

SINGAPORE CA QUALIFICATION (FOUNDATION) EXAMINER'S REPORT

MODULE: Accounting for Decision Making (ADF)

EXAMINATION DATE: 14 June 2021

Section 1

General comments

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

As with any other 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 including but not limiting to only textbook setting and be exposed to more practice questions.

Time management continued to be an issue as there were a number of Candidates who did not managed to complete answering all 4 questions for this sitting. Candidates should use the 15 minutes reading time to plan their responses to each question. Given each question is worth 25 marks, Candidates should apportion the examination duration to each question equally.

Section 2

Analysis of individual questions

Question 1

In general, this question tested Candidates on Cost Management using different costing methods.

Q1(a) – Costing System

Q1(b) – Activity-Based Costing

Q1(c) – Implications by comparing above Costing methods

Q1(d) – Time-driven Activity-Based Costing on Telephone Support Cost

Part (a) and **(b)** made up 18 marks out of 25 marks and were straightforward to score provided Candidates could understand and apply various costing methodologies adequately. Most Candidates managed to pass these two question parts, in particular **part (b)**.

Part (c) of this question required Candidates to demonstrate their conceptual understanding on the difference between the 2 costing methods that they had used in **part (a)** and **(b)** of their answers. Less than half of the Candidates managed to

score a passing grade out of 4 marks. This demonstrated that most Candidates were not able to appreciate the implications of the different costing methodologies.

For **part (d)**, most Candidates did not answer the requirement of the question to focus on the telephone support cost. They did not seem to understand the question's requirement.

Overall, Question 1 was relatively straightforward and should have been the easiest question to gain marks for this sitting.

Question 2

Most Candidates performed well for Question 2. Candidates were able to score well if they demonstrated their understanding and theoretical explanation on the following applied to the IT project and procurement for operations for **part (a)** and **(b)**, respectively:

Q2(a) – Management Accounting, Financial Accounting, and QCT triangle

Q2(b) – Competitive Strategy of Product Differentiation against Low-Cost Mass Production

For **Part (a)**, the question mainly required Candidates to **(i)** explain the difference between management and financial accounting, **(ii)** discuss two ways where management accountants can add value to the project team and **(iii)** explain the concept of Quality, Cost and Time triangle and how each constraint affects the other two. Most Candidates were able to discuss at least one way the management accountant could add value to the business. Many were able to explain how each constraint affects the other two. However, some were not familiar with the inter-relationship between the three constraints or applied the concept to the wrong scenario (Procurement Manager's suggestion). Some Candidates answered **(a)(iii)** in relation to a manufacturing process for which no marks were awarded since they did not answer the requirement.

For **Part (b)**, the question required Candidates to **(i)** identify the generic competitive strategy of the company and recommend appropriate recommendations for the situation and **(ii)** discuss the ethical implications of creative accounting. Most Candidates did well in providing their justification and recommendation based on the strategy of the company. For ethical implications of creative accounting, some were able to discuss the ethical principles and professional behaviour required by accountants. However, a few Candidates failed this question part as they answered out of context or did not demonstrate their understanding on the subject matter.

Question 3

Most Candidates performed badly for this question 3. This question tested the Candidates' ability to understand absorption and variable costing methods. Candidates would have a better chance to pass this sitting if they have scored well for **part (b)**.

Q3(a) – Standard Production Unit Cost (Absorption Costing method)

Q3(b) – Work out Profits (Absorption Costing method)

Q3(c) – Work out Profits (Variable Costing method)

Q3(d) – Differentiate between Absorption Costing and Variable Costing methods

Part (a) was reasonably attempted and more than half the Candidates were able to demonstrate how to calculate unit cost for each costing component using absorption costing. Most Candidates missed out on wastage as part of the calculation for direct materials cost per unit and were penalised.

For **part (b)**, it is surprising to see that most Candidates were unable to demonstrate their understanding of absorption costing principles. Most did not calculate over or under absorption on fixed production overheads and did not seem to know when to use variable and fixed selling costs. There were also a few Candidates who did not attempt the question part. Only a handful of Candidates managed to pass this question part.

For **part (c)**, the majority of the Candidates did badly for this part of the question and this seemed to be the toughest question for this sitting. Candidates either did not understand the question requirements or did not seem to know how to adjust between absorption and variable costing and hence, were not able to answer the question.

For **part (d)**, most of the Candidates managed to differentiate between variable costing and absorption costing method and scored at least a pass for this 2-marks question.

Question 4

Question 4 was one of the poor performing questions of the entire paper. Few Candidates performed well for Question 4. There were a number of Candidates who did not attempt **part (c)** of this question, likely due to time constraints.

Generally, Candidates who were well prepared on budgetary framework knew how to structure their answer to the requirements of this Question. The mark allocation for Question 4 was generous provided Candidates are well prepared and able to tailor their answer to this Question.

Q4(a) – Projected Production Capacity

Q4(b) – Operational Budgets

Q4(c) – Cash Budget

Part (a) of the question required Candidates to determine the limiting factor. Only a few Candidates were able to systematically calculate the production amount required to satisfy demand and come to an appropriate conclusion.

Part (b) mainly required Candidates to determine operational budgets (for sales, production, materials purchases and labour). Candidates did not perform well for **(b)(iii)** on the materials purchases as they were largely unable to process the information provided to correctly calculate the opening and closing inventory for the material purchases and labour costs.

Part (c) required Candidates to prepare the cash budget for the company. Most Candidates picked out the direct cash flow effects but were not able to derive the receipt amount from customers and payment amount to suppliers. It was noted that many Candidates did not complete this question part due to time management issues.