated the meaning of 'Sans Recourse' endorsement but could not answer correctly the meaning of 'Sans Frais' endorsement under the Negotiable Instrument Act, 1881.

(ii) Examinees' performance in this part was average. Most of the examinees calculated the amount to be recovered by Y correctly but failed to explain the relevant provision.

(b) Examinees' performance in this part was good. Section 52 of the Companies Act, 2013 describes the application of securities premium account on which majority of the student answered correctly.

(c) Examinees' performance in this part was satisfactory. The examinees gave the answer in general regarding the problems that may arise at workplace when ethical behaviour is not adopted.

Question 6.(a) Few examinees attempted this question and performance was below average. They could not mention correctly the conditions for issue of GDRs according to section 41 of the Companies Act, 2013.

(b) This part contains objective type questions. Examinees' performance in this part was good.

Question 7.(a) Performance of the examinees was below average. Most of the examinees gave general answer to the question and very few examinees have discussed the salient features of Section 14 AB and 14 AC of the Employees Provident Fund and Miscellaneous Provisions Act, 1952.

(b) Performance of the examinees in this part satisfactory. Most of the examinees have referred the procedure for conversion of public company into a private company as per the provisions of the Companies Act, 2013.

(d) Examinees' performance in this part was below average. Most of the examinees were not able to correctly explain the subject matter pertaining to Global Reporting Initiative.

PAPER – 3 : COST ACCOUNTING AND FINANCIAL MANAGEMENT

Specific Comments

Question 1.(a) This was a Numerical question relating to topic '**Material Costing**'. Performance of the examinees was average in this question.

(b) This was a Numerical question on '**standard costing and Variance Analysis**'. Performance of the examinees was below average in this question.

(c) This was a practical question on '**Cash Flow Statement as per AS-3**'. Most of the examinees answered well and Performance of the examinees was above average.

(d) This was a practical question relating to topic '**Cost of Equity**'. Performance of the examinees was extremely poor in this question.

Question 2.(a) This was a practical question on '**Break Even Analysis**'. Many Examinees failed to calculate the correct figures of profit and Break Even Point, if product mix is changed as required in the question. Overall performance of the examinees was above average in this question.

(b) This was a practical question relating to topic '**Ratio Analysis**' and preparation of Balance Sheet on the basis of calculated ratios. Performance of the examinees was good in this question.

Question 3.(a) This was numerical question on '**Operating Costing**'. Performance of the examinees was average in this question.

(b) This was a practical question relating to topic on '**Decision Making on Receivables Management**'. Performance of the examinees was average in this question.

Question 4.(a) This was a practical question relating to topic '**Process Costing based on Equivalent Production**'. Performance of the examinees was good in this question.

(b) This was a numerical question relating to topic '**Calculation of EBIT**', Sales and Fixed Cost of two Companies and also the recommendation of better company based on their leverages. Overall performance of the examinees was above average in this question.

Question 5.(a) This was a theoretical question relating to factors increasing '**labour productivity**'. Overall performance of the examinees was above average in this question.

(b) This was a theoretical question relating to topic '**pre-requisites of Integrated Accounting System**'. Performance of the examinees was below average in this question.

(c) This was a theoretical question relating to factors determining the requirements of '**Working Capital**'. Performance of the examinees was below average in this question.

(d) This was a theoretical question on comparison between '**Business Risk and Financial Risk**'. Performance of the examinees was below average in this question.

Question 6.(a) This was a numerical question on 'treatment of Secondary Distribution of '**Overheads**' by applying Simultaneous Equation Method. Performance of the examinees was average in this question.

(b) This was a Numerical question from the topic '**Capital Budgeting**' requiring calculation of Cost of Project, Cost of Capital, Payback Period and Net Present Value (NPV). Most of the examinees answered well.

Question 7.(a) This was a theoretical question on '**Cost Classification**' based on variability and controllability factors increasing 'labour productivity'. Overall performance of the examinees was good in this question

(b) This was a theoretical question related to '**salient features of Budget Manual**'. Performance of most of the examinees were below average.

(c) This was a theoretical question relating to topic '**Different types of Pecking Credit**'. Performance of the examinees was average in this question.

(d)(i) This was a theoretical question from the topic '**Standard Costing based on distinct groups of Variances**'. Overall Performance of the examinees was below average in this question.

(ii) This was a theoretical question on '**Sale and Lease back**'. Overall Performance of the examinees was below average in this question.

(e) This was a theoretical question based on '**Time Value of Money**'. Examinees performance was below average in this question.

PAPER – 4 : TAXATION

SECTION A: INCOME TAX

Specific Comments

Question 1. The common mistakes committed by examinees while answering this question are:

(i) Deduction under Chapter VI-A in respect of deposit in Sukanya Samridhi Scheme wrongly claimed under section 80G instead of under section 80C; and contribution to Atal Pension Yojana wrongly claimed as deduction under section 80G instead of under section 80CCD.

(ii) Arrears of rent wrongly charged to tax as 'Income from Other Sources' instead of under the head 'Income from house property'.

Question 2.(a) The common mistakes committed by examinees while answering this question are -

(i) Wrongly applying the ratio of 40:60 in respect of income from sale of coffee grown, cured, roasted and grounded in Colombo and bringing to tax 40% of such income, whereas 100% of income is taxable in India since the ratio applies only in respect of income from sale of coffee grown, cured, roasted and grounded in India.

(ii) Wrongly exempting the entire income from sale of coffee grown, cured, roasted and grounded in Colombo, whereas the entire income is taxable in India.

(iii) Some of the examinees did not mention in their answer that income from sapling and seedling grown in a nursery is agricultural income, whether or not the basic operations were carried out on land.

Question 4. Although the examinees were able to apply the presumptive rate of 8% and 6% to compute the presumptive income under section 44AD from cash sales in Hypermarket and online sales in Supermarket businesses, they were not aware of the tax treatment of receipt of insurance compensation from discontinued furniture business and set-off of unabsorbed business loss of such business.

Question 5.(b)(ii) Many examinees wrote the quantum of fee payable under section 234F without relating the same with the period of delay in filing the income-tax return. Therefore, their answers were not complete.

Question 6.(a) Many examinees failed to answer the applicability of TDS in sub-part (i) and non-applicability in sub-part (ii) with reference to the threshold limits in section 194-I and 194-J, respectively.

(c) Many examinees 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.

SECTION B: INDIRECT TAXES

Question 8.(a) Most of the examinees wrongly treated the goods purchased from unregistered dealer as taxable. They were unaware that all intra-State and inter-State procurements made by a registered person from unregistered person have been exempted from reverse charge liability, without any upper limit for daily procurements.

Further, they also wrongly treated the services by way of labour contract for repairing of a single residential unit as exempt, whereas services by way of labour contracts of **original works** is exempt. The satisfactory notes explaining treatment of key items was also found missing.

Question 9.(b) Many examinees wrongly answered the question in terms of taxability, whereas question requires them to state the person liable to pay tax in the given cases. Also, they were unaware that supply of renting of immovable property service by Government to a business entity is not covered under reverse charge.

Question 10.(a) Most of the examinees depicted lack of clarity of the provisions relating to issuance of debit note and credit note. The provisions pertaining to issuance of debit note was wrongly mentioned for credit note by some of the examinees and vice versa.

(b) In sub-part (i), some examinees wrongly mentioned CIN as Corporate Identity Number / Common Identification Number, whereas CIN stands for Challan Identification Number.

In sub-par (iii), most of the examinees wrongly mentioned the benefits of GST as contrary to the requirement of the question which was to mention the benefit of new payment system to the tax payer and the commercial tax department.

Question 11.(b) The answers given by most of the examinees were vague and general in nature and not based on the correct provisions of law. They were found to be ignorant of the provisions pertaining to issue of revised tax invoice, period for which revised tax invoice can be issued, time limit within which it can be issued and manner of issuing revised tax invoice to unregistered dealers.

(c) Majority of the examinees depicted poor knowledge. They were not even aware that GSTN is PAN based and any change in PAN would warrant a new registration. They wrongly stated that registration can be amended in case of change in constitution of business.

Question 12.(a) Most of the examinees exhibited meagre understanding of the provisions relating to composition scheme. Non eligibility of Composition scheme to Service providers, except restaurant service, was not known to them.

(c) The question aimed at testing the conceptual knowledge of the provisions relating to filing of annual return. The requirement to get the accounts audited and filing of reconciliation statement was not brought out by most of them.