

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

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

**EXAMINATION DATE:** 13 June 2022

### Section 1

#### General comments

The overall performance for the Accounting for Decision Making (ADF) June 2022 paper has improved slightly from the previous sittings. It was observed that many Candidates who took this exam sitting was better prepared than the earlier sittings, based on the quality of their answers which translated into better results.

Generally, Candidates who managed to score well for Question 1 and 3 passed the paper, unless they did badly for Question 2 and/or 4.

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

As with all past sittings, Candidates are advised to prepare themselves to cover all examinable topics within ADF in order to do well for the paper. They are encouraged to practice more questions using the recommended textbook and past ADF examination papers. They should also read the case facts and questions requirements carefully when attempting the paper to avoid getting penalized.

### Section 2

#### Analysis of individual questions

##### Question 1

Question 1 tested the concepts of Decision Making and Cost Management. It was the second-best performing question for the paper. Generally, Candidates who understood the Relevant Costing Concept were able to score for this question.

**Part (a)** required Candidates to determine the cost components in relation to Relevant Costing. The computation of forecast cost per item was very straight forward so long as Candidates prepared calculations based on the information provided in the case facts. It was observed that Candidates were mostly weak on the treatment of scrap value, sunk cost, and the opportunity cost of material.

The other area that Candidates made mistakes in was the computation of labour cost. Several Candidates misunderstood the case facts and considered only the amount of time required to produce each Isofoot rather than the labour costs for the entire period. A handful of the Candidates did not know how to compute material cost.

**Part (b)** consisted of 8 marks out of 25 marks and was easy to score provided Candidates could understand and identify factors that the company concerned would consider before they made a make-or-buy decision. We were glad to see that most Candidates were able to cite Quality, Reliability and Reputation as 3 factors. However, there some Candidates who did not provide a reasoned recommendation and lost precious marks.

**Part (c)** of this question was set to allow Candidates to demonstrate their conceptual understanding of the cost gap between manufactured costs against the purchase price from a supplier. This was a relatively easy question. However, about half of the Candidates did not seem to understand that they were required to calculate the difference between the cost they worked out in part (a) to the purchase price from the vendor supplying the item.

**Part (d)** required Candidates to discuss two ways of closing the cost gap and we are pleased to see that majority of the Candidates were able to provide reasonable ways and scored well for this question part. Accountants should not only know how to compute, but they should also be able to think of ways or propose solutions to the problem.

## Question 2

This question tested Candidates on the concept of breakeven analysis. This was one of the easiest questions to score high marks on if the Candidates were able to demonstrate their understanding through a systematic approach in their workings.

**Part (a)** required Candidates to calculate the breakeven quantities for each product and the breakeven revenue for each product and in total. This question part was generally well answered by most Candidates, with a significant number of Candidates attaining full marks for this question. Some candidates lost marks because they did not compute the contribution generated by a 'bundle' which was required in order to compute the breakeven number of `bundles` and the breakeven volume.

**Part (b)** required Candidates to work out the contribution to sales ratio in order to rank the products and to set out a plan for achieving minimum breakeven points for sales, quantities and revenue. This was the worst performing question part for the paper.

Candidates who had adapted their answer from part (a) of this question were given some marks, although it was not required by the question. Candidates are advised to answer in accordance with what is required by the question. It was also noted many Candidates also missed out the Cumulative Profit computation based on the maximum volume of the product chosen.

### Question 3

Question 3 tested the concepts of the preparation of budgetary financial statements and applicable reasoning. We were glad to see that most Candidates were able to score well for this Question as it demonstrated their preparatory efforts to answer this question.

Candidates who did not score a passing grade mainly failed to exhibit their knowledge or they did not prepare well for the topic of Budgets and Forecasting. Apart from Question 2, this question was the other easiest question to score high marks in this sitting provided Candidates were able to construct the standard master budgets (in part (a)), as 20 marks were allocated out of the possible 25 marks.

For **Part (a)**, most of the Candidates were able to score well for this question part, so long as they had presented their answers according to the question requirements. Only a handful of the Candidates failed to obtain a passing mark, which could be due to a lack of preparation. It was also observed that some of the Candidates presented their answers to the nearest thousand instead of the nearest dollar. Again, Candidates are advised to read the question carefully to avoid getting penalized unnecessarily.

For **Part (b)**, most of the Candidates were able to discuss three consequences with explanations that substantiate their arguments. However, the majority of the Candidates failed to provide a recommendation.

### Question 4

Question 4 tested Candidates on Transfer Pricing and Costing Methodologies. Candidates' performance for the question was satisfactory.

**Part (a)** required Candidates to provide four Transfer Pricing objectives and we are pleased to see that most of the Candidates were able to score full marks for this question part.

For **Part (b)**, many of the Candidates were unable to provide the relevant advantages and disadvantages for both the cost-plus and market-based costing methodologies, even though it was included in the exam study tips. This shows that they were either ill prepared for the topic or did not have sufficient time to attempt the question part.

The following observations were noted:

- i) Candidates were confused on the relevant costing methodologies.
- ii) Candidates did not clearly identify which costing methodology they were discussing, and it was difficult to locate and relate their answers according to each costing methodology. Hence, marks were deducted due to disorganization.

- iii) Many Candidates only provided 1 advantage and 1 disadvantage for each costing methodology. This resulted in losing marks unnecessarily.

Most candidates did not do well for **Part (c)**. Based on the quality of the Candidates' answers, it seemed that Candidates did not have sufficient time to answer the question part. A notable number of Candidates were able to rightly identify that sales from Freezer Pumps would be lost and had computed the contribution per unit of Freezer Pumps and Compressors. However, many Candidates were not able to compute the cost to the manufacturing division of making and transferring a compressor. Some Candidates also provided a range of prices instead of specifying a midpoint price as instructed in the question.