

Singapore CA Qualification (Foundation) Examination**23 June 2025****Accounting for Decision Making****INSTRUCTIONS TO CANDIDATES**

1. The time allowed for this examination paper is **3 hours 15 minutes**.
2. This examination paper has **FOUR (4)** questions and comprises **TWELVE (12)** pages (including this instruction sheet and Appendix A). Each question may have **MULTIPLE** parts and **ALL** questions are examinable.
3. This is a restricted open-book examination. This means that you are allowed to only bring the following materials into the exam location:
 - One A4-sized double-sided cheat sheet.
 - One A4-sized double-sided blank scratch paper.
4. During the examination, you are allowed to use your laptop and any calculators that comply with the ISCA's regulations. Please note that watches, mobile phones, tablets, and all other electronic devices **MUST NOT** be used during the examination and **MUST NOT** be within reach or sight or hearing from where you are seated to write the exam.
5. During the examination, videos of you and your computer screen will be recorded for the purpose of ensuring examination integrity and you have consented to these recordings.
6. This examination paper is the property of the Accounting and Corporate Regulatory Authority.
7. Only answers in **English** are accepted.

MODULE-SPECIFIC INSTRUCTIONS:

8. Assume that all dollar amounts are in Singapore dollar (S\$) unless otherwise stated.

IMPORTANT NOTICE:

If you are not feeling well, please do not press "Start Assessment". If you have started and leave during the exam, you would be deemed to have attempted the paper.

****VERY IMPORTANT NOTICE****

1

1. Your question paper is attached under the "**Resource**" tab found at the bottom right of **EACH** question.

Other important information:

2. You will **only be allowed** to access the Excel function from your computer.
3. You are **NOT ALLOWED** to access any websites or reference materials (except for your A4-sized double-sided cheat sheet) during the exam.
4. You are **NOT ALLOWED** to print the question paper.
5. **Please take note that your screen will be monitored throughout the examination. If you are found to have accessed unauthorised materials or websites, or if you cheat or attempt to cheat, you will be liable to severe disciplinary action.**

Should you encounter any issues during the exam, please call the following number:

+65 6028 9811

6. **You do not need to fill in an answer to this instruction question.**

Question 1 – (a), (b) and (c)

Until now, Rightnight Beds (RNB) has exclusively manufactured and sold one type of bed for the Singapore market. RNB had a functional structure with different departments: Finance, Sales and Marketing, Human Resources, Design and Manufacturing, and Distribution. Each department managed its own budget.

Three months ago, plans were drawn up to launch a new type of bed – the ‘Foldaway King’ in the US market. The two products and markets are very different. The plan is to have two divisions: US and Singapore, each with its own functional structure. The finance department is deciding how to change the responsibility accounting structure accordingly.

Head office plans to appoint divisional heads to oversee each division but is unsure of how much decision-making power to grant them.

**e-Exam
Question
Number**

2

Question 1 required:

(a)(i) Describe the four different types of responsibility accounting centres (or ‘responsibility centres’) including how performance is measured in each case, using RNB to provide examples for each centre.

(8 marks)

(ii) Recommend a structure for responsibility accounting suitable for RNB when it operates in two markets with two different products.

(2 marks)

**e-Exam
Question
Number**

Question 1 cont.

3

(b) Discuss **TWO** advantages and **TWO** disadvantages of a centralised approach to decision making and recommend with justification whether to adopt a centralised or a decentralised approach to decision making when RNB operates in 2 markets.

(10 marks)

The US division has now been established. The initial flexible budget was initially agreed as follows:

	10,000 beds	20,000 beds
	\$'000	\$'000
Sales	8,000	16,000
Costs of sales	(3,000)	(5,000)
Other expenses	<u>(2,750)</u>	<u>(2,750)</u>
Profit	<u>2,250</u>	<u>8,250</u>

However, recent market research confirms projected sales of 17,000 beds, and the budget should be restated to reflect this volume.

**e-Exam
Question
Number**

Question 1 cont.

4

(c) Present the restated budget assuming sales of 17,000 beds.

(5 marks)

(Total: 25 marks)

Question 2 - (a), (b), (c) and (d)

Leatherstreet Shoes (LS) makes a range of hand-made, high-quality footwear.

The company has been preparing annual financial statements for many years. The accountant suggests that the company could benefit from undertaking managerial accounting, but the Chief Executive Officer (CEO) is unsure of what this means. In addition, the CEO is considering a project to improve the sustainability of the company but needs to be convinced that this will add value for the shareholders before proceeding.

LS uses exclusive full-grain leather sourced from Uplands Plain, a local company renowned for producing premium-quality leather. Uplands Plain is the only available supplier of leather for LS. In the coming month, only 150 metres of leather in the standard width will be available, priced at \$500 per metre. The footwear have insoles customised to fit the feet of each customer, crafted by the employed orthopaedist. The insoles cost \$350 per pair.

LS is a family-owned business and employs eight skilled workers – the only skilled workers capable of producing high quality footwear locally. They work a maximum of 9 hours a day for 20 days a month and are paid \$50 per hour. Overtime is not required in order to maintain a work-life balance.

The workers use one of two identical, bespoke machines in the process to ensure the production of the finest footwear. Each machine costs \$100 an hour to run and is only available for 9 hours a day when workers are present due to the high amount of maintenance needed.

The company makes three types of footwear, as follows:

Per pair:	Men's Oxford	Chelsea Boot	Riding Boot
Leather (standard metres)	0.25	0.4	1.2
Labour (hours)	3	4	5
Bespoke machine time (minutes)	30	45	60
Sales price (\$)	1,000	1,400	2,200

A long-term contract is in place with a local customer, Floating Feet, for the monthly supply of 10 pairs of each footwear type which must be fulfilled. Maximum demand, excluding the contract with Floating Feet, is 100 pairs for each type of footwear.

**e-Exam
Question
Number**

Question 2 required:

- | | |
|----------|--|
| 5 | <p>(a) Explain what managerial accounting is, giving TWO examples of the benefits of managerial accounting relevant to Leatherstreet Shoes.</p> <p style="text-align: right;">(4 marks)</p> |
| 6 | <p>(b) Identify, showing supporting calculations, whether any of the apparent production constraints (labour, bespoke machine time or leather) are limiting factors in this case.</p> <p style="text-align: right;">(5 marks)</p> |
| 7 | <p>(c) Calculate the optimal production mix of footwear for the coming month to maximise contribution.</p> <p style="text-align: right;">(12 marks)</p> |
| 8 | <p>(d) Explain, giving examples relating to Leatherstreet Shoes, TWO ways that sustainability can create business value.</p> <p style="text-align: right;">(4 marks)</p> <p style="text-align: right;">(Total: 25 marks)</p> |

Question 3 – (a), (b), (c) and (d)

Pine Dining Ltd (PDL) makes dining tables and dining chairs out of a rare high-quality pine sourced from New Zealand called Rimu. The factory comprises four cost centres: two production cost centres – Turning and Assembly, and two service cost centres – Canteen and Boiler House.

Table: Each completed table requires 90kg of wood. One table takes 60 minutes of skilled labour time in Turning, and 45 minutes in Assembly. Additionally, the machine time required for one table is 30 minutes in Turning, and 5 minutes in Assembly.

Chair: Each completed chair requires 13.5kg of wood. One chair takes 90 minutes of skilled labour time in Turning, and 15 minutes in Assembly. Additionally, the machine time required for one chair is 20 minutes in Turning, and 10 minutes in Assembly.

Wood costs \$20 per kilogramme. 10% of the wood that goes into production is wasted due to the shaping and smoothing processes. Skilled labour is paid at a rate of \$30 per hour.

Annual overheads are as follows:

\$	Turning	Assembly	Canteen	Boiler House	Total
Rent					140,000
Supervisor Salaries	10,000	10,000	3,000	2,000	25,000
Indirect Materials			75,000	50,000	125,000
Equipment Insurance					50,000
Heat and Light					210,000

The allocation of time spent by the service cost centres is as follows:

	Proportion of time spent on			
	Turning	Assembly	Canteen	Boiler House
Canteen	50%	45%	-	5%
Boiler House	40%	40%	20%	-

Further information about each cost centre is given below:

	Turning	Assembly	Canteen	Boiler House	Total
Number of employees	10	5	2	1	18
Floor area (square metres)	60	40	30	10	140
Estimated value of equipment (\$)	50,000	25,000	15,000	10,000	100,000
Direct labour hours per year	20,000	10,000			30,000
Machine hours per year	40,000	5,000			45,000

**e-Exam
Question
Number**

Question 3 required:

9

(a) Calculate the prime costs per table and per chair.

(5 marks)

10

(b) Calculate the overhead costs per cost centre after allocating and apportioning overhead costs to production and service cost centres, but before reallocating any service cost centre costs to other cost centres.

(9 marks)

11

(c) Calculate the overhead costs for each production cost centre after reallocating service cost centre costs using the Step Method (also known as the step-down method).

(6 marks)

12

(d) Calculate the total cost per table and per chair, including absorbed factory overheads, based on labour hours or machine hours for each production cost centre.

(5 marks)

(Total: 25 marks)

Question 4 – (a), (b) and (c)

Dig it Deep (DID) manufactures a range of gardening tools. DID is considering the purchase of a new machine to forge stainless steel spades. The steel is sourced from one of ten local suppliers, and the intention is to sell the spades online to individual customers for personal use. While DID faces competition from other tool manufacturers, its strong brand image allows it to compete on grounds of quality, enabling it to charge more than its competitors. Other products can also be used for digging – such as a mechanical rotavator, but the current state of technology makes these significantly more expensive than spades.

The new machine has an initial cost of \$3.5 million and is expected to have a scrap value of \$500,000 in three years' time. Maintenance would be \$10,000 in the first year, increasing by \$15,000 a year thereafter. The machine would take up 10% of the current factory space. This space is empty at the moment. Factory rent is \$1 million a year. 10,000 spades are forecast to be sold in Year 1, increasing by 5,000 spades each year thereafter. The sales price would be \$100 per spade in Year 1, with 10% per annum sales price inflation being applied to the prior year price in each subsequent year. Labour is paid \$20 per hour. Each batch of five spades takes 2 hours of labour to produce. There are currently 2,000 hours per year of spare labour available – that is, being paid but is currently unproductive.

The cost of steel is \$1,000 per tonne for the first 50 tonnes a year, decreasing to \$750 per tonne for all subsequent tonnes within the same year. Each spade weighs 5kg (there are 1,000kg in a tonne).

DID's cost of capital is 10% per annum and has a target accounting return on average investment of 25% per year. Ignore taxation and the time value of money.

**e-Exam
Question
Number**

Question 4 required:

13

(a) Calculate the future incremental cash flows associated with the project. Based on this calculation, recommend whether to proceed with the project.

(11 marks)

14

(b) Calculate the average annual accounting return on investment (based on average investment) and the average annual residual income of the project (calculating the imputed interest charge based on average investment). Based on these calculations, recommend whether to proceed with the project.

(6 marks)

15

(c) For **FOUR** of porter's five forces, provide **ONE** example for each force explaining how it could negatively affect the performance of the spade project at DID.

(8 marks)

(Total: 25 marks)

Appendix A – Common verbs used by the Examiners

Verb	Description
Calculate / Compute	Do the number crunching and derive the correct answer. Make sure that you write down your workings and crosscheck your numbers.
Discuss	Discuss requires you to provide the 'for' and 'against' arguments, you cannot have a discussion without opposing views otherwise it would be just a conversation. If discuss is placed near the front of the instruction, then it requires you to provide an answer that is similar to explain but addresses both for and against arguments.
Explain	Explain requires you to write at least several sentences conveying how you have analysed the information in a way that a layperson can easily understand the concept or grasp the technical issue at hand.
Justify	Whenever you see the word justify you <u>must</u> provide reasons for your answer, in other words, provide support for your argument or conclusion. If you fail to justify your answer, you will lose valuable marks. Justify is similar to defend .
Recommend	Make a statement about the most appropriate course of action. If there is more than one possible course of action, state which action you would choose and why (justify your choice). Your professional judgment and your ability to interpret the wider situation are critical to scoring well in these types of questions. Don't forget to think about the future and the past, not just the present when making a recommendation .
Use/Using	This instruction tells you the type of model that you must use when formulating your answer. For instance, " Using the <u>Discounted Cash Flow</u> approach, ..." tells you what valuation approach to use. Another common phrase is " Using the facts of the case, ...", which tells you that you must relate your answer to the specific facts given in the question scenario. Generic answers will not pass.