

EXAMINERS' COMMENTS ON THE PERFORMANCE OF THE EXAMINEES

PAPER – 1: ACCOUNTING

Specific Comments

Question 1.(a) Most of the examinees failed to segregate IGST portion for the invoice price. Further, they erred in the treatment of interest on overdraft and inter departmental profit in computation of cost of machine. Consequently, they could not provide the required answer in line with AS 10 "Property, Plant and Equipment".

(b) Most of the examinees failed to give the required accounting treatment for return of goods and discount thereon as per the provisions of AS 9 "Revenue Recognition".

(c) Several examinees failed to calculate the correct percentage of completion in the respective years and consequently, were not able to quantify the amount of revenue, expenses and profit recognized in the statement of profit and loss in the given years as per AS 7 "Construction Contracts".

(d) Most of the candidates failed to enumerate the types of alternates available to a business entity for accounting in computerized environment with relevant criteria for selection among the alternatives available.

Question 2. Few examinees could not prepare the Realisation Account, Nitin Ltd. Account, Shareholders Accounts and Debentures Account in the book of Rashmi Ltd. and the required journal entries in the books of Nitin Ltd. regarding acquisition of business.

Question 3.(a) Some of the examinees failed to prepare Cash Flow Statement for given transactions in accordance with AS 3 (Revised) "Cash Flow Statements".

(b) Majority of the examinees were not able to post entries in 'Sales Ledger Adjustment Account' and 'Purchases Ledger Adjustment account' respectively, in the General Ledger, for the year ended 31st March, 2018 from the information given in the question.

Question 4. Few examinees failed to prepare the Trading and Profit & Loss Account for the year ended 31.03.2018 and the Balance Sheet as at 31.03.2018 of the proprietorship firm. They were not able to find necessary missing figures from various ledger accounts like sundry debtors account, sundry creditors account, cash and bank account and opening balance sheet.

Question 5 (a) Some of the examinees erred in the computation of cost of bonus shares, right shares and treatment of dividend in investment account while preparing the Investment account correctly.

(b) Most of the examinees failed to compute the claim to be lodged with Insurance company. They could not give the required treatment for fire-fighting expenses.

Question 6. Few 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 journal entries; partners' capital accounts and balance sheet of the firm after retirement of partner.

Question 7. Majority of the examinees 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" in part (a) of the question. Some of the examinees failed to quantify the amount to be settled for payment to the legal heirs of the deceased partner in part (b) of the question. Few among them were unable to describe the methods of recording hire purchase transactions in the books of hire vendor as required in part (d) of the question.

PAPER – 2: BUSINESS LAWS, ETHICS AND COMMUNICATION

Specific Comments

Question 1.(a) Performance of the examinees was good. Majority of the examinees have answered correctly referring to the provisions of Section 59 of the Indian Contract Act, 1872 relating to appropriation of payment.

(b) Performance of the examinees was average. Most of the examinees resorted to answering the question in a generalised manner without discussing the provisions of law relating to criminal liability for misstatement in prospectus under the Companies Act, 2013.

(c) Performance of the examinees was not satisfactory. Majority of the examinees lacked understanding of the concept related to Social Accountability 8000 and AA1000.

(d) Performance of the examinees was average. Most of the examinees answered the question in a generalised manner.

Question 2.(a)(i) Performance of the examinees was satisfactory. Most of the examinees did not explain the provisions of Section 36 of the Payment of Bonus Act, 1965 relating to grant of exemption from paying minimum bonus, however, they were able to write the conclusion correctly.

(ii) Performance of the examinees was not satisfactory. Most of the examinees could not answer the question correctly in the light of the provisions of the Payment of Gratuity Act, 1972 relating to the defences available to the owner of the factory for non-payment of gratuity on account of false declarations made by his employee. Rather, many examinees have resorted to answer the question on the eligibility criteria and quantum of gratuity.

(b) Performance of the examinees was good. Most of the examinees have answered satisfactorily attempted the question related to Air Pollution and Water Pollution.

(c) Performance of the examinees was average. Many of the examinees were not able to explain the concept of Emotional Intelligence and the social competence associated with Emotional Intelligence.

Question 3.(a)(i) Performance of the examinees was good. Most of the examinees have answered correctly referring to the provisions of Section 133 of the Indian Contract Act, 1872

relating to the discharge of surety's liability in case of alteration in the term of original contract without the consent of surety.

(ii) Performance of the examinees was good. Majority of the examinees have answered correctly the legal position under the Indian Contract Act, 1872 relating to counter offer and acceptance.

(b) Performance of the examinees was good. Majority of the examinees have answered quoting any four practices widely recognised as discriminatory at the work places.

(c) Performance of the examinees was average. Some of the examinees answered the question in a generalised manner.

Question 4.(a)(i) Performance of the examinees was good. Majority of the examinees have answered correctly the rights and liabilities of a shareholder who made payment of calls in advance despite any calls made by the Company.

(b) Performance of the examinees was average. Some of the examinees could not explain the meaning of Ecological Ethics and have answered the question in a very general manner.

(c) Performance of the examinees was good. Majority of the examinees have answered correctly the merits of grapevine phenomenon in communication.

Question 5.(a)(i) Performance of the examinees was good. Majority of the examinees have explained the provision related to the personal liability of an agent under the Negotiable Instrument Act, 1881 and have drawn correct conclusion.

(ii) Performance of the examinees was good. Majority of the examinees have explained the provisions relating to discharge of endorser's liability under the Negotiable Instruments Act, 1881.

(b) Performance of the examinees was average. Some of the examinees could not define correctly the term "Small Company" as per Section 2(85) of the Companies Act, 2013.

(c) Performance of the examinees was good. Majority of the examinees have correctly explained "Utilitarian Approach" and the "Rights Approach" as sources of ethical standards.

Question 6.(a) Performance of the examinees was below average.

(b) Performance of the examinees was good. This part relates to four "True or False" type question. Barring a few examinees, almost all the examinees have given the correct answer.

(c) Performance of the examinees was below average. This question was on drafting of an Indemnity Bond to be given to a Nationalised Bank by its depositor for the loss of Deposit Certificates. Majority of the examinees lacked knowledge, writing practice and skills of drafting Deeds and Documents., especially drafting an Indemnity Bond as per the question.

Question 7.(a) Performance of the examinees was good. Majority of the examinees have explained correctly the conditions for applying review of order passed u/s 7A of the Employees Provident Fund and Miscellaneous Provisions Act, 1952.

- (b) Performance of the examinees was good. Majority of the examinees have answered correctly by listing out any five circumstances for validating the allotment of shares without issuing a prospectus under the Companies Act, 2013.
- (c) Performance of the examinees was good. Majority of the examinees have answered correctly the difference between the debenture and shares.
- (d) Performance of the examinees was average. Most of the examinees resorted to answering the question in a generalised manner without discussing the concept of Corporate Social Responsibility (CSR) and its policies.
- (e) Performance of the examinees was average. Most of the examinees were able to write any four ethical dilemmas faced while making communication, however they were unable to explain them.

PAPER – 3 : COST ACCOUNTING AND FINANCIAL MANAGEMENT

Specific Comments

- Question 1.(a)** This was a numerical question on calculation of earnings under differential piece rate and Halsey premium scheme. Performance of candidates was above average.
- (b) This was a numerical problem on P/V ratio and fixing the selling price. Performance of candidates was good.
- (c) This numerical problem was related to ROE based on DuPont model. Performance of candidates was above average.
- (d) This numerical problem was related to Leverage. Performance of candidates has been good.
- Question 2.(a)** This Practical problem was related to preparation of contract accounting exhibiting works cost, works uncertified, notional profit and profit to be carried to P/L account. Performance was poor. Most of the examinees failed to work out works cost and works uncertified.
- (b) This was a numerical problem on capital investment decision. Performance of the candidates were poor.
- Question 3.(a)** This Practical question on process costing was based on equivalent production. The question was simple but only few students attempted well. Overall performance of the candidates was average.
- (b) This Practical problem on operating cycle was based working capital requirement forecast. Performance of the candidates was below average.
- Question 4.(a)** This was Practical problem on production and purchase budget. Performance of the candidates was below average.
- (b) This was a Practical problem related to cash flow statement. Overall performance of the candidates was average.

Question 5.(a) This was a theoretical question on items associated with purchase of material. Performance was good.

(b) This was a theoretical question on standard costing. Performance was average.

(c) This was a theoretical question on relationship between NI and NOI. Performance was poor.

(d) This was a theoretical question on seed capital assistance. Performance of candidates was below average.

Question 6.(a) This was a numerical problem on treatment of under absorbed overheads. Overall performance of the candidates was average.

(b) This was a practical problem related to computation of cost of capital and WACC. Overall performance of the candidates was average.

Question 7.(a) This was a theoretical question on types of cost. Above average performance was observed.

(b) This was a theoretical question on items of financial expense not to be included in cost accounting. Overall performance of the candidates was average.

(c)(i) This was a theoretical question on angle of incidence. Performance of candidates was below average.

(ii) This was a theoretical question on limitations of profit maximization objective. Performance of candidates was average.

(d) This was a theoretical question on venture capital financing. Performance was below average.

(e) This was a theoretical question on Ageing schedule. Performance was below average.

PAPER – 4 : TAXATION

SECTION A: INCOMETAX

Specific Comments

Question 1. Many examinees have wrongly allowed deduction under section 80D in respect of medical expenditure incurred for his father, without considering that the father is not a very senior citizen. Some examinees have wrongly disallowed bonus by considering 31st July, 2018 as due date of filing return of income. They have not considered that Mr. Murari has to get his books of accounts audited under section 44AB to declare income lower than the presumptive business income under section 44ADA, owing to which the due date of filing return of income would be 30th September, 2018.

Question 2.(a) Some examinees have wrongly allowed deduction in respect of expenditure incurred for making investment even though the same is not allowable since dividend earned on such investment is not taxable in India.

(b) Most of the examinees were not aware that GAV of House II have to be computed proportionately i.e., for the period for which the house existed during the previous year.

Question 3.(b) Some examinees have not provided for exemption of ₹ 1500 in respect of minor's income clubbed with his father. Thus, the gross total income was wrongly computed.

Question 4.(a) Some examinees exhibited lack of understanding of the provisions of section 44AD and related provisions for payment of advance tax and applicable due date.

(b) Many examinees were not aware of the recent amendment that payment of consideration for purchase of machinery is in cash, the same cannot be included in actual cost for claim of depreciation. Further, some examinees have calculated additional depreciation on second hand machinery also.

Question 5. Some examinees have set-off the entire loss from house property against the income under the head "Salaries" instead of restricting such set-off to the extent of ₹ 2,00,000. Further, some examinees have wrongly set-off the loss from activity of owning and maintaining race horses against income from activity of owning and maintaining race bulls even though it can be set-off only against income from activity of owning and maintaining race horses.

Question 6.(a) While answering sub-part(i), some examinees could not explain correctly the non-applicability of TDS provisions under section 194DA in respect of maturity proceeds of LIC policy, since the maturity proceeds were less than ₹ 1 lakh. Further, in sub-part (iii), most of the examinees exhibited lack of clarity of the provisions of section 194-IB.

SECTION B: INDIRECT TAXES

General Comments

Overall performance of the examinees was satisfactory. However, a major shortcoming observed in most of the cases is that in computational problems, examinees did not support their solution with proper explanatory notes which resulted in loss of marks.

Specific Comments

Question 7.(a) Many examinees erroneously considered the activities of running a boarding school and conducting approved Modular Employable Skill Course as taxable although said activities are exempt vide *Notification No. 12/2017 CT(R) dated 26.08.2017*.

Question 9.(a) A large number of examinees were not aware of the exemption from reverse charge liability available on procurements made by a registered person from a unregistered person. Similarly, some examinees considered the tax on GTA services payable under reverse charge instead of forward charge and consequently, added the same to the GST liability.

Question 10.(a)(i) While elaborating the provisions of section 22 of the CGST Act, 2017, a few examinees wrongly mentioned that preceding year's turnover needs to be considered. Further, some of them excluded the turnover of exempted supplies while arriving at aggregate turnover.

Question 11.(a) Some examinees were not aware of the order of set off of IGST, SGST and CGST. Few of them cross utilized the CGST and SGST which is not permissible.

(b) A few examinees considered the rate of interest for computing the interest liability as 18% per annum instead of 24% per annum.

Question 12.(c) Few examinees examined whether the given activities amount to supply instead of examining whether the given activities are supply of services or supply of goods.