

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES

PAPER – 5: STRATEGIC COST MANAGEMENT AND PERFORMANCE EVALUATION

General Comments

*“It is evident that majority of the examinees did not prepare extensively and failed to understand the **question’s requirements**. The examinees must understand that there is no short cut to success. They must study more intensively and practice to solve problems from the study material, revision test papers and past year’s question papers and prepare salient points on each chapter for revision. Without reference to theories, examinees can end up basing their answers on general knowledge and do not provide convincing explanations. At this level examinees are expected to do much better specially in skill of writing and analysis of data in a more meaningful way.”*

Specific Comments

Question 1.(i) This was a concept based question related to topic **“Life Cycle Costing”**. It was required to TABULATE the items under appropriate category i.e. *Characteristics* and *Strategies*. Many examinees did not present their answers in tabular form. Performance of the examinees was good in this part.

(ii) It was required to LIST down the importance of ‘Product Life Cycle Costing’. Examinees could not answer this part with *valid points*. Overall, performance of the examinees was average in this part.

(iii) It was required to STATE the benefits of ‘Product Life Cycle Costing’. Average performance was observed in this part.

Question 2.(i) This was a question relating to topic **“Target Costing”**. It was required to CALCULATE the target production time per unit and time to be reduce per unit. Most of the examinees correctly *calculated* the same. Performance of the examinees was good in this part.

(ii) Examinees were required to IDENTIFY the other problems that may arise in production due to decrease in unit production time and also to SUGGEST the remedial measures to be taken. Many examinees simply mentioned or wrote general answers based on guess work without adducing valid reason such as *design improvement* etc. relating to Target Costing. Performance of the examinees was average in this part.

(iii) It was required to STATE the most suitable situation for the adoption of Target Costing. Most of the examinees failed to touch the correct point such as *design phase* when the major product costs are locked in. Below average performance was observed.

Question 3.(i) This was a question relating to topic “**Activity Based Costing**”. In this part, examinees were required to EVALUATE the customer profitability by calculating the profit per cooker from each customer. Few examinees calculated profitability in total instead of per cooker basis (as required in the question). Moreover, some examinees failed to evaluate the customer profitability based on the figures calculated in their answer. Overall, examinees performance was good in this part.

(ii) It was required to RECOMMEND steps to be taken to improve profitability from less profitable customers. Reasoning was not proper even though all examinees fairly answered this part. Performance of majority of examinees in this part was good.

(iii) It was required to LIST down the service organizations for which customer profitability analysis is useful. Examinees performance was good in this part.

(iv) It was required to EXPLAIN the specific benefits of Customer Profitability Analysis. Performance of the examinees was above average in this part.

Question 4.(a)(i) This question was related to topic “**Decision Making**”. Most of the examinees failed to ANALYZE the make or buy decision. They solved the question but failed to give *proper analysis* and *conclusion*. Performance was average in this part.

(ii) Most of the examinees failed to give RECOMMENDATION correctly. Performance was average in this part.

(b) Most of the examinees replied this question in general rather than providing the specific answer with reference to the topic “**Beyond Budgeting**”. Average performance was observed.

Question 5.(a)(i) This was question on ‘**Relevant Cost Concept**’. It was required to RECOMMEND the minimum unit price to be charged to the customer without any loss to the company. Performance was good in this part.

(ii) It was required to ANALYZE with reasons for the inclusion or exclusion of each of the cost associated with the production of the product. Performance was good in this part.

(iii) Many examinees could not ADVISE the pricing policy to be followed by the company in perfect competition and provided generalized answer.

Overall, performance was good in this question.

(b) This question was based on topic “**Standard Costing**”. Majority of the examinees failed to COMPUTE the requirements. Performance was poor in this question.

Question 6.(a) This was question related to topic “**Divisional Transfer Pricing**”. Most of the examinees answered well. Performance was good in this question.

(b) This was question related to topic “**COQ**”. It was required to ADVISE whether inspection at the point of receipt is justified. Performance was below average in this question.

PAPER – 7: DIRECT TAX LAWS AND INTERNATIONAL TAXATION**Specific Comments**

Question 1.(a) Adjustments relating to provision for wages payable to workers based on fair estimate with reasonable certainty, interest for delayed deposit of GST and provision for audit fees of earlier assessment year in respect of which tax has been deducted and paid this year, deduction available under section 35AD in respect of specified business were not correctly done by many examinees and hence, total income was also not correctly computed.

(b) Examinees were not able to correctly compute the tax liability of non-resident foreign company as they were not aware of tax rates applicable for different categories of income chargeable to tax in its hands.

Question 2.(a) Some of the examinees committed mistakes in making adjustments relating to share income in AOP and expenses incurred there against, fee for delayed filing of TDS statement, revaluation surplus on assets and fair valuation of equity instruments both as per normal provisions and as per MAT provisions resulting in wrong computation of the tax liability of the company.

Question 3.(c)(iii) Examinees were not able to apply the provisions of section 92A(2) to correctly determine whether the two enterprises are deemed associates or not in case of purchase of raw material by one enterprise from another.

Question 4.(a) In this part, some examinees failed to correctly analyse the phrase "**items are usable as such**" given in the facts of the case and have wrongly concluded that sale of scrap is subject to TCS provisions.

Question 4(b)(i) The examinees have not correctly applied the provisions of section 195 in respect of tax deduction at source on payment of interest to a non-resident partner and were not able to arrive at correct conclusion.

Question 6.(b) Majority of the examinees have answered this question vaguely and have not co-related with the exemption available under section 54GB and deduction available under section 80-IAC. Further the analytical part whether to invest in new start up or to go for a new venture with co-promoter was invariably not touched upon. The answers were found to be vague and incorrect as the requirement of the question relating to decision making was not correctly understood by the examinees.

(d) Some examinees were not aware of the clarification given by CBDT Circular No. 5/2004 dated 28.9.2004 as to when a non-resident foreign company would be taxable in India in respect of its IT Enabled BPO Unit in India. They were not able to bring out in their answers that BPO unit constitutes a PE in India and accordingly the profits attributable to the business activities carried out in India by the PE would become taxable in India.

PAPER – 8: INDIRECT TAX LAWS**Specific Comments**

Question 1.(a) Majority of the examinees computed the amount of GST payable correctly. However, they did not provide adequate reasoning in respect of interest and pre-delivery inspection charges.

(c) Some examinees were not aware that notional landing charges are no longer required to be added to the CIF value of machine.

Question 2.(a) Some examinees were unaware that the input tax credit in respect of raw materials used for zero rated outward supply can be availed in terms of section 16 of IGST Act, 2017. They also wrongly disallowed input tax credit in respect of work contractor's service, which is allowed in the given case vide section 17(5) of CGST Act, 2017 as the repair of building is debited to P & L Account and not capitalized along with the immovable property.

(c) Some examinees failed to appreciate that amount payable under composition scheme in case of trader is specified percentage of the turnover of taxable supplies of goods in the State instead of turnover in the State.

(e) The question requires the examinees to answer with regard to powers of the Customs officers to draw sample, but most of the answers were based only on the basis of guess work instead of legal backing.

Question 3.(c) Large number of examinees merely concluded whether the Settlement Commission has jurisdiction to settle the drawback cases or not. They failed to support the same with the observation of the High Court's decision, which states that recovery of duty drawback is nothing but a claim for refund of duty and therefore Settlement Commission has its jurisdiction to settle cases relating to the recovery of drawback erroneously paid by the Revenue.

Question 4.(a)(ii) Majority of the examinees answered wrongly on the basis of section 18(1)(d) of the CGST Act. However, the question has to be answered on the basis of section 18(1)(a) which is relevant in the case when a person gets registered for the first time as in this case Happy Ltd. is not a registered person on account of manufacturing exclusively exempted goods.

Question 5.(b) In most of the cases, answers were incorrect as examinees were not aware that the option to pay tax within 30 days of issuance of show cause notice to avoid penalty is not available in case of self-assessed tax.

(c) Large number of examinees wrongly allowed cross utilization among major and minor head of the amount available under electronic cash ledger.

(d) Some examinees erroneously considered the rate of pre-deposit while filing an appeal before Commissioner (Appeals) and CESTAT under Customs to be 10% and 20% instead of 7.5% and 10%, respectively. Also, they were ignorant that aggregate amount of penalty is to be considered when only penalty is in dispute.

Question 6.(b) In many cases, examinees provided general answers. The duties of National Anti-Profiteering Authority were not amply corroborated by legal provisions.