

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES

PAPER – 5 : ADVANCED MANAGEMENT ACCOUNTING

Specific Comments

Question 1.(a) Examinees were required to find out the optimum product mix based on the concept of throughput accounting, however many examinees failed to find out the correct throughput contribution. Since the basic procedure was not followed by examinees, they lost marks.

(b) Examinees were required to make allocation of resort to persons so that the revenue of hotel is maximized. Most of the examinees answered it well.

(c) Examinees were required to find out extra weekly contribution due to implementation of more automation in department. Many examinees failed to find out the correct labour cost and other variable cost, hence could not find out the correct contribution.

(d) Majority of the examinees attempted this question and scored full marks.

Question 2.(a) Examinees were required to compare per unit target cost and per unit activity based cost and comment whether the price reduction is profitable or not. Many examinees answered this very well.

(b) Examinees were required to find out proceeds per man show and rate for each class, however examinees had not responded well. The basic flaw noticed in many of answers was the inability of the examinees to find out seats available.

Question 3.(a) Examinees were required to find out the missing information using the formulas of sales margin variances and to comment on the performance of zonal sales manager. Majority of examinees failed to answer it.

(b) Examinees were required to calculate the price to be quoted for 30 units using learning curve effect. Many examinees answered it well.

Question 4(a) Examinees were required to find out selling price under different situations. Most of the examinees had answered it well.

(b) Most of the examinees answered it well and scored good marks.

Question 5.(a) Most of the examinees had shown good knowledge of VAM and MODI technique and scored good marks.

(b) Examinees were required to prepare cash budget for the month of June. Most of the examinees had answered it well and scored full marks.

Question 6(a) Examinees were required to prepare income statement under two different proposals. Well answered by most of the examinees.

(b) Examinees were required to find out the dealer wise profit and identify the most profitable dealer. Well answered by most of the examinees.

Question 7.(a) Most of the examinees answered it well and scored full marks.

(b) Examinees were required to explain the principles of synchronous manufacturing. It was not attempted by most of the examinees.

(c) Most of the examinees answered it well and scored full marks.

(d) Examinees were required to classify the different measures under appropriate category of Balanced score card. Average performance was observed.

(e) Average performance was observed.

PAPER – 6: INFORMATION SYSTEMS CONTROL AND AUDIT

Specific Comments

Question 1. This was a case study based compulsory question consisting of three sub-parts.

(a) In this sub-part, examinees were required to explain the “Various methods to validate vendor’s Proposal while purchasing the hardware and software”. Most examinees answered the question well and scored well.

(b) This sub part sought the examinees to “Explain the major benefits of Governance to Board of Directors”. Most of the examinees could not answer well and performance was very poor in this question. Examinees mentioned the “Benefits of Governance” in general terms and could not score well.

(c) This sub-part sought the examinees to “Explain the key management practices to help the management of the company to ensure IT compliance”. Most examinees provided the heading points correctly but their description under the headings was majorly irrelevant.

Question 2.(a) This question was based on “Issues involved in performance of evidence collection and understanding the reliability of controls”. This being a simple and straight forward question; most examinees answered well and scored good marks.

(b) In this question, examinees were required to write “Characteristics of the types of information used in executive decision-making”. Being a specific question, to the point answer was expected; however, most examinees explained general characteristics of information system.

(c) This was a simple and straight forward question on “Disadvantages and Limitations of the use of continuous audit techniques”. Most of the examinees could answer well and scored good marks.

Question 3.(a) The examinees were asked to “Describe the various phases of Program Development Life cycle”. Most of the examinees could not identify the correct answer and

explained "Phases of Software Development Life Cycle" instead of "Phases of Program Development Life Cycle".

(b) This part sought examinees to specify the "Tactical Layer of application security and audit issues related to tactic layer". The answers of very few examinees were correct and most answered it wrong based on their common understanding. The examinees could not explain the tactical layer and the audit issues and thus could not score good marks.

(c) This was a straight forward question that required examinees to define the terms "Electronic Form, Information and Key Pair". There were average responses from examinees as they had clear idea about the answer and key points were written but not explained in detail. Still examinees could score well and overall performance was satisfactory.

Question 4.(a) This question specifically asked the explanation on "Characteristics of software as a service in cloud computing". Most examinees answered the question correctly and scored good marks. Though few examinees gave general characteristics of cloud computing.

(b) The examinees were asked to discuss the "Various levels of classification of information in an organization". Being a straight forward question, many examinees could answer well and scored reasonable marks. Examinees gave the headings correctly but could not explain them properly.

(c) This was an easy question wherein examinees were required to state about "Requirement of IRDA for system audit". Being a very simple question, many examinees could answer correctly and scored good marks.

Question 5.(a) This was a straight forward question about the "Components of BCM Process". Though there are five specific components of BCM Process; however, it has been observed that examinees provided the component name correct but explanation of the components was not up to the mark.

(b) The examinees were asked to mention the "Various categories of Information System Audit". Mostly examinees gave the headings correctly for the five points, explained them correctly and scored good marks.

(c) This was simple and straight forward question specifically on "Business Intelligence". Most examinees could not answer it correctly. They explained Artificial Intelligence (AI) instead of Business Intelligence (BI).

Question 6.(a) The examinees were asked to elucidate the "Sections contained in a well-documented System Requirement Specifications". Many examinees could perform and scored well in this question.

(b) This question was simple based on "Key steps for ensuring compliance with cyber law". Most examinees answered well and scored good marks. It has been observed that examinees had concept clarity on cyber law.

(c) The examinees were asked to write a short note on “Audit of quality Assurance Management Controls”. Most examinees could not answer it properly and thus could not score well.

Or

(c) The examinees were asked to mention “Three major strengths of Agile Model of Software Development”. Being a simple and straight forward question, most examinees answered the advantages correctly and scored good marks. Most of the examinee answered this option than other one.

PAPER – 7: DIRECT TAX LAWS

Specific Comments

Question 1. Salary paid in cash to an employee in case of temporary posting to a place other than place of employment has been wrongly disallowed u/s 40A(3) by some examinees while computing business income, even though it was covered under the exception under Rule 6DD. Further, many examinees have not given correct treatment for lease rent from lease out of factory building along with plant & machinery and computation of depreciation on such factory building. Some of the examinees have considered lease rent under the head “Income from house property” instead of “Income from other sources”.

Question 2.(b) Many examinees have considered 7.5% as tax rate instead of presumptive income rate which resulted in wrong computation of amount of tax payable on total income.

Question 3.(a) Very few examinees have correctly computed the tax liability under section 115TD of the trust arising as a result of merger with a non-charitable entity. They could not correctly compute the aggregate fair market value of total assets and total liability and hence the resultant figure of accreted income was also incorrect.

(b) Many of the examinees have not categorised the income under the respective heads of income. Further, some of the examinees made mistakes in computation of “doubly taxed income”. Consequently, the rebate under section 91 and tax liability was wrongly computed.

Question 4.(a)(i)/(ii) Most of the examinees showed lack of understanding of the provisions of section 194C in respect of “work contract” for attracting liability to deduct tax at source.

(iii) Examinees depicted lack of knowledge of the applicability or otherwise of the provisions of section 194C in case of contractors carrying on the business of plying, hiring or leasing goods carriages. They were not aware that for non-deduction of tax at source thereunder, the transporter is required to furnish PAN to the deductor.

(iv) Many examinees could not distinguish “professional or technical services” (the fees for which TDS is attracted under section 194J) from a “facility” provided (the transaction charges for which TDS is not attracted under section 194J).

Question 5.(a)(i) Many of the examinees have wrongly concluded that the contention of Mr. Nitin, the legal heir of late Mr. Raja, is incorrect; however, the same is correct since the Assessing Officer has to bring the legal heir on record for continuing reassessment proceedings.

(ii)/(iii) Most of the examinees were not aware of the latest case laws, wherein the issues raised in these questions have been dealt with and decided. Resultantly, they have wrongly analysed the given facts and the related provisions of the Act.

Question 6.(b) Examinees failed to bring out in their answer that GAAR provisions would be invoked since the two subsidiaries have been created only with the intention to avoid tax chargeable under the head "capital gains" by taking the benefit available under the tax treaty; and there was no commercial substance in creating the subsidiaries.

(c) The various aspects related to audit under section 142(2A) asked in the question were not explained correctly; the amount of penalty, quantum of punishment for default in getting books of accounts audited were not stated correctly.

PAPER – 8: INDIRECT TAX LAWS

Specific Comments

Question 1.(a) Question is divided into four parts requiring the examinees to answer each part independently before arriving at the final GST liability. Most of the examinees wrongly allowed input tax credit for premium paid on health insurance policies taken for employees not notified by Government and on GST paid on goods given as free samples. The same resulted into wrong computation of ITC credited to Electronic Credit Ledger. Thus, it also led to incorrect computation of all other three requirements of the question as well.

(b) Majority of the examinees correctly mentioned the place of supply under IGST Act, 2017 but they failed to mention the nature of supply i.e., inter-State or intra-State and the applicable tax thereon.

Question 2.(a) In most of the cases, examinees wrongly treated mixed supply as composite supply and *vice-versa*. Further, they also missed GST calculation on interest of ₹ 6,400 collected by Mrs. Kajal from Ram Fancy Store on delayed payments.

(b) In some cases, examinees wrongly included freight charges from the port of export to the port of import in India as part of FOB Value. This has led to the wrong computation of insurance charges, assessable value and the duty payable. Moreover, the answer was not supported by the appropriate explanatory notes. Even where explanatory notes were provided, the same were general in nature.

Question 4.(b) Most of the examinees lacked conceptual clarity of the provisions of law. They were ignorant of the provisions pertaining to requirement of issuance of e-way bill for

multiple invoices to a single recipient. Also, they were unaware that the threshold limit for issuance of e-way bill, i.e. ₹ 50,000 is inclusive of GST.

Question 5.(b) The provision of law in terms of section 75 of the CGST Act, 2017 stating that “the interest on the tax short paid is payable whether or not the same is specified in the order determining the tax liability” was not mentioned by large number of examinees.

Question 6.(a) alternative In majority of the cases, examinees provided general answers. The provisions relating to rectification of error apparent on the face of record were not amply corroborated by legal provisions.