

EXAMINERS' COMMENTS ON THE PERFORMANCE OF THE EXAMINEES

PAPER – 1: ACCOUNTING

Question 1.(a) Majority of the examinees were not able to quantify the amount to be capitalized for plant in accordance with AS 10 "Property, Plant and Equipment". They erred in the treatment of 'Initial Operating losses before commercial production' amounting ₹ 3,75,000 and failed to mention that this amount should be written off to Profit and Loss account.

(b) Few examinees did not compute value of closing stock of raw material and finished goods as per AS 2 on Valuation of Inventories.

(c) Most of the examinees were not able to give the required answer. They were not able to calculate the amount to be recognized as revenue in the context of AS 9 'Revenue Recognition'.

(d) Most examinees could not write about the issues with which Accounting Standards deal with.

Question 2. Some of the examinees failed to prepare Capital Reduction account and Notes to Accounts on Share Capital and Tangible Assets, immediately after the implementation of internal reconstruction.

Question 3. (a) Most of the examinees could not prepare Memorandum Trading Account for normal and abnormal items and consequently, they were not able to compute the amount of claim of stock destroyed by fire, to be lodged to the Insurance Company.

(b) Very few examinees could not prepare the General Ledger Adjustment account in the Debtors Ledger.

Question 4. Few examinees erred in computation of correct amount of Surplus of the clinic for the year and hence, were not able to prepare the Balance Sheet as on 31st March, 2017 in the correct manner.

Question 5.(a) Most of the examinees did not give the proper treatment for income taxes paid and fixed asset acquisitions while preparing the cash flow statement.

Question 6. Majority examinees were not able to understand the concept of Memorandum Revaluation account and prepared the Balance Sheet with the revalued figures. Many among them considered simple average instead of taking weighted average for computation of value of goodwill without considering the requirement of the question.

Question 7.(a) Several examinees explained the advantages and disadvantages of Computerised Accounting in general terms instead of giving the answer in specific context of ERP.

(b) The common error made by most of the examinees was calculation of wrong number of days and putting the entries on the wrong side of the account.

- (c) Large number of examinees could not find out the concealed income of a person who didn't maintain books of accounts. Hence, they were not able to examine whether the Income Tax Officer's contention was correct.
- (d) Few examinees could not compute the amount of purchase consideration.
- (e) Most examinees could not write how certain accounts can be kept secret from the members of the staff, in self-balancing system.

PAPER – 2: BUSINESS LAWS, ETHICS AND COMMUNICATION

Question 1.(a) The question dealt with section 130 of the Indian Contract Act, 1872. Performance of the examinees was good. Majority of examinees attempted the question and have written its answer correctly.

(b) Performance of the examinees was average. Majority of examinees attempted the question. The question dealt with section 63 of the Companies Act, 2013.

(c) Performance of examinees was above average. Most of the examinees answered this question correctly.

(d) Performance of examinees in this part was average. Most of the examinees failed to explain the various approaches asked in the question. Some examinees confused the negotiation with the Negotiable Instruments Act, 1881.

Question 2.(a)(i) Performance of the examinees was good. The answer of most of the examinees was correct barring a few exceptions. They did not explain correctly the provisions laid down in Section 20 of the Payment of Bonus Act, 1965.

(ii) Performance of the examinees in this part was good. Except a few examinees, the answer of the examinees was correct w.r.t. Forfeiture of Gratuity as contained in Section 4(6) of the Payment of Gratuity Act, 1972.

(b) Performance of most of the examinees was average. The answer given by most of the examinees was of general nature.

(c) Performance of most of the examinees was below average. Most of the examinees were not able to answer the meaning of 'caux round table' and 'euphemism'.

Question 3.(a)(i) Examinees' performance in this part was good. Many examinees have given correct answer in all respect. However, few of the examinees couldn't explain the provisions relating to Section 133 of the Indian Contract Act, 1872.

(ii) Performance of the examinees was average. Barring few exceptions, most of the examinees could not explain the difference between contract of indemnity and contract of guarantee correctly.

(b) Performance of the examinees in this part was poor. Barring few exceptions, most of the examinees have answered this part incorrectly.

(c) Performance of the examinees in this part was poor. The question asked about the factors influencing ethical communication. Barring few exceptions, most of the examinees had given wrong answer.

Question 4.(a) (i) Examinees' performance in this part was below average. Many examinees have not explained the applicable provisions of Section 61 of the Companies Act 2013 relating to alteration of share capital.

(ii) Examinees' performance in this part was below average. Meaning of the term "*Pari Passu*" was not explained by majority of students correctly

(b) Examinees' performance in this part was good. Most of the examinees have written correct answer about Corporate Social Responsibility.

(c) Examinees' performance in this part was good. Most of the examinees have written correct answer about the elements influencing organizational culture.

Question 5.(a)(i) Examinees' performance in this part was average. Most of the examinees have answered it correctly but most of them failed to explain the provisions of Section 130 of the Negotiable Instrument Act, 1881.

(ii) Examinees' performance in this part was below average. Most of the examinees have not explained the required provisions of Section 40 of the Negotiable Instrument Act, 1881 and the conclusion thereat.

(c) Examinees' performance in this part was poor. Most of the examinees have written vague answer relating to the pressures faced by the finance and accounting professionals in an organization in the compliance of fundamental principles of ethics.

Question 6.(a) Examinees' performance in this part was poor. Majority of the examinees have given incorrect answer. The question dealt with acceptance of deposit from public.

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

(c) Examinees' performance in this part was poor. Though question was simple & straight forward, it seemed that majority of examinees have no idea about Gift Deed.

Question 7.(a) (i) Barring a few cases, the performance of the examinees was average. Most of the examinees have written general answer relating to liability of the employer in case of transfer of an establishment.

(ii) Performance of the examinees was average in this part. Most of the examinees have written general answer relating to preferential payment.

(b) Performance of the examinees in this part was above average. Most of the examinees have written correct provision regarding further issue of shares as given in section 62 of the Companies Act, 2013, but could not conclude correctly.

(c) Performance of the examinees in this part was good. Most of the examinees have written correct answer regarding provisions of calling of Extra Ordinary General meeting.

(d) Examinees' performance in this part was average. Most of the examinees have written general answer.

(e) Examinees' performance in this part was below average. Most of the examinees have written general answer. Further, they failed to explain the required principles relating to communication.

PAPER – 3 : COST ACCOUNTING AND FINANCIAL MANAGEMENT

Question 1.(a) It was a numerical problem from the topic on 'Labour'. Performance of the examinees was average.

(b) It was a numerical problem on 'contract costing'. Performance of the examinees was above average in this question.

(c) This numerical problem was on 'Time Value of Money'. Performance of the examinees was below average.

(d) It was a numerical problem on 'Financing Decision'. Performance of the examinees was above the average.

Question 2.(a) This numerical Problem on 'Joint Product and Bye Product'. Most of the examinees failed to calculate 'allocation of Joint Cost'. Performance of the examinees was poor.

(b) It was a numerical Problem on 'Investment Decisions'. Performance of the examinees was above average.

Question 3.(a) This numerical Problem was on 'Standard Costing and Variance Analysis'. Overall performance of the examinees was observed good.

(b) It was a practical problem on 'Management of Receivables'. Performance of the examinees was average.

Question 4.(a) This numerical problem was on 'Cost Volume Profit Analysis'. Performance of the examinees was above the average.

(b) This numerical problem on 'Financing Decision (Business Risk and Financial Risk)'. Performance of the examinees was average.

Question 5.(a) It is semi objective type theory questions relating to various methods of costing. Most of the examinees performed well.

(b) It was also a theory question on 'Motivational Factors of Reconciliation'. Performance of the examinees was below average.

(c) This theory question was on 'Bill Discounting and Factoring'. Performance of the examinees was good.

(d) It was a theory question on best method for comparing various investment proposals. Performance of the examinees was extremely poor.

Question 6.(a) This numerical question was on 'treatment of under absorbed overhead 'in Cost Accounts. Performance of most of the examinees was good.

(b) It was a numerical problem on application of 'Ratio Analysis' (Financial Analysis and Planning). Most of the examinees answered well.

Question 7.(a) In this Theory question on 'Bin Card and Stores Ledger', performance of the examinees was average.

(b) This Theory question was on 'Retention Money and Progress Payment' regarding Contract Costing. Performance of the examinees was above average.

(c) This was a theory question on 'Flexible Budget and Operating Lease'. Performance of the examinees was above average.

(d) This was a theory question on 'Concentration Banking and Lock Box System'. Performance of the examinees was poor.

(e) In this theory question on Finance Function. Performance of the examinees was average.

PAPER – 4 : TAXATION

Section A: Income-tax

Question 1.(a) Many of the examinees were not aware that dividend in excess of Rs.10 lakhs is taxable in the hands of the recipient by virtue of section 115BBDA. They have also not provided for deduction under section 80EE in respect of interest on housing loan. Most of the examinees have not computed the deduction under section 80D correctly.

Question 2.(a) Most of the examinees were not aware that residential status of a foreign company has to be determined based on Place of Effective Management (POEM). Further, they have not applied the provisions of section 9(1)(i) to determine the taxability or otherwise of profits from export business.

(b) Many of the examinees were found to be ignorant of the provisions of section 10(12A) which provides that 40% of the amount payable from National Pension Scheme (NPS) to an employee on account of closure or his opting out of the pension scheme referred under section 80CCD, is exempt.

Question 3. Many of the examinees were not able to determine the perquisite value of Motor Car given by the Employer both for personal and official purposes. They were also not aware that payment of medical insurance premium on the health of the employee is an exempt perquisite. The excess contribution of the employer to recognized Provident Fund, taxable in the hands of the employee, was also not worked out correctly. The working for taxability of perquisite value of concessional rent was also found to be incorrect.

Question 4.(a) Examinees have not correctly computed the pre-construction and post construction period interest.

Question 5.(a)(ii) Most of the examinees have wrongly computed the advance tax liability. Their answers depicted lack of knowledge of the provisions of advance tax, in a case where business income is computed applying the provisions of section 44AD. Further, some of the examinees have wrongly treated 8%/6% of turnover, as the case may be, as the tax liability,

instead of treating the same as business income.

(b) Some of the examinees were not aware of the recent amendment by virtue of which a belated return can also be revised. Therefore, their answers to sub-part (ii) were incorrect

Question 6.(a) Large number of examinees were ignorant of the provision of law requiring mandatory furnishing of return of income on or before the due date specified under section 139(1) for claiming deduction *inter alia* under section 80-IB.

(b) Examinees were not able to correctly apply the provisions of section 64(1)(iv) to determine the income/loss to be included in the hands of Mr. Kamal.

Section B: Indirect Taxes

Question 7.(a) Service tax is not payable on the sale of space in print media by virtue of same being covered in the negative list of services. Although most of the examinees did not charge service tax on said service, they mentioned the wrong reasoning that same is covered in the mega exemption notification. They were unaware of the correct treatment of advertisement on cover and back pages of printed books while computing value of taxable services. Further, satisfactory notes explaining treatment of various items were also found missing.

(b) Some examinees did not compute correct value of inputs eligible for input tax credit as they did not deduct purchases from unregistered dealers, inter-State purchases and purchase of capital goods from total purchase value of capital goods and inputs.

Question 8.(a) Many examinees did not apply abatement of 70% in item (i). Further, some examinees did not provide the explanatory notes for the various items given in the question.

(b) In few cases, examinees were found to be ignorant of the rate of CST to be considered in case of transactions covered by valid "C" forms. They wrongly considered the local sales tax rate of 10% while computing CST. Further, they wrongly deducted the excise duty and packing charges while computing taxable turnover.

Question 9.(a) Examinees' answer depicted lack of knowledge of the provisions pertaining to availability of CENVAT credit. A large number of examinees wrongly allowed CENVAT credit of special CVD, although CENVAT credit of special CVD is not available to an output service provider.

Question 10.(a)(ii) Majority of the examinees exhibited poor knowledge of the relevant provisions of the Point of Taxation Rules, 2011. They wrongly answered on the basis of rule 3 instead of applying rule 5 of Point of Taxation Rules, 2011.

Question 11.(a) In some cases, examinees wrongly discussed the taxability of transactions under service tax as contrary to the requirement of the question which was to determine whether the given transaction constitute consideration for service or not. Further, they did not adduce adequate reasoning in support of their answers.

(b)(ii) The answers given by most of the examinees were vague and general in nature; not based on the correct provisions of law. Most of the examinees wrongly concluded that goods sent by dealer to its agent are liable to CST, though it is a case of stock transfer not being liable to CST.