

## May/June 2019 - SCM&PE Paper Analysis

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### *Disclaimer*

The below mentioned views are the personal views of CA Rakesh Agrawal, Pune. It may or may not tally with ICAI views. The purpose is just to provide some guidelines to you till the time ICAI releases its own suggested answers.

**Important Note** : A student is supposed to download and take a printout of original question paper. Read each question very carefully first and then read the analysis below. You cannot understand the answer without understanding the question itself. These guidelines are meant only for the students of CA Rakesh Agrawal.

### *Question wise Comments*

#### **Que. 1 : [ 20 Marks ]**

This is the first time, a case study was asked by ICAI.

It was based on Value Chain Analysis (10 marks) and Performance Prism (10 marks).

Those who love to read and write theory, found it very simple.

#### **Que. 2 : [ 20 Marks ]**

This question was based on Product Life Cycle Costing and Pricing Decision.

Maximum possible production of 'Comfort' = 1,750 units per week [3,500 hrs. / 2]

Q.(a)(i) You need to calculate total contribution at different selling prices and select the sales price with maximum contribution.

Q.(a)(ii) First calculate the balance capacity available after producing 'Comfort' and then use profit maximisation model to derive the best sales price and quantity for 'Sports'.

Q.(b) It was just comparison of Penetration pricing and Skimming pricing at the time of product launching i.e. 'Ethnic'. Available in our classroom notes in Pricing Decision topic.

Q.(c) The answer to this question can be found in Q.13/145 of Volume I - Version 2 notes.

#### **Que. 3 : [ 20 Marks ]**

This question is based on Environmental Management Accounting and Activity Based Costing topic. It was a simple question.

You will find a very similar question Q.7/23 in our Amendment Batch 2 notes.

**Que. 4(a) : [ 10 Marks ]**

This question is from Standard Costing topic.

You will find a very similar question Q.76/270 in our Volume II - Version 2 notes.

**Que. 4(b) : [ 10 Marks ]**

This question is based on Learning Curve Theory.

You will find a similar question Q.16/280 in our Volume I - Version 2 notes.

To calculate the learning rate, first calculate the expected labour cost to earn a contribution of Rs. 5,00,000. Then you can assume learning rate as 'X' and use the doubling formula to get the expected labour cost. Solve the equation to get the answer.

**Que. 5(a) : [ 10 Marks ]**

- (i) You get 2 marks for writing two names i.e. (a) going rate pricing and (b) sealed bid pricing
- (ii) You have to recommend the correct pricing strategy in different situations. Very simple and in no time you will get the marks, just by writing correct names.

You will find a similar questions Q.12, Q.13 & Q.14 on page 275 in our Volume I - Version 2 notes.

**Que. 5(b) : [ 10 Marks ]**

This question is based on Pricing Decision topic.

Very simple question. You will find a very similar question Q.7/266 in our Volume I - Version 2 notes.

**Que. 6(a) : [ 10 Marks ]**

This question is based on ABC and Flexible Budget.

You need to calculate standard cost for actual activities and then compare it with actual costs to get the variances.

**Que. 6(b) : [ 10 Marks ]**

This question is based on Pareto Analysis.

It is from the topic of TQM and Cost of Quality.

Very simple question. You will find a very similar question Q.15/151 in our Volume I - Version 2 notes.

Note : Detailed answer with notes and assumptions, difference in ICAI view and author's view, errors and comments etc. will be released after studying the Suggested Answer of ICAI.

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