

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

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

**EXAMINATION DATE:** 13 December 2021

### Section 1

#### General comments

For this examination, the difficulty level for questions set was manageable. Candidates who were well prepared scored well as they were able to demonstrate and apply their understanding of topics under examination conditions with well-structured answers.

It was heartening to see that many Candidates in this sitting were better prepared.

In general, the Candidates who managed to score well for Questions 2 and 3, managed to pass this sitting unless they did badly either for Question 1 and/or 4 or gave up on Question 2, which reduced their chances to get the required marks to pass this sitting.

As with all past sittings, Candidates who were ill prepared and/or did not manage their time well, scored below the pass mark. Candidates are advised to prepare themselves to cover all examinable topics within ADF in order to obtain a pass mark, including but not limited to studying the recommended textbook and practising the past ADF examination papers to understand how to present the steps in the calculations.

### Section 2

#### Analysis of individual questions

#### Question 1

In general, this question tested the Candidates' understanding on how to work out the constraining factor within production and to adopt throughput accounting to maximise profits generated. Candidates who were able to work out the constraining factor and appropriately used throughput accounting, managed to score at least a pass out of 25 marks. However, most Candidates failed to properly apply throughput accounting for **Part (b)**, resulting in a significant loss of marks since **Part (b)** carried 15 marks out of 25 marks. Candidates performed the weakest for this question.

**Q1 (a)** – Constraint Factor

**Q1 (b)** – Throughput Accounting Concept – Maximise Profitability

**Q1 (c)** – Possible Impacts on Profits

**Part (a)** tested the Candidates' understanding on how to determine which process was the constraining factor within the production cycle. About half of the Candidates were able to pass this question part as they could meaningfully work out the

available time and maximum time in each process and deduce the constraining process.

**Part (b)** was a relatively straightforward question which should be able to score provided Candidates understood and applied the concept of Throughput Accounting aptly. For **Part (b)(i)**, Candidates were expected to work out the contribution margin and then rank the products in order to deduce the profit maximising output. The Candidates would then calculate the resulting profit in **Part(b)(ii)** by producing the product with the highest margin beyond the minimum 10 units as stated in the question. Many Candidates were unable to determine the maximised output or had included overhead and labour cost in the calculation for throughput contribution margin. Subsequently, they were unable to determine the resulting profit for **Part b(ii)**.

**Part (c)** of the question required Candidates to demonstrate their conceptual understanding on the reasons for the difference between the two Costing Methods that they had worked on in **Parts (a)** and **(b)**. Most of the Candidates managed to score full marks for this question part. This demonstrated that the Candidates were able to appreciate that different Costing Methodologies produced different profitability outcomes.

Overall, Question 1 would be manageable for those who understood the Throughput Accounting Concept.

## Question 2

Question 2 was the second-best performing question out of the entire paper. Most of the Candidates were able to demonstrate their understanding of Fixed and Variable Costing Methodologies and applied them appropriately to the question.

**Part (a)** of the question required Candidates to work out the total lifetime cost (excluding decommissioning costs). Most Candidates managed to pass or score well.

**Part (b)** required Candidates to work out the sales price at launch. Many Candidates understood the question requirements and had brought forward their answers from **Part (a)** to be used in the computation although it was not indicated in the question.

Only a handful of the Candidates managed to pass **Part (c)**. Most of the Candidates did not use their answers from **Part (b)** in the computation, even though the question had specifically indicated to do so, resulting in a loss of marks. Candidates who passed this question part were either able to systematically tabulate the sales price change at each stage of the product life cycle or carefully follow-through the revenue and cost values from **Part (b)** to calculate the breakeven sales volume at the maturity stage of the product lifecycle.

**Part (d)** required Candidates to explain 3 ways in which the lifetime probability of the game could be improved and to recommend with justification which suggestion

should be pursued. In general, Candidates were able to cite at least 2 out of 3 ways to improve profitability but almost half of them did not justify and recommend one out of the 3 ways listed, resulting in a loss of marks.

### Question 3

This Question tested Candidates' understanding of some theoretical concepts relating to Decision Making. This was the best performing question out of the entire paper. Candidates who scored a pass mark mainly did well for the Porter's Five Forces analysis in **part (c)** which carried 12 marks.

**Q3 (a) & (b)** – Process and Basis for Decision Making

**Q3 (c) & (d)** – Porter's Five Forces

For **Part (a)**, about half of the Candidates scored full marks for this question part as they demonstrated their understanding of this question by explaining their basis for determining which market to launch the product. Those who did not consider the 30% rate of failure in the computation of the expected values did not pass this question part.

For **Part (b)**, most Candidates managed to cite 3 drawbacks, but unfortunately failed to provide explanations to substantiate their arguments.

For **Part (c)**, majority of the Candidates scored well by citing Porter's Five Forces with their explanation. However, some Candidates missed out on the conclusion required by the Question.

For **Part (d)**, generally, Candidates were able to recommend one way to reduce competitive pressure. However, they were unable to provide a justification for their recommendation.

### Question 4

Most Candidates did not seem to be able to apply what they learnt on preparing budgets and cash flows to **Parts (a) and (b)** of the question, scoring below 50% out of the possible 17 marks. Their poor answers in **Parts (a) and (b)** reflected that they were either confused by the question requirements or they were unable to apply the metric for materials and labour hours.

**Q4(a) & (b)** – Budget and Relevant Computation Process

**Q4(c)** – Decision making – Make or Buy

**Part (a)** required the Candidates to prepare: **(a)(i)** the production budget (in units) for the 'Mountain Breeze' product for the 3-month period and **(a)(ii)** the budgeted cash paid to suppliers for the bottles and lids for the 3-month period. The majority of the Candidates did not demonstrate their understanding of what was required for this question. They were unable to calculate the production units (namely the

opening inventory), as required by **Part (a)(i)** to continue their computation to work out **Part (a)(ii)**'s answer.

In addition, it was noted that many Candidates did not present their workings in a systematic way to show the flow of their thoughts to derive their answers. Marks were deducted for these scripts.

Without the answers from **Part (a)**, most Candidates were unable to work out the required computation to substantiate their decision to make or buy the reeds in **Part (b)**.

**For Part (c)**, many Candidates managed to score full marks for this question part. Those who did not were mainly those who were unsure how to apply their answers in **Parts (a) and (b)** to the question part.