

SINGAPORE CA QUALIFICATION (FOUNDATION) EXAMINER'S REPORT

MODULE: Accounting for Decision Making (ADF)

EXAMINATION DATE: 24 June 2024

Section 1

General comments

The marks allocation for this sitting was appropriate and the difficulty level for questions set was comparable to past examination sittings. However, it was observed that the majority of the Candidates in this sitting were not as well prepared as compared to the previous examination sessions. Only a handful of the Candidates displayed their preparedness in this paper with their well-structured answers where they scored either merits or distinction.

In addition, we noticed that some Candidates prepared for the Accounting for Decision making (ADF) exam based on spotting questions from past exams again, which is a risk as they may not be prepared for questions derived from other topics. This was evident in their answers to all questions for this sitting.

To conclude, as with all past sittings, Candidates who were not well prepared and/or did not manage their time well scored below the passing grade.

To do well for the module, Candidates are advised to prepare themselves to cover all examinable topics within ADF in order to obtain a passing grade including but not limited to only a textbook setting. They should practice more past year questions as well as make an effort to present the calculations involved in each step. They are also encouraged to stay in touch with current affairs in the economy such as green energy and sustainability.

Time management appeared to have declined compared to the previous two examination sittings as some Candidates did not manage to complete the paper within the allocated time.

Section 2
Analysis of individual questions

Question 1

Candidates generally fared well for the basic computational questions but struggled with questions requiring multi-step computations. Candidates also made reasonable attempts at the qualitative questions but could have been more structured in the use of key phrases to explain their reasons.

Part (a) required Candidates to calculate whether the bowls should be manufactured in-house or outsourced. In general, most Candidates were able to compute and derive the correct conclusion. Some Candidates did not consider the fixed costs appropriately and hence were not able to interpret the results accordingly. Overall, this was the best-performing question part of the exam.

Part (b) required Candidates to compute break-even levels for output and sales revenue based on certain assumptions. Most Candidates were able to compute the contribution margin per item and derive breakeven output although some omitted certain costs when deriving the contribution margin. Some Candidates may also have been confused by the sales mix and hence were not able to compute breakeven volume and revenue per product.

For **Part (c)**, Candidates were tasked to compute the margin of safety. Candidates' performance for this question part was mixed. While some were able to compute the margin of safety correctly, it was noted that those who struggled with this question either were not able to work out the budgeted volumes and revenue per month or applied the formula for margin of safety wrongly.

For **Part (d)**, Candidates were required to compute the annual residual income of the Dog Accessory division with and without the new product range and whether to proceed with the launch. This question was badly attempted by the Candidates. For those who were able to compute the annual residual income without the new product range, some incorrectly included interest costs. Candidates seemed to struggle to determine the profit of the new product range when computing residual income with the new product range and hence were not able to interpret the results accordingly.

Question 2

Most of the Candidates were able to demonstrate their understanding of fixed and variable costing and applied them appropriately to the question.

Part (a) required Candidates to prepare the operational budgets for (i) total revenues, (ii) production volumes and (iii) materials purchase volume and total cost. Candidates were able to score for the straightforward computation of total revenues. Some Candidates did not provide for the wastage to determine production volumes. Common issues observed in deriving materials purchase volume included incorrect

application of the units of materials T and W as well as omitting the allowance for wastage.

For **Part (b)**, Candidates were required to explain why budget preparation is needed. Most Candidates who scored well tend to appreciate the need for forward planning and for the budget to be used as a tool to communicate expected performance to stakeholders. Some Candidates provided several reasons which reinforced the same point and hence could not be awarded more marks.

For **Part (c)**, Candidates were required to explain three primary responsibilities of a manager. Credit was given to Candidates who articulated the principles of planning, control and evaluation; however, their use of key phrases could have been more precise. Similar to part (b), some Candidates repeated the same point even though they provided several reasons.

Question 3

Question 3 is highly relevant to Singapore given its current food security challenges, which are made worse by climate change and urban growth. This question posed difficulties for many Candidates as they generally lacked exposure to agriculture and sustainability. Candidates are encouraged to broaden their horizons to have a better grasp on what the greater economy encompass, rather than confining themselves to their existing knowledge.

This question assessed Candidates' application on contribution and various classes of costs, which are fundamental in management accounting. Candidates who performed poorly in this question showed that they either lack preparation on contributions and classes of costs such as variable and fixed costs or were simply weak in the topic. This is similar to Question 2, which also tested the concept of contribution but required Candidates to flex their critical thinking ability.

Many Candidates failed to fully grasp the requirements of the question and did not show the necessary calculations which resulted in a loss of marks.

For **Parts (a)(i) to (iii)**, Candidates were presented with various options for the fishing farm and were tested on their ability to work out what decision the owner(s) were required to make based on available information. While some Candidates excelled, many struggled. Frequent mistakes included neglecting necessary calculations, misunderstanding contributions, incorrectly applying concepts and not answering to the requirements of the question.

For **Part (b)**, Candidates generally understood that they had to explain how sustainability creates business value in four ways. However, their answers revealed a poor understanding or could not fully connect sustainability to practical business benefits.

Most Candidates had a basic idea of sustainability but often missed detailed connections to business benefits. Strong answers addressed long-term cost

savings, improving brand reputation, complying with regulations, and gaining customer loyalty. Some Candidates failed to show how these sustainability efforts lead to measurable business outcomes.

Overall, the clarity and organisation of answers were adequate, but some had issues with unclear or weak arguments and lack of clear train of thought resulting in poorly organised and concise answers.

For **Part (c)**, Candidates generally understood the need to explain the differences between merchandising, manufacturing, and service organisations. However, many failed to show how these differences affect accounting systems.

Most Candidates had a basic understanding of the differences between these types of organisations. Those who could explain how these differences impact accounting systems showed good content knowledge. However, many Candidates struggled to make this connection.

The best answers clearly compared the different organisation types and explained how these differences affect accounting systems. Weaker answers just listed the differences without deeper analysis.

Question 4

Question 4 required Candidates to demonstrate their understanding of relevant costing concepts and tested their ability in computations and theories. While many Candidates excelled in the theoretical part, they struggled with the calculations. This highlights the importance of improving computational skills to avoid incorrect calculations that could lead to unnecessary loss of marks.

Part (a) required Candidates to calculate the relevant costs for Project X. Performance for part (a) was weak. Most Candidates struggled to understand the requirements of the question which was reflected in their answers. They had difficulties in distinguishing between relevant and irrelevant costs, which affected their ability to calculate costs accurately.

Only a handful of the Candidates showed a good understanding by correctly identifying and calculating relevant costs and stood out with nearly perfect marks.

Generally, many Candidates made mistakes, particularly with items like skilled labour and overhead costs from the Head Office.

The following are observed:

- They had trouble analysing the costs systematically and making justified decisions about what to include or exclude.
- Failed to apply cost classification principles correctly, which led to errors in their calculations.

- Included misunderstanding which costs were relevant, miscalculating specific cost elements, and not providing enough justification for their decisions.

For **Part (b)**, it was evident that most Candidates understood the question requirement well. They effectively identified non-financial factors to consider before sending out a quotation. Commonly cited factors included reputation management and customer relationships. However, some responses lacked depth in providing further explanation and/or citing with example(s) and/or or linking them to the question.

Areas for improvement include encouraging Candidates to provide explanations and/or more examples and/or evidence to support their reasoning.

Part (c) required the Candidates to explain one key difference between management and financial accounting, using the COE comment. Management accounting focuses on internal decision-making, while financial accounting deals with external reporting. Many Candidates understood the differences between management and financial accounting, but some Candidates missed connecting these concepts to the CEO's comment, which resulted in a loss of marks.

Stronger answers clearly explained these differences and linked them to real-life examples or how they impact decision-making in a company. Weaker answers often lacked clarity or failed to apply these concepts effectively to the CEO's statement. Good answers effectively explained how management accounting influences decision-making based on the CEO's remarks.