

# CA Final (New Syllabus)

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

### July, 2021 - 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.

#### **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 : Business Excellence Model

Comments : A lengthy question and will consume lot of time to read and write. It is advisable to attempt such questions after solving at least 50 to 60 marks paper.

### Que. 2 : [ 20 Marks - Practical Question ]

Reference : Chapter 4 - Cost Management Techniques

Topic : Target Costing + Activity Based Costing (Ch. 10)

Ref. Question : Q.3 - Page 111 - Volume I - Version 3 of our classroom notes

Comments : It is a Simple to Moderate question

### Que. 3 : [ 20 Marks - Practical Question ]

Reference : Chapter 8 - Performance Measurement & Evaluation

Topic : ROI v/s RI comparison

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

### Que. 4(a) : [ 5 Marks ]

Reference : Activity Based Costing or Value Chain Analysis

Comment : Simple question and will take hardly any time to read & solve. However, based on individual judgement, the answer may vary from student to student.

### Que. 4(b) : [ 5 Marks ]

Reference : Chapter 4 - Cost Management Techniques

Topic : Environmental Management Accounting (EMA)

Comment : Simple question and will take hardly any time to read & solve. However, based on individual perception of EMA, the answer may vary from student to student.

### Que. 4(c) : [ 10 Marks ]

Reference : Chapter 9 - Divisional Transfer Pricing

Topic : International transfer pricing

Ref. Question : Q. 21 - Page 103 - Volume II - Version 3 of our classroom notes

Comments : A simple question.

Hint : Transfer price of supplier division will become input cost of receiving division. Convert all figures in Indian Rupee for easy comparison and to calculate overall profit of the company.

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

Reference : Chapter 6 - Decision Making + Chapter 2 - Modern Business Environment

Topic : Relevant & Irrelevant Costing + TOC

Ref. Question : Q.16 - Page 46 - Volume I of our Version 3 notes.

Comment : A bonus question for 10 marks, if you are good at relevant cost concept and opportunity cost concept. Small and independent sub-questions are good for scoring. Even if you go wrong at one sub-question, it won't affect your marks of remaining questions.

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

Reference : Chapter 11 - Budgetary Control

Topic : Beyond Budgeting

Comment : It is a theory question based on Beyond Budgeting concept. If you know this concept very well, then it is a simple question. You are expected to cover all the important points of BB i.e. Concept, Characteristics and Principles. More use of memory.

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

Reference : Chapter 6 - Decision Making

Topic : Make or Buy Decision

Ref. Question : Q.52 - Page 190 - Volume I of our Version 3 notes.

Comment : Simple to Moderate question. You need to first calculate the variable cost of manufacturing a box of 24 glass bottles.

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

Reference : Chapter 12 - Standard Costing with ABC

Comment : A little tricky and confusing question to interpret. Because, the question says it is a two-variance analysis and the question includes fixed and variable overheads together.

Flexible budget variance in my opinion is Cost Variance.

Possible Error of ICAI : Set up cost is given in the list of budgeted **fixed** factory overheads and later on in the **variable** factory overhead rate, the cost per set up is given as ₹ 900. We will have to wait and see how ICAI deals with this question. There is no such similar question in the ICAI module.

**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.

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