

SINGAPORE CA QUALIFICATION (FOUNDATION) EXAMINER'S REPORT

MODULE: Accounting for Decision Making (ADF)

EXAMINATION DATE: 11 December 2023

Section 1

General comments

The overall performance for the Accounting for Decision Making (ADF) December 2023 examination was satisfactory. The marks allocation for this sitting was appropriate and the difficulty level for questions set was much easier compared to earlier sittings. Generally, Candidates who were well prepared did very well as evidenced by their answers.

It was observed that some Candidates appeared to have prepared for the ADF exam based on spotting questions from past exam sessions, which is risky as they may not be well prepared for questions derived from other topics.

Candidates are advised to prepare themselves and cover all examinable topics within ADF in order to obtain a passing grade, including but not limited to the topics in the recommended textbook or past exam topics.

Time management seemed to have improved as only a handful of Candidates did not manage to complete answering all 4 questions for this sitting.

Section 2

Analysis of individual questions

Question 1

Question 1 tested Candidates on their knowledge of calculating Revenue, Contribution and Profitability. It was observed that Candidates who were well prepared for these computations scored very well and those Candidates who were not prepared for the topic scored badly for this Question.

Part (a) required Candidates to work out the total gross profit for each distribution channel. Most of the Candidates were not able to correctly determine the material costs as they used the wrong markup percentage.

Part (b) required Candidates to work out the net profit per unit using activity-based costing. About half of the Candidates were not able to construct the correct workings for the different costs of the product.

For **Part (c)**, Candidates were required to calculate the lifetime gross profitability. Performance for the question part was weak as only a handful of the Candidates managed to pass the question part.

Part (d) was a qualitative question and it required Candidates to recommend and justify two suitable performance indicators to measure customer satisfaction for the case company and justify the most important indicator. In general, Candidates were able to cite two performance indicators. However, some did not justify and recommend the most important indicator, resulting in a loss of marks.

Question 2

Question 2 tested on the concept of fixed and variable costing and identifying the relevant information for decision making when more than one resource is constrained. This question was poorly performed by the Candidates.

Part (a) required Candidates to calculate the variable cost per unit and the fixed costs. About half of the Candidates were able to construct the correct equations to calculate the answer.

For **Part (b)**, Candidates were required to state suitable equations for (i) the constraints of labour and material, (ii) the demand and (iii) the total contribution. Most of the Candidates were only able to provide the equations for the total contributions for the 2 separate products.

Part (c) required the Candidates to use simultaneous equations to calculate the contributions generated at the 3 different points. Generally, only Candidates who were able to state the contributions using the correct equation in part (b) were able to answer the question part.

Consequently, Candidates were required to conclude which is the profit-maximising mix to produce for **Part (d)**. As most of the Candidates did not get parts (b) and (c) correct, they were not able to provide the correct conclusion nor calculate the annual contribution generated with the wrong profit mix correctly.

Question 3

Question 3 assessed Candidates' ability to recognize the distinct roles of various departments and understand their interconnections. It challenged them to identify ways in which these departments could collaborate to control costs and maximize profits. The question evaluated Candidates on both their knowledge and their capacity to think strategically and act in the best interest of the entire company. It highlights the importance of considering the perspectives of each department head, as they all strive to achieve optimal performance and profitability for potential bonuses. For a Finance Head, the duty lies in harmonizing these differences for the greater good of the company as a whole whilst also providing support to department heads.

This question challenged Candidates to think outside the box and consider the real-world applicability of problem-solving skills. By addressing issues akin to those encountered by companies it encouraged Candidates to contemplate how they could apply these skills in practical scenarios.

Part (a) required Candidates to distinguish between the different types of responsibility centres and identify with justification which type of responsibility centre the case division would be classified as. Many Candidates did well for the question part.

For **Part (b)**, many Candidates successfully calculated the transfer price and provided clear explanations for the divisional manager's decision. This question effectively assesses Candidates' reasoning skills.

However, there were a few who either could not answer or provided incorrect responses, indicating a lack of understanding of the examiner's question and a potential gap in knowledge in this area. Some Candidates seemed to have forgotten the basics or made errors in basic computations.

Part (c) required Candidates to calculate the optimal transfer price. Performance for the question part was weak. Although Candidates could easily identify the minimum and maximum product prices, a common oversight involves neglecting to explicitly mention the external purchase price and net divisional revenue.

Part (d) was a qualitative question and it required Candidates to explain how the dual pricing system would work and the prices that would be charged/paid and explain one reason why the Finance Director may have chosen the approach. About half of the Candidates struggled to provide a clear answer, with some merely restating the question in their responses. This suggests a lack of understanding of dual pricing, as they often utilized incorrect pricing for comparisons and misunderstood the role of the Head Office. On a positive note, some Candidates offered logical and sound reasons for the Finance Director's pricing choice.

Question 4

Question 4 consisted of both easy and challenging components. It tested on the PESTEL framework and standard costing and variances.

Part (a) required Candidates to use the PESTEL framework to identify and explain six factors relevant to the case company. This was a straightforward question, as it is a readily accessible strategic management tool for analysis. Most Candidates did well for this question part.

For **Part (b)**, Candidates were required to calculate the maximum percentage waste of input materials. Some Candidates struggled to think through the steps systematically, leading to difficulty in deriving the answer. There seems to be confusion among Candidates regarding the inclusion of 0.5 in the computation of labour cost. Many Candidates either did not attempt the question or found it too challenging to answer correctly, serving as a robust test of their knowledge and ability to think clearly under pressure.

Part (c) required Candidates to explain two reasons why the approach to costing and cost control is not useful for the case company. It was observed that many Candidates had difficulty answering the question, based on the quality of their answers. Instead of explaining the reasons behind the ineffectiveness of the concept, many opted for alternative answers. This suggests that Candidates were either unfamiliar with the topic or were unable to apply concepts to the specific industry in question.