

SINGAPORE CA QUALIFICATION (FOUNDATION) EXAMINER'S REPORT

MODULE: Accounting for Decision Making (ADF)

EXAMINATION DATE: 9 December 2024

Section 1

General comments

The marks allocation and difficulty level for this sitting was reasonable. Well-prepared Candidates who demonstrated their understanding on the topics tested with well-structured answers based on their knowledge application scored either merits or distinctions.

It was noted that some Candidates performed better on the computational elements of the examination than on the theoretical elements.

Again, we noticed that some Candidates attempted this paper by spotting questions from past exams. This is a risk as they may not be prepared for questions derived from other topics. Candidates are reminded to demonstrate appropriate application of their knowledge in relation to different scenarios during the exams.

To conclude, as with all past sittings, Candidates who were ill-prepared and/or did not manage their time well, scored below the passing grades. Hence, 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 the textbook setting. Candidates are also encouraged to stay in touch with current affairs, the business environment and/or economy at large including for example, issues such as green energy and sustainability.

Time management appeared to have improved for this sitting as only a handful of Candidates did not manage to complete all 4 Questions. Candidates are strongly encouraged to practice time management during exams to answer all questions comprehensively.

Section 2
Analysis of individual questions

Question 1

Question 1 required Candidates to apply what they learnt from preparing financial statements. This allowed Candidates to understand how management reporting translates into financial reporting and to reflect the results of certain management decisions. Candidates generally fared well for both parts of this question.

Part (a) tested Candidates on their knowledge of the Statement of Financial Performance while **Part (b)** tested Candidates on their knowledge of the Statement of Financial Position. Most Candidates were able to apply what they have learned and, understood the requirements for both parts of the question.

Most common omissions were the “Profit Before Interest and Tax” line for Part (a) and “Reserves” and “Non-current liabilities” lines for Part (b) of this question. Some Candidates exhibited sound analytical skills in straightforward computations but had difficulty synthesizing information to present more nuanced financial statements such as the separation of expense categories, loan and interests as well as equity-related calculations.

Question 2

Question 2 tested Candidates on their understanding of Fixed and Variable Costing as well as comparing Variable Costing against Full Absorption Costing. Those Candidates who were well-prepared for the topic scored well while those who were ill-prepared struggled.

Part (a) required Candidates to calculate the variances between budgeted and actual overheads. Overall, the performance was mixed. Many Candidates struggled due to issues in understanding, and presentation. Only a few Candidates accurately applied the formula and principles, demonstrating a clear understanding of identifying variances through their computations. A large number of Candidates showed a lack of attention to detail, e.g. did not provide answers in the appropriate presentation format required by the question.

Candidates exhibited basic analytical skills in calculating the variances. However, there was a tendency to stop at the intermediate stage (volume variance) without synthesising the information into the required format (dollar variance).

Common errors included the following:

- Failure to include the formula for Budgeted Overheads.
- Failure to present the variance in dollar terms.
- Lack of clear labelling for question parts (i) and (ii).
- Unclear distinction between units and dollar values.

For **Part (b)**, Candidates were tasked with explaining the effects on the performance of the company from transitioning from absorption costing to variable costing. Most Candidates performed reasonably well for this question, demonstrating an understanding of the key effects of transitioning from absorption costing to variable costing. Answers were generally logical and supported by appropriate reasoning, though the depth of explanation varied significantly.

Candidates who explained how variable costing affects profit calculations under changing inventory levels or highlighted its behavioural implications (e.g., a narrow focus on cost control) provided strong, relevant answers.

Critical thinking was present in responses that considered both the immediate and longer-term behavioural effects of the costing change.

Only a few Candidates used specific examples or scenarios to support their answers. While not strictly necessary, including examples would have enhanced the quality of responses and demonstrated a stronger understanding of practical implications.

Common errors included the following:

- Providing overly brief or underdeveloped explanations.
- Merging multiple points into one sentence, reducing clarity and potential marks.

- Failing to fully explain all three effects of transitioning from absorption costing to variable costing.

For **Part (c)**, Candidates were required to explain the characteristics of effective performance measures. Overall, Candidates demonstrated a fair understanding of the characteristics of effective performance measures. Many Candidates correctly identified key characteristics of the performance measurement principles such as relevance, clarity, measurability, and alignment with objectives. However, some Candidates failed to contextualise the identified characteristics to SBP, resulting in a lack of sufficient detail or depth in the justifications.

It was also noted that some Candidates lumped multiple points into a single paragraph. It is recommended that separate points be clearly indicated to prevent loss of marks.

Question 3

This question tested Candidates' ability to analyse financial impacts, provide strategic recommendations, and apply theoretical frameworks effectively.

The question assessed Candidates' application of contribution and various classes of costs which are fundamental in management accounting. Candidates who did badly on this question showed that they lacked preparation on contribution calculations and classification of costs such as variable and fixed costs.

For **Part (a)**, Candidates were required to calculate and comment on the financial impact of closing a division on group profits. This part was relatively straightforward, utilizing a commonly used strategic management tool for financial analysis. Most Candidates performed well, demonstrating their competence in handling the required calculations.

For **Part (b)**, Candidates were required to provide recommendations based on the calculations performed in part (a). Many Candidates failed to integrate financial data calculated in part (a) to support their recommendations. Some Candidates offered thoughtful recommendations, but many failed to provide conclusive or innovative solutions.

For **Part (c)**, Candidates were required to utilise Porter's generic competitive strategies framework to identify and explain the underperformance of the case company. Many Candidates misunderstood the requirement and used Porter's Five Forces instead of Porter's Generic Competitive Strategies. Hence, many Candidates relied on the incorrect framework to support their answers.

Additionally, many Candidates lacked sufficient industry-specific analysis and/or lacked adequate examples or clear links to the industry context.

Poor performance by Candidates with this question indicated either a lack of familiarity with the relevant concepts or difficulty in applying them to the specific industry scenario. Many Candidates were also unable to perform the necessary calculations using Porter's generic competitive strategies.

Question 4

Question 4 required Candidates to demonstrate their understanding of fixed and variable costing concept through standard costing methodology and tested their abilities in both computations and theories. Many Candidates excelled in theory but struggled with calculations. This highlights the importance of improving computational skills to avoid incorrect calculations that could lead to an unnecessary loss of marks.

Candidates are reminded that a clear presentation of workings would allow marks to be awarded even if the final answer is incorrect.

Part (a) required Candidates to compute variable and fixed cost per unit. This question proved to be moderately challenging for Candidates. While some Candidates managed to approach the computation correctly, many faced difficulties, particularly with the labour cost calculation. Confusion in separating variable and fixed costs was a common issue, and poorly organised workings further hindered clarity and scoring.

Most Candidates understood the requirement to calculate costs using the high-low method. Several Candidates did not realise the importance of separating labour costs into variable and fixed components, leading to a lump sum calculation and a loss of marks.

Many answers were disorganised, with computations scattered across the page, making it difficult for markers to award partial marks.

Part (b) required Candidates to compute the target cost, forecast cost and cost gap and provide reasonable and practical recommendations for closing the cost gap. Most Candidates demonstrated a good understanding of the requirements. Well-performing Candidates presented their calculations in a structured and logical manner. However, a few Candidates misunderstood the basic concepts, providing generic textbook definitions rather than tailored responses. A small number of Candidates did not attempt the question, suggesting either a lack of preparation or a misunderstanding of the question requirements.

Part (c) required Candidates to provide reasons for the development of standard costs and to discuss the issues with their use in a modern business context. Both questions were straightforward, with most scoring well on these parts.

A few Candidates failed to attempt the questions, suggesting either lack of preparation or misunderstanding of the question requirements.

There were instances where Candidates did not label their responses clearly, making it difficult to identify which part of the question they were addressing. The lack of clarity in question numbering caused some confusion in determining which answer corresponded to which part of the question.