

## EXAMINERS' COMMENTS ON THE PERFORMANCE OF THE EXAMINEES

### PAPER – 1: ACCOUNTING

#### Specific Comments

**Question 1.(a)** The question is on AS 1 “Accounting Policies”, requiring examinees to comment on the correctness of the Company’s accounting treatment in line with concepts of Accrual and Prudence. Even though the question was attempted by most of the examinees, they failed to provide the conclusion with proper reasoning.

**(b)** The question is based on AS 3 “Cash flow statements” wherein the examinees were required to comment on the effect of change in bank balance due to exchange rate fluctuation and disclosure in Cash Flow Statement of Ruby Exports. In general, the examinees were not aware that any change within ‘cash and cash equivalent’ due to exchange rate fluctuation does not amount to cash flow and hence will not form part of cash flow statement.

**(c)** The question requires the computation of profit/loss to be taken to Profit & Loss Account and additional provision for foreseeable loss as per AS 7 “Construction Contracts. Several examinees did not consider the ‘other contract cost incurred’ as part of contract cost. Few among them did not work out the loss for the current year and additional provision to be made for foreseeable loss in the correct manner.

**(d)** Majority of the examinees provided correct answer in line with AS 9 “Revenue Recognition”, even though they could not substantiate their answers with adequate reasoning.

**Question 2.** The question is on “Amalgamation” of two companies, as per scheme of arrangement as given in the question. The amount of purchase consideration could not be arrived correctly by many examinees and hence, they erred in computation of ‘cash’ component of the purchase consideration. Consequently, the examinees could not prepare ledger accounts, correctly, in the books of the amalgamating companies.

**Question 3.(a)** Majority of the examinees were not able to give the journal entries relating to Building Fund to incorporate the given transactions in the books of College for the year and failed to show the trial balance of building fund ledger.

**(b)** The question requires calculation of interest to be paid by one party to other as per ‘Epoque’ (Backward) method. Most of the examinees failed to understand the meaning of “Epoque” method and calculated interest wrongly under forward calculation.

**Question 4.** The question is on preparation of Trading and Profit & Loss Account and Balance Sheet based on single entry books. The performance of the examinees is not up to the mark, since most of examinees failed to arrive at the correct amount of purchases, sales and amount of expenses debited to profit and loss account.

**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 did not deduct pre-acquisition dividend to arrive at the cost of the equity shares sold and they were not able to arrive at the closing value of the shares. Consequently, they failed to provide the "Investment Account" in the required manner.

**Question 6.** Few examinees failed to arrive at the amounts of closing capitals, share of profits for the proportionate time-period at the time of death of a partner. Some among them also erred in adjustment of goodwill at the time of admission of a new partner.

**Question 7.(a)** Few examinees failed to provide the Journal Entries under the sectional balance system. Some of them did not read the question properly and gave wrong entries under self-balancing method instead of sectional balancing method.

(c) Some examinees failed to understand the "Consequential loss policy" and provided "vague" answer.

(e) Most of the examinees selected other "due dates" instead of the fact that the question specifies the selection of "due date" of earliest purchase to be considered as the base date. As a result of this wrong selection, their answers were wrong.

## PAPER – 2: BUSINESS LAWS, ETHICS AND COMMUNICATION

### Specific Comments

**Question 1.(a)** The question dealt section 73 of the Indian Contract Act, 1872. Performance of the examinees was above average. Majority of examinees attempted the question and written its answer correctly.

(b) Performance of the examinees was above average. Majority of examinees attempted the question and answered correctly. However, they failed to explain the relevant provision (i.e. section 62 (1) of the Companies Act, 2013).

(c) Performance of examinees was below average. Most of the examinees failed to explain the term "Virtue Approach" correctly.

(d) Performance of examinees was average. However, general answer was given w.r.t. important elements of Corporate Culture.

**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 9 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. However, for computation of Gratuity of a disabled employee as stated in Section 4(4) of the payment of Gratuity Act, 1972, performance was average.

(b) Performance of most of the examinees was below average. They did not clearly explain the Principle of Integrity and Principle of Objectivity. The answer of most of the examinees was of general nature.

(c)(i) Performance of the examinees was above average. The answer of most of the examinees was correct barring a few exceptions. The question dealt with short note on the advantages of ethical communication.

(ii) Performance of the examinees was poor. The answer of the examinees was of general nature. The question dealt with short note on Press Communique.

**Question 3.(a) (i)** Examinees performance in this part was above average. Many examinees have given correct answer in all respect. Few of the students couldn't explain the provisions relating to Section 149 of the Indian Contract Act, 1872.

(ii) Performance of the examinees was above average. Barring few exceptions, most of the examinees have answered it correctly w.r.t. Section 15 & 19 of the Indian Contract Act, 1872.

(b) Performance of the examinees in this part was average. Most of the examinees had correctly mentioned the themes of consumer protection mentioned by the United Nations. However, few of the examinees had given general answer.

(c) Performance of the examinees in this part was above average. Instead of specific factors for effective oral communication, some examinees had given very general answer.

**Question 4.(a) (i)** Examinees performance in this part was average. Many examinees have not explained the provisions of Section 118(5) of the Companies Act 2013 regarding the powers of the Chairman.

(ii) Examinees performance in this part was average. The question dealt with alteration of objects clause of memorandum, which was not correctly answered by some of the examinees.

(b) (i) Examinees performance in this part was poor. Most of the examinees have written vague answer w.r.t. United Nations Global Compact.

(ii) Examinees performance in this part was below average. Many examinees have failed to write about society's expectations from the business houses & its impacts.

(c) Examinees performance in this part was average. Some examinees have failed to give correct reasons for resistance of change.

**Question 5.(a) (i)** Examinees performance in this part was below average. Many examinees have not explained section 42 of the Negotiable Instrument Act, 1881.

(ii) Examinees performance in this part was below average. Majority of examinees could not give correct answer w.r.t. the relevant provisions of the Negotiable Instruments Act, 1881.

(b) Examinees performance in this part was poor. Many examinees have wrongly explained the provisions regarding special resolution in place of special notice as asked in the question

(c) Examinees performance in this part was good. The question dealt with the issue of Acid Rain.

**Question 6.(a)** Examinees performance in this part was good. Majority of the examinees have answered this question correctly. The question dealt with the implications of section 105 of the Companies Act, 2013.

(b) Examinees performance in this part was poor. Though question was simple & straight forward, Majority of examinees could not properly draft the power of attorney.

(c) This was an objective type question. Examinees' performance in this part was good.

**Question 7.(a)** Barring a few cases, the performance of the examinees was below average. Most of the examinees have not answered correctly and have written general provisions relating to liability of the parties towards provident fund.

(b) Performance of the examinees in this part was good. Most of the examinees have written the conclusion correctly.

(c) Performance of the examinees in this part was below average. Most of the examinees have written general answer. The question dealt with the factors which influence the ethical behavior in an organization.

(d) Examinees performance in this part was poor. Very few of them have written the correct causes of inter departmental communication problems.

(e) Performance of the examinees was average. Even though the question was simple & straight forward one, many examinees have not performed well in this part. The question dealt with the electronic filing.

### PAPER – 3 : COST ACCOUNTING AND FINANCIAL MANAGEMENT

#### Specific Comments

**Question 1.(a).** It was a numerical question from the topic Labour Turnover. In this question examinees were given labour turnover rates and asked to find out number of workers recruited, joined, left and discharged during the period. This question was well answered by most of the examinees.

(b) It was a numerical question from the topic Standard Costing. Examinees were required to calculate various fixed overhead variances. Performance of the examinees in this question was not satisfactory as most of them could not calculate the variances accurately.

(c) This question was from the topic Leverages. The examinees were required to calculate degree of operating and combined leverage. This question was well attempted by the examinees and the performance was satisfactory.

(d) It was a numerical question from the topic Treasury and Cash Management. In this question examinees were asked to determine optimum cash balance according to William J Baumol's model. The question was well attempted by the examinees and their performance was satisfactory in the question.

**Question 2.(a)** This numerical question was from the topic Process Costing. In this question examinees were required to prepare accounts showing inter-process profit for each process. Performance of the examinees in the question was average as some of them could not find out inter-process profit correctly.

(b) It was a numerical question from the topic Working capital management. In this question examinees were required to ascertain the amount of working capital for the entity. Performance of the examinees in this question was not satisfactory as most of them could not find out the value of receivables for export sales and closing stock of finished goods correctly.

**Question 3.(a)** This numerical question was from the topic Marginal Costing. Examinees were required to find out break-even point, the level of sales to earn a desired level of profit and selling price in case of reduced break-even point. Most of examinees answered it correctly.

(b) It was a numerical question from the topic Capital Structure. In this question examinees were required to calculate value of one levered and another unlevered company, as well as weighted average cost of capital for the companies. An overall average performance was observed as most of examinees could not solve the all requirements correctly.

**Question 4.(a)** This numerical question was from the topic Non-Integrated Accounting system. The question requires the examinees to prepare various control account and costing profit and loss account. Most of the examinees could prepare the accounts correctly and satisfactorily.

(b) This numerical question was from the topic Ratio Analysis. In the question the examinees were required to find out the value of sales, cost of goods sold, debtors, creditors, closing stock and fixed assets on the basis of information provided in the question. The question was well attempted by the examinees and the performance was good.

**Question 5.(a)** It was a theoretical question from the topic Basic Concepts of cost accounting where examinees were required to explain the term Cost unit and Cost centre. Performance of the examinees in the question was satisfactory.

(b) It was also a theoretical question from the topic Basic concepts of cost accounting. The examinees were asked to explain the essential factors for installing a cost accounting system. An average performance of the examinees was observed in the question.

(c) This was again a theoretical question requiring examinees to differentiate between Fund flow and Cash flow. A satisfactory performance was observed in the question.

(d) This theoretical question required examinees to distinguish between 'Profit maximization' and 'Wealth maximisation' objective of a firm. An average performance by the examinees was observed.

**Question 6.(a)** This numerical problem was from the topic Budget and Budgetary Control. In this question, examinees were required to prepare flexible budget at two different capacity levels. Most of the examinees could not segregate fixed and variable cost components from the semi-variable costs. Overall an average performance by examinees was observed.

(b) This was a numerical question from the topic Investment Decisions (Capital Budgeting). In this question examinees were required to calculate pay-back period, NPV, Profitability Index and IRR at two different discount rates. This question was well attempted by the examinees and their performance was satisfactory.

**Question 7.(a)** In this theory question, examinees were asked to discuss briefly the principles for profit recognition on incomplete contracts. An average performance of the examinees was observed in this question.

- (b) In this theory question, examinees were asked to differentiate between Cost Accounting and Management Accounting. The question was correctly answered by most of the examinees and performance was average.
- (c) This was a theoretical question on the topic Receivable Management. In the question, examinees were required to explain the meaning and advantages of Factoring. The question was well answered by the examinees.
- (d) This was a theoretical question requiring examinees to explain Time value of money and ABC analysis. Both the questions were well answered by the examinees and the performance was average.
- (e) In this question, examinees were asked to explain the term GDR and ADR. Examinees were able to answer the question satisfactorily.

#### PAPER – 4 : TAXATION

##### Specific Comments

**Question 1.(a)** Many of the examinees have not made computation under the proper head of income. They have also not brought to tax, salary received from firm and interest on capital@12%, which are taxable as business income in the hands of the partner. Very few examinees were aware that interest on savings bank with post office is exempt upto ₹ 3,500 under section 10(15) and the balance qualifies for deduction under section 80TTA.

(b) Majority of the examinees did not allow the exemption for small service providers while computing the service tax liability. Some of them did not give adequate reasoning for the treatment of free services.

(c) Large number of examinees were found to be ignorant of the non-eligibility of availing input tax credit with respect to the raw materials used in the exempted sales. Further, satisfactory notes explaining treatment of key items was also found missing.

**Question 2.(a)(i)** Many examinees were not aware of the recent insertion of *Explanation 2* in section 6(1) and were hence, not able to answer the question correctly. Even those examinees who were aware of the amendment, have failed to exclude 29 days when Mr. Damodar had gone on a private tour to Singapore and Malaysia. Consequently, their conclusion as to the residential status of Mr. Damodar was wrong.

(b) This question contains sub-parts (i) to (iv) requiring the examinees to state with reasons whether the specified services are exempted or not. Many of the examinees have simply stated that the service is exempted/not exempted without supporting their answers with reasons.

**Question 3.(a)** Many examinees were not aware of the correct tax treatment for professional tax, namely, to treat professional tax paid by the employer as perquisite and thereafter, allow deduction for the entire professional tax paid under section 16. Moreover, they were not aware that health insurance premium paid by the employer is an exempt perquisite. Also, some examinees were not aware that deduction for entertainment allowance is not available for a

non-government employee.

**(b)** Some of the examinees got confused with the availability of CENVAT Credit in respect of capital goods used as parts and components in the manufacture of final products and office equipments used in an office within the factory and hence wrongfully did not allow CENVAT Credit while computing total CENVAT credit available with IJK Manufacturing Co. Ltd.

**Question 4.(a)** In sub-part (i), examinees have not adduced proper reason for chargeability of the receipts to tax in India, which exhibited their lack of knowledge of the provisions of section 9. In sub-part (ii), examinees have wrongly deducted municipal taxes of P.Y.2015-16 and P.Y.2016-17 from gross annual value, without considering that municipal taxes of P.Y.2016-17 was paid only on 5.4.2017. Further, some examinees have wrongly computed pre-construction interest upto 30.6.2015 instead of 31.3.2015.

**(b)** In most of the cases, examinees correctly determined the correct dates of Point of Taxation, but did not adduce proper reasoning thereof.

**(c)** A few examinees correctly mentioned that the CENVAT credit of only CVD would be available to the service provider.

**Question 5.(a)** Some common mistakes committed by examinees while answering this question are :

- (i) actual sale consideration of ₹ 700 lakhs has been taken as the full value of consideration instead of the stamp duty value of ₹ 770 lakhs.
- (ii) calculating brokerage@1% of ₹ 770 lakhs instead of 1% of ₹ 700 lakhs.
- (iii) non-consideration of registration expenses of ₹ 8 lakhs while computing indexed cost of acquisition
- (iv) claiming exemption under section 54 in respect of both houses
- (v) claiming exemption of ₹ 95 lakhs under section 54EC without restricting the same to ₹ 50 lakhs.

**(b)(i)** Most of the examinees seemed to be unaware of the recent amendments relating to availability of CENVAT credit in respect of machinery delivered at Job worker's place.

**(ii)** Examinees' answers depicted lack of knowledge of the provisions pertaining to availability of CENVAT credit in respect of service tax paid under full and partial reverse charge. Their answers were vague and not based on the correct provisions of law.

**(c)** Most of the examinees did not furnish adequate reasoning as to whether consideration was present in the given instances.

**Question 6.(a)(i)** Only some examinees were able to correctly state that loss from gambling can neither be set-off nor carried forward.

**(ii)** Many examinees were not aware that deduction under section 80C can be claimed in only respect of tax saver deposit made in the Mr. Rohan's own name and not in respect of deposit made in the name of his son.

(b) The question requires the examinees to state the taxability of activities given in sub-parts (i) to (iv). Many of the examinees simply stated that the activity is taxable/not taxable without supporting their answers with reasons based on the provisions of service-tax law. The reasoning given by few examinees was not correct and precise. Most of the examinees were not even aware of the exclusion of the suit filing fees from the definition of the term service and wrongly mentioned the suit filing fee to be taxable.

(c) Sub-part (ii) requires the examinees to calculate excise duty if shoes are not covered under section 4A of the Central Excise Act, 1944. Most of them did not mention that in the given situation, excise duty will be payable on the basis of assessable value under section 4 of the Central Excise Act, 1944.

**Question 7.(a)** Some examinees were not aware of the difference in the manner of consideration of threshold limit of ₹10,000 under section 194A where the bank has adopted core banking solutions and where it has not.

(c) Examinees were not aware of the manner of computation of interest payable under section 234B. Many examinees were not even able to compute the assessed tax correctly.

(d) This question requires the examinees to mention the circumstances under which the registration certificate can be revoked under service tax. The answers given by most of the examinees were vague and general in nature not based on the correct provisions of law.

(e) Most of the examinees were ignorant of the provisions relating to payment of service tax on receipt basis by an LLP and answered wrongly in a vague manner.