

CA Final (New Syllabus)

Strategic Cost Management and Performance Evaluation (Paper 5)

November, 2022 - 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.

Question wise Comments

Que. 1 : [20 Marks - Case Study]

Comments : A very general question without any quantitative data. One has to write a theory answer to all the sub-questions. Someone having exposure to hotel industry can write a better answer. A lengthy question to read, interpret, think and then write. The answer to this question will vary from student to student.

Advise : In my personal opinion, students shouldn't read this question first. Because, reading it will also consume some considerable time. It should be read and attempted only in the last 1 hour after you have solved atleast 60 marks paper.

Que. 2(a) : [10 Marks - Practical + Theory Question]

Reference : Chapter 6 & 7 - Decision Making & Pricing Decisions

Topic : Pricing Decision with Relevant Costing

Reference : Q.2/238 & Q. 18/252 - Volume I - Version 4 classroom notes

Comments : Simple question for 10 marks.

Que. 2(b) : [10 Marks - Theory Question]

Reference : Chapter 11 - Budgetary Control

Topic : Feedback & Feed forward control

Ref. Que. : Q.5/162 - Volume II - Version 4 classroom notes

Comments : Simple question for 10 marks.

Que. 3 : [20 Marks - Practical + Theory Question]

Reference : Chapter 3 - Lean System & Innovation

Topic : Just in time system

Reference Question : Q.5/75 & Q.6/77 - Volume I - Version 4 classroom notes

Comment : In my opinion, this question was simple and must be attempted by all. Considering 20 marks, the efforts are comparatively less and we have solved similar questions in the classroom also.

Que. 4(a) : [5 Marks - Theory Question]

Reference : Chapter 3 - Lean System & Innovation

Topic : Just in time system - a case scenario

Comment : This question should be asked for 10 marks.

Hints : Advise should be to switch over to JIT system, employ skilled staff or give them training, apply ABM i.e. activity based cost management techniques etc.

Que. 4(b) : [5 Marks - Theory Question]

Reference : Chapter 11 - Budgetary Control

Topic : Beyond Budgeting

Ref. : Theory on page 177 - Volume II - Version 4 Notes

OR

Reference : Chapter 7 - Pricing Decision

Topic : Skimming Pricing Policy

Ref. : Page 249 - Volume I - Version 4 Notes

Que. 4(c) : [10 Marks - Practical + Theory Question]

Reference : Chapter 9 - Transfer Pricing

Topic : Goal Congruence

Ref. : Page 80 - Volume II - Version 4 notes

Comment : It is a simple question for 10 marks

Errors : There are two printing errors in the original question paper. These are :

(a) In the table, there was a sentence : "Total Sales including transfer to division P"

Instead of division 'P' - it should be division 'A'.

(b) Below the table, there was a sentence : "However since division C"

Instead of division 'C' - it should be division 'P'.

Que. 5(a) : [10 Marks - Practical Question]

Reference : Chapter 2 - Modern Business Environment

Topic : Throughput Accounting

Ref. : Theory on page 45 & 47 - Volume I of our Version 4 notes.

Ref. : Q.12/46 - Volume I of our Version 4 notes.

Hint : Calculate throughput contribution per hour for the purpose of ranking. Efficiency ratio can be calculated using Std. Time / Actual time formula. Efficiency Ratio = 122.5%.

Comment : Simple question for 10 marks.

Que. 5(b) : [10 Marks - Practical + Theory Question]

Reference : Chapter 8 - Performance Measurement

Topic : Building Block Model

Ref. : Theory on page 41 - Volume II of our Version 4 notes.

Hint : Compare each performance measure of the given centre with the overall average performance and offer comment on each of them to answer the first part of question.

Comment : Little lengthy for 10 marks.

Que. 6(a) : [10 Marks - Practical Question]

Reference : Chapter 12 - Standard Costing

Topic : Reconciliation of Budgeted Profit with Actual Profit

Hints : Use variance analysis to compare budgeted profit with actual profit and offer your comments on the performance.

Que. 6(b) : [10 Marks - Practical Question]

Reference : Chapter 12 - Standard Costing

Topic : Material Cost Variances

Hints : Use variance analysis to compare standard cost for actual output with actual cost and offer your comments on the performance. Offer comments on revising the standards, in the light of present situation. Purchase Manager & Production Manager cannot be held responsible for the factors which are beyond their control.

General Comments

1. On the basis of views of various students, it can be said that overall the question paper was moderate this time. Neither too easy nor very difficult.
2. Some of the questions were similar to those discussed in the classroom and I have given the reference of those similar classroom questions for reference purpose.
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. Now, which question to skip is also an important decision. A student should identify the most difficult or lengthy question for him/her, and then should skip it. If I was a student, I would skip Q.4 in this paper.
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. The solution to this problem is to read & solve Q.1 i.e. Case Study only in the last 1 hour. First solve at least 60 marks paper (i.e. 3 Que.), which you feel is easy for you. Reading Q.1 at the first place may de-moralise you.
5. Ignoring theory would be fatal, considering the overall weightage.

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

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

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