

# CA Final (New Syllabus)

## Strategic Cost Management and Performance Evaluation (Paper 5)

### May, 2022 - Exam 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 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 ]**

Reference : Mixed question, based on various chapters.

Topics : VCA, TQM, Six Sigma, PLC etc.

Comments : A very general question without any quantitative data. One has to write a theory answer to all the sub-questions. It is good that ICAI had divided this question into 5 sub-questions with individual marks allotted to each one of them.

Ref. for part (a) : Page 4 / Volume I / Version 4 Notes

Ref. for part (b) : Page 22 / Volume I / Version 4 Notes

Ref. for part (d) : Page 139 & 140 / Volume I / Version 4 Notes

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

Reference : Chapter 3 - Lean System & Innovation

Topic : Just in Time (JIT)

Ref. for part (A) : Can be solved using Cost-Benefit Analysis

Ref. for part (B) : Page 68 / Volume I / Version 4 Notes (Pre-requisites of JIT system)

Comments : Simple question for 10 marks.

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

Reference : Chapter 12 - Standard Costing

Error : While providing the data of 'Cost of Sales', zone 'West' is wrongly written as 'South'

Comments : Tricky question for 10 marks. We need to wait for ICAI answer to see how they tackle it and what assumptions they make while solving it.

Doubts : (a) Whether 'Cost of Sales' will be treated as 'Cost of Goods Sold' by ICAI ? (b) Whether sales commission is already included in 'Cost of Sales' or to be taken separately ? (c) Sales Margin Mix Variance is Profit Mix Variance or something else ?

Some Hints : (a) Sales Price Variance + Sales Volume Variance = Total Sales Variance (b) Using sales commission @ 10% of sales, we can calculate 'Actual Sales'. (c) Using Actual Sales and Total Sales Variance, we can calculate Budgeted Sales. (d) There are 3 factors given to do the analysis of performance of each zonal manager. The best performer may be different for different criteria. (e) Using % increase / decrease in sales volume, based on Sales Volume Variance, we can increase / decrease the COGS data.

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

Reference : Chapter 10 - Strategic Analysis of Operating Income

Topic : Customer Profitability Analysis

Reference Question : Q.6/118 & Q.7/121 - Volume II - Version 4 notes

Comment : In my opinion, this question was simple and must be attempted by all. Considering 20 marks, the efforts are comparatively less.

Ref. for part (c & d) : Theory on page 117 & 118 / Volume II / Version 4 Notes

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

Reference : Chapter 2 - Modern Business Environment

Topic : Throughput Accounting & Theory of Constraints

Reference Que. : Q.14/47 & Q.17/49 - Volume I - Version 4 notes

Ref. for part (iii) : Theory on page 44 / Volume I / Version 4 Notes

Comment : Simple question for 10 marks.

Hints : Ranking may be decided based on 'Contribution per machine hour'. However, it seems that ICAI will calculate TA ratio using 'Contribution per rupee of Factory Cost'. Refer page 47 (point 1 formula). Anyway, the ranking will remain the same in either way.

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

Reference : Chapter 11 - Budgetary Control

Ref. : Theory on page 167 / Volume II / Version 4 Notes

**OR**

Reference : Chapter 10 - Strategic Analysis of Operating Income

Topic : Manufacturing Cycle Efficiency (MCE)

Ref. Que. : Q.17/143 - Volume II - Version 4 Notes

Comment : Both the options are simple.

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

Reference : Chapter 7 - Pricing Decision

Topic : Pricing Strategies under different market structures

Ref. : Theory on page 246 & 247 - Volume I - Version 4 notes

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

Reference : Chapter 9 - Divisional Transfer Pricing

Topic : Methods of Transfer Pricing

Ref. : Theory on page 76 - Volume II of our Version 4 notes.

Comment : Simple theory for 10 marks.

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

Reference : Chapter 4 - Cost Management Techniques

Topic : Environmental Management Accounting (EMA)

Ref. : Theory on page 157 - Volume I of our Version 4 notes.

Comment : Bonus question for 4 marks.

**Que. 5(c) : [ 6 Marks - Theory Question ]**

Reference : Chapter 4 - Cost Management Techniques

Topic : Target Costing

Ref. : Theory on page 127 - Volume I of our Version 4 notes.

Comment : Simple theory for 6 marks.

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

Reference : Chapter 6 - Decision Making

Topic : Decision making in Service Industry

Ref. for sub-question (i & ii) : Q.54/221 of Volume I of our Version 4 notes.

Ref. for sub-question (iii) : Theory on page 212 of Volume I of our Version 4 notes.

Comment : Simple question.

Hints : (a) Total fees collected / fees per bed day = No. of bed days (b) No. of bed days will help you to calculate variable cost per bed per day and also the number of nurses required. (c) It is said that nursing staff salary will be taken as Fixed cost. However, staff salary should be taken separately from the given fixed cost, because separate data is given for staff salary.

**Que. 6(b) : [ 5 Marks - Theory Question ]**

Comment : General question based on common sense and your day to day office experience of articleship training.

**Que. 6(c) : [ 5 Marks - Theory Question ]**

Reference : Chapter 8 - Performance Evaluation & Measurement

Topic : Balanced Score Card

Ref. : Theory on page 31, 32, 33 of Volume II of our Version 4 notes.

Comment : Simple question.

**General Comments**

1. On the basis of views of various students, it can be said that overall the question paper was moderate this time.
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. 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. I would skip Q.3 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.
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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