

## SINGAPORE CA QUALIFICATION (FOUNDATION) EXAMINER'S REPORT

**MODULE:** Accounting for Decision Making (ADF)

**EXAMINATION DATE:** 12 December 2022

### Section 1

#### General comments

The overall performance for the December 2022 examination was satisfactory. Candidates who took this sitting scored at least a passing grade if they were able to demonstrate and apply their understanding of topics under examination with well-structured answers.

In this sitting, the Candidates performed better for the qualitative questions rather than the quantitative ones. However, there were a number of Candidates who were not well prepared for qualitative questions, and a few even gave up on answering or attempting the questions. Those who attempted the questions were able to score some marks, which led to a passing grade, provided their computational questions were well answered.

As with all past sittings, Candidates who were ill-prepared and/or did not manage their time well scored below the passing grades. Candidates are advised to prepare themselves to cover all examinable topics within ADF in order to obtain a passing grade. Time management continued to be an issue for a handful of Candidates who did not manage to complete the paper within the allocated time.

### Section 2

#### Analysis of individual questions

##### Question 1

Question 1 tested Candidates on the concept of flexed budgeting against budgeted costing figures as well as specific budgetary computations with an explanation of their logic. Candidates did reasonably well for part (a) of the question but seemed to struggle with parts (b) and (c).

**Part (a)** was generally well answered by the Candidates, and we were delighted to see a few Candidates scoring full marks. These Candidates were well prepared as they presented the step-by-step workings and provided an explanation for the logic behind their computations.

Common mistakes made by Candidates included failing to provide explanations for their workings, for example:

- Labour costs have a fixed and variable element.
- Material costs were entirely variable.

Candidates also lost marks for failing to sum up the total costs.

For **Part (b)**, it was observed that many Candidates struggled to compute the “Budgeted variable labour rate” and “Budgeted price for materials”. Candidates also lost marks as they failed to indicate whether the variance they calculated was favourable or unfavourable.

**Part (c)** required the Candidates to calculate the sales mix variance for each product and in total. The Candidates’ performance for the question was not satisfactory. Many Candidates did not seem to understand the question, and there were many Candidates who scored 0 marks.

## Question 2

Question 2 tested the concept of relevant cost, a conceptual understanding of the difference between management and financial accounting, and decision-making. Candidates generally performed well, and most Candidates who attempted parts (b) and (c) scored a passing grade.

**Part (a)** tested Candidates’ understanding of relevant costs. About half of the Candidates did not pass or do well for this question.

It was observed that most Candidates have a poor conceptual understanding of relevant costing. Common mistakes made by Candidates were as follows:

- Failed to identify that the Operations Director’s salary was not incremental.
- Failed to identify that the 40% mark-up was not relevant.

Candidates also scored poorly for the computation of relevant costs of materials, labour and C454a. However, marks were still awarded to Candidates for showing appropriate workings even though their final answers may be wrong.

**Part (b)** was a straightforward question as it tested basic knowledge on the differences between management and financial accounting. Even though most of the Candidates managed to pass the question part with around half scoring full marks, some Candidates lost marks for not illustrating their answers using the case facts.

**Part (c)** was well done, with more than half the Candidates scoring full marks. The majority of the Candidates were able to demonstrate their understanding of the non-financial considerations and explain with examples. However, a handful of the Candidates missed out on relating their answers to the question requirement and marks were deducted.

### Question 3

Question 3 tested Candidates' understanding and application of prime costs, overhead costs, and using the step method to calculate overhead costs and allocation of service departmental costs. Overall, this was the poorest performing question of the paper, Candidates struggled in parts (c) and (d).

**Parts (a) and (b)** were generally well-answered by the Candidates. About half of the Candidates scored full marks for **Part (a)**. A common mistake noted was that Candidates added machine overheads into the costing (which should not be included in prime costs).

For **Part (b)**, Candidates either lost marks as they did not sum up the totals or through careless mistakes during summation.

For **Part (c)**, it seems that Candidates either did not give enough thought to the question or simply did not know how to attempt the question. Many of the Candidates did not realize that reallocation should be based on the time spent, as indicated in the table provided.

Some Candidates did not read the case facts carefully and failed to use the allocation table that the question had provided and went on to set their own assumptions when it should be done based on direct labour hours worked. They also did not realize reallocation should begin from maintenance (since it does more work for the canteen than vice versa). Many of the Candidates also did not provide their rationale for the reallocation and lost marks for that.

For **Part (d)**, many of the Candidates computed the overhead absorption rate incorrectly for both the Preparation and Assembly cost centres.

Many Candidates failed to note the following points:

- Preparation is labour intensive, and thus they are to use labour hours of 6 min and 12 min
- Assembly is capital-intensive, so they are to use machine hours of 6 min and 12 min.

### Question 4

Question 4 tested Candidates on value chain analysis and Porter's Five Forces. This was the best-performing question for the paper.

For **Part (a)**, most of the Candidates were able to provide answers such as low flight cost, school leavers, automation of IT and no allocation of seats.

This question does not really test a Candidate's skills in financial accounting but rather whether the Candidate understands what the company is doing and the problems faced by the company. This is more of a test of a Candidate's management skills and their ability to identify the issues that surfaced within the case.

**Part (b)** required Candidates to identify and rate each individual force and conclude on the overall impact the five forces have on the profitability of the company.

Most of the Candidates were able to list out the five forces easily, but not all could rate each force in relation to the case facts and hence were unable to provide an appropriate conclusion. This shows that Candidates remember the five forces but lack the understanding and knowledge to apply them in different situations.

Some Candidates failed to provide a conclusion, leading to a loss of marks.

For **Part (c)**, many Candidates wrote long answers, but they were unable to point out the reasons why profit was falling despite improving customer feedback. Most of the Candidates scored either zero or two marks for discussing one point.

For **Part (d)**, it was observed that many Candidates could provide a reasonable answer but failed to provide a conclusion which resulted in a loss of marks.