

CA Final (New Syllabus)

Strategic Cost Management and Performance Evaluation (Paper 5)

January, 2021 - Exam Paper Analysis

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 students 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 author's view without understanding the question itself. These guidelines are meant only for the students of CA Rakesh Agrawal Sir.

General Comments

1. On the basis of views of various students, it can be said that overall the question paper was moderate with some new type of questions.
2. Some of the questions were similar to those discussed in the classroom and I have given the reference of those similar classroom questions below.
3. Question 1 was compulsory and you have to solve any four from the remaining five questions. It means, you have to skip one question. Which question to skip is also an important decision. A student should identify the most difficult or lengthy question for him, and then should skip it for.
4. The common complaint from students is that the paper was lengthy and could not be completed within 3 hours. Content of theory is higher, which majority students don't like.
5. This paper seems to be difficult as compared to November, 2020 exam paper. However, the marks awarded for the November, 2020 exam for this subject were poor. It means, last time, the paper was simple but marking was tough. Can we hope that, this time the paper was difficult hence marking would be lenient? Only ICAI know ...

Question wise Comments

Que. 1 : [20 Marks - Case Study]

Reference : Chapter 2 - Modern Business Environment

Topic : Supply Chain Management

Comments : It is good that the whole question was divided in to 6 sub-questions, carrying individual marks. Hence, you don't have to write an essay, but you should be good at concepts.

Que. 2(a) : [12 Marks]

Reference : Chapter 6 - Decision Making - CVP Analysis

Comments : It is a plain mathematical question and by using the relationships between different formulae, you need to find out the necessary details.

Hint : Please note that, the contribution ratio was given as % of variable cost and not as % of sales. For example, if contribution is 100% of variable cost, then it will work out as 50% of sales. Because, Variable Cost + Contribution = Sales

Que. 2(b) : [8 Marks]

Reference : Chapter 2 - Modern Business Environment - Gain Sharing Arrangement

Comments : It seems to be a very simple question i.e. bonus marks. There are 8 sub-questions, carrying 1 mark each and very simple calculations. Never miss such questions.

Opinion : In the first reading, who is Mr. Praveen and who is Mr. Mohan cannot be captured properly. After careful reading, I came to the conclusion that - Mr. Praveen is Finance Director of ABC Ltd. i.e. the service provider. Mr. Mohan seems to be the client of ABC Ltd. who wants to get the research work done from ABC Ltd.

Hint : I think ABC Ltd's Profit = Share in Surplus + Agreed Fees for the work

Que. 3 : [20 Marks]

Reference : Chapter 9 - Divisional Transfer Pricing

Comment : In my opinion, this question was simple and must be attempted by all. Considering 20 marks, the efforts are less. One should make use of CVP analysis while solving this question. It was further sub-divided into 4 parts and then sub-parts. Which makes it very easy to solve. Even if you go wrong at one place, you will still get the marks for another correctly answered parts. Hence, risk is low and examiner's subjectivity is low.

Que. 4(a) : [10 Marks]

Reference : Chapter 12 - Standard Costing

This question is very similar to Q.38/210 from chapter 12, Volume II of our Version 3 notes. Just the name and figures are changed.

Comment : It was a bonus question, for those who know it.

Que. 4(b) : [5 Marks]

Reference : Chapter 3 - Lean System & Innovation - Six Sigma

Comment : 1 sub-question for 1 mark each with just 2 line answers for each.

Opinion : It was a bonus question for students having conceptual clarity.

Que. 4(c) : [5 Marks]

Reference : Chapter 7 - Pricing Decision - Profit Maximisation Model

Comments : This question is similar to Q.10/228 from chapter 7, Volume I of our Version 3 notes. A simple question.

OR

Theory Question : On comparison of TQM & TPM

Available in our notes on Page 94 of Volume I - Version 3 Notes.

Que. 5(a) : [10 Marks]

Reference : Chapter 3 - Lean System & Innovation - OEE Calculation

Similar Question : We have 3 similar questions in our notes i.e. Q.9/90, Q.10/91 & Q.11/92 in from chapter 3, Volume I of our Version 3 notes.

Comment : A bonus question for 10 marks, if you know the calculation and theory of OEE.

Que. 5(b) : [10 Marks]

Reference : Chapter 8 - Performance Measurement & Evaluation

Comment : It is a theory question based on 'Four recognised levels of decentralisation'. I could not find it in the ICAI module under this heading, in the first stroke. But, after a very careful reading, I could understand that they are talking about 4 types of responsibility centres i.e. (1) Cost Centre (2) Revenue Centre (3) Profit Centre and (4) Investment Centre.

Que. 6(a) : [10 Marks]

Reference : Chapter 6 - Decision Making - Key Factor concept

Comment : It is a very similar to Q.31 on Page 168 of Volume I - Version 3 notes.

Que. 6(b) : [10 Marks]

Reference : Chapter 11 - Budgetary Control

Comment : It is a theory question based on 'Three types of performance evaluation styles'. It can be found in ICAI module on page no. 11.18. Just 1 page theory.

Note : Unfortunately, I had dropped it from our classroom notes as irrelevant.

Important Note : Detailed answers by author in his own format with notes and assumptions will be released after studying the Suggested Answers of ICAI.

This is done to avoid the conflict of opinion and confusion.

* * * * *