

# CA Final (New Syllabus)

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

### December, 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 simple 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 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.
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 solve Q.1 - Case Study only in the last 1 hour. First solve at least 60 marks paper, which you feel is easy for you.
5. This paper is much simpler as compared to July, 2021 exam paper. In July, 2021 attempt, SCM&PE was the killer paper. You must thank God or ICAI or both for this.

## Question wise Comments

### Que. 1 : [ 20 Marks - Case Study ]

Reference : Chapter 4 - Cost Management Techniques

Topic : Environmental Management Accounting (EMA)

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 six sub-questions with individual marks allotted to each one of them.

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

Reference : Chapter 2 - Modern Business Environment

Topic : Customer Lifetime Value (CLV)

Ref. Question : Q.18/56 - Volume I - Version 3 of our classroom notes

Comments : The answer to sub-question (d) will be different for each student and a lucky student will be able to match most of the answers with ICAI answer.

However, as time value of money is ignored, the calculations become easy.

Possible Error : In the question, while providing the data of Service/Maintenance Charges; For Good category, it is mentioned as ₹ 1,00,000 **per bike**. However, whether it is per annum or for entire lifetime of customer or it is for a period of 5 years, is not clearly mentioned. It may lead to different answers by different students.

For Excellent category, it is mentioned as ₹ 1,20,000 **per year for all bikes**. Does it mean for all 7 bikes which the customer will buy in its lifetime, irrespective of the time when he purchases the subsequent bikes?

We will have to wait and watch ICAI answer to know how they interpret it.

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

Reference : Chapter 9 - Divisional Transfer Pricing

Topic : International Transfer Pricing

Reference Question : Q.21/103 - Volume II - Version 3 of our classroom notes

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 - Theory Question ]

Reference : Chapter 3 - Lean System & Innovation

Topic : Kaizen Costing, BPR & Standard Costing

Comment : Simple question based on common sense.

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

Reference : Chapter 6 - Decision Making

Comment : Very simple question and will take hardly any time to read & solve.

**OR**

Reference : Chapter 7 - Pricing Decision

Topic : Price Sensitivity - Page 241 of Volume I - Version 3 notes.

Comment : Very simple question.

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

Reference : Chapter 8 - Performance Measurement & Evaluation

Topic : Economic Value Added (EVA) & SVA

Ref. Question : Q.8/10 - Volume II - Version 3 of our classroom notes

Comments : Practical question is very simple.

However, the theory part relates to Shareholder Value Addition (SVA). As per ICAI announcement, SVA is deleted from syllabus w.e.f. May 2021 exam and onwards. It is surprising to see the question on SVA after deleting it from syllabus and module. All the students should write an email to BOS, so that Examination Committee will allot you the marks for it. You need to build a pressure on ICAI for this.

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

Reference : Chapter 3 - Lean System & Innovation

Topic : Total Productive Maintenance (TPM) & Overall Equipment Effectiveness (OEE)

Ref. Question : Q.11/92 - Volume I of our Version 3 notes.

Comment : A bonus question for 10 marks.

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

Reference : Chapter 8 - Performance Measurement & Evaluation

Topic : Performance Measurement in Not for Profit Sector

Notes Ref. : Page 61 to 63 of Volume II - Version 3 of our classroom notes.

Comment : Simple question for those who love to write theory answer.

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

Reference : Chapter 6 - Decision Making

Topic : Further Processing Decision

Ref. Question : Q.36/173 & Q.33/170 - Volume I of our Version 3 notes.

For sub-question (iii) - Ref. Page 174 of Volume I of our Version 3 notes.

For sub-question (iv) - Ref. Page 176 of Volume I of our Version 3 notes.

Comment : Marks for each sub-question are not mentioned by ICAI.

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

Reference : Chapter 11 - Budgetary Control

Topic : Flexible Budget

Ref. Question : Q.9/164 - Volume II of our Version 3 notes.

Comment : Very simple question. You need to prepare the original planned profit statement for 5,000 units and Actual profit statement for 4,000 units. Compare the two results and offer comments on variance. It was a bonus question considering 10 marks.

**Important Note** : Detailed answers by author in his own format with notes, 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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