

SINGAPORE CA QUALIFICATION (FOUNDATION) EXAMINER'S REPORT

MODULE: Accounting for Decision Making (ADF)

EXAMINATION DATE: 20 June 2018

Section 1

General comments

Similar to previous examinations, this paper continued to use a single case to address four independent questions. The case examined the use of strategic analysis, budgeting, costing techniques, and performance evaluation tools to help make good decisions and achieve expected results for a private educational institution. The examination continues to be a restricted open book format with Candidates being able to bring in a double-sided A4 page of personal notes for reference.

The overall performance was better than the ADF examination in the December 2017 session, although the quality of answers provided by Candidates varied significantly. Good Candidates managed to score exceptionally well in all questions, with full marks or near full marks being granted to a few qualitative and quantitative answers. The ability of Candidates to manage their time seems to have also improved significantly, although there were still occasional blank answer scripts.

Weak or ill-prepared Candidates typically did not provide proper analysis and simply copied or re-arranged words from the case for the qualitative answers. These answers scored zero for the relevant components. Furthermore, weaker Candidates were unable to apply different costing techniques to the case scenarios. The answers provided by the weaker Candidates indicate that they were unable to appreciate the underlying principles and purpose of the costing techniques.

For quantitative questions, some Candidates failed to provide their workings to demonstrate their thinking process and to itemise the relevant figures used. When Candidates presented a wrong figure without any workings (or underlying equation), especially for the question requiring various data points to be derived, the markers were unable to perform any tests to check for possible errors. Candidates can only expect zero for this type of wrong answers. Candidates should note that if their final answer is incorrect, markers will attempt to identify the underlying cause (for instance, a transposition error, omission of a data point, incorrect sign, etc.) to see if they can award partial marks for workings.

Section 2

Analysis of individual questions

Question 1

Question 1 asked Candidates to provide TWO analyses (including implications to the Company's business over the next three years) for each perspective of the PEST (Political, Economic, Social, and Technological) framework.

Good Candidates had little problem scoring excellent marks in this question.

Unfortunately, some Candidates just copied the case facts directly or wrote with some rephrasing or rewording without actual analysis or discussion of the implications. Many Candidates only provided ONE analysis with or without discussion of the relevant implications to the Company. While this could be a problem of time management, it is more likely that these Candidates failed to carefully read the requirement. In the worst case, Candidates just provided a definition for each perspective of the PEST framework without analysis.

In some cases, the discussions were categorised in the wrong perspective. For example, economic factors were discussed under the social or political perspectives. A few Candidates provided identical or similar discussion but using the two different divisions of the Company, Academic Division and Professional Division, as two different points, which resulted in the loss of valuable marks. The question asked Candidates to '*assess the implications for BSB's business over the next three years*', so common factors between the divisions only count as a single factor.

In some cases, Candidates provided implications to the stakeholders, such as students, instead of the implications to the Company's business as required by the question. In these instances, further elaboration was required to make the point more relevant and to fill in the missing link to score well.

Question 2

This question had two independent components.

Part (a) of the question asked Candidates to analyse the situation using the Quality, Cost, and Time Triangle. Similar to Question 1, good Candidates demonstrated their understanding of the issues at hand and scored highly while weaker Candidates just copied the case text or slightly rephrased the words from the case without really providing any analysis. Some Candidates elaborated and discussed the same issue multiple times, which will not lead to extra marks.

Ill-prepared Candidates discussed quality, cost, and time independently without considering the interrelationships, constraints, and trade-offs among them, showing inadequate preparation for this theoretical concept. Candidates must know and be able to apply all concepts highlighted in the Learning Objectives for this module.

Part (b) of the question required Candidates to justify their choice of Key Performance Indicators (KPIs) for the given four perspectives based on the Balanced Scorecard concept. While some Candidates scored excellently, some Candidates left this part completely blank without any attempt at all.

Some Candidates identified relevant indicators and provided correct justifications but under the wrong perspectives. These careless errors did not score.

Some Candidates incorrectly presented justification for customer / stakeholder related issues in the financial perspective but went on to correctly present another customer related point in the customer perspective. While obviously not a careless mistake, the first answer point indicates that the Candidate was unable to appropriately link relevant KPIs to all the perspectives of the Balanced Score Card.

Providing a KPI without stating how this KPI should be measured specifically was a common problem that led to loss of marks for that answer point. Bad examples extracted from Candidates' answers include "future prospects", "reliability", "responsiveness", and "quality improvement". Candidates are reminded not to forget the importance of applying the concept of SMART (Specific, Measurable, Attainable, Relevant, and Time-bound) when setting KPIs.

Question 3

It was a relatively heavy weight but straightforward question.

Question 3 required Candidates to compute expected profits under different scenarios and plans. Well-prepared and careful Candidates were able to ace this question. Many Candidates were able to score more than half of the available marks for this question.

Question 4

This question tested costing concepts.

Part (a) and **Part (b)** were about cost allocation. Most Candidates did exceptionally well in **Part (b)(i)** by scoring full marks in the calculations but some Candidates struggled to explain the problems of using a single cost allocation driver clearly in **Part (b)(ii)**. Similar to Part (b)(ii), weaker Candidates did not do well expressing their justification. Nevertheless, the majority of Candidates were able to do reasonably well in **Part (a)**.

Part (c) asked Candidates to explain how to deploy Target Costing, Job Costing, and Activity-based Costing in the Company's operations and describe how these techniques create value for the Company. Many Candidates were unable to apply the methods as they simply treated all methods as a cost allocation technique. The ability to illustrate how to use these costing methods was poor, and weaker Candidates only provided a description of the methods.