

SINGAPORE CA QUALIFICATION (FOUNDATION) EXAMINER'S REPORT

MODULE: Accounting for Decision Making (ADF)

EXAMINATION DATE: 6 June 2019

Section 1

General comments

The June 2019 exam paper was well-balanced in terms of the level of difficulty and range of topics tested. The Candidates who were well prepared for this sitting scored reasonably well on both conceptual and computational parts of the exam.

As with any other past sittings, Candidates who were not prepared, scored below the passing grades. They were generally performed weaker in questions 2 and 3 of the exam. Candidates should prepare themselves by covering all topics within the ADF syllabus. Selective picking of topics was detrimental to many Candidates.

Time management was a recurring issue for many Candidates who attempted the exam. It was observed that many Candidates had little time to attempt questions 3 and/or 4. This was unfortunate as most of the Candidates who attempted question 4 were able to score reasonably well.

Section 2

Analysis of individual questions

Question 1

Part (a) required Candidates to calculate cost components for individual products. Generally, Candidates did well for the part and many of them were able to score full marks. For the few Candidates who were not able to answer **part (a)** well, they correspondingly performed badly for **part (b)**.

Part (b) required Candidates to identify the work constraint and to use the constraint to work out a production plan. Among the three parts of question 1, **part (b)** seemed to be the most challenging part, with majority of Candidates failing this part of the question. Generally, Candidates did not answer the question either due to time constraint or simply answered the question out of context and thus, losing marks.

Part (c) required Candidates to describe four non-financial factors that should be taken into account before purchasing goods from the external supplier. Majority of the Candidates were able to answer **part (c)** this part of question. However, the quality of answers needs improvement. Some of the solutions were too short to earn full marks.

Overall, those Candidates who managed to obtain at least a pass grade for this question attained it due to their efforts in **part (a) and (c)**.

Question 2

For **Part (a)**, Candidates were expected to prepare a Cost of Quality Report for 20x7 and 20x8 in both absolute costs and as a percentage of total quality costs.

The Report should show the following costs for both 20x7 and 20x8:

- (i) Prevention cost
- (ii) Appraisal cost
- (iii) Internal Failure cost
- (iv) External Failure cost.

Candidates are advised to show workings so that partial marks could be given for partly correct calculations.

Common mistakes found in each type of cost components are as follows:

- For Prevention cost, most Candidates did not multiply the Designer's Hourly Rate at one and a half times of the standard rate for overtime work.
- For Appraisal cost, most Candidates did not calculate the equivalent unit for the 4 part-time employees working half a week and for 20x8, the other common mistake was to include redundancy costs. Very few Candidates treated redundancy costs correctly.
- For Internal Failure cost, almost all Candidates did not calculate waste based on 0.01/0.99 for 20x7 and 0.012/0.988 for 20x8.
- For External Failure cost, some Candidates only accounted for the warranty claims but did not add in the compensation cost.

For **Part (b)**, Candidates are expected to interpret the Report and recommend a course of action. In addition, Candidates are expected to describe any further information that would be relevant to their analysis on the Financial Accountant's initiative to reduce quality-related costs. As a continuation of **part (a)**, Candidates are expected to cover the four cost components.

The common mistake was to talk around the numbers without presenting the business issues. Candidates tend to provide textbook definitions on what each of the above costs or provide sweeping comments with little or no reference to the case study.

Most Candidates missed out on the second part of the question asking for further information that could be relevant. Acceptable answers include commenting on the type of skills, training and breakdown of warranty claims, as well as time factor or lead time to produce and deliver customers' orders.

As a continuity to **part (a)** and **(b)** of this question, **part (c)** required Candidates to explain why the Financial Accountant's idea on cost management could be potentially detrimental to the overall performance of the company.

Most Candidates failed this part of the question. The common mistake was that Candidates answered *what* the Financial Accountant idea was without explaining *why* it could be detrimental to company. Candidates mostly quoted, rephrased or regurgitated what was stated in the question, hence not answering the *why*.

Candidates are expected to discuss implications of cost reductions on quality, margins, competitiveness, reputation and long-term risks on brand and future sales.

This question is tougher than question 1 in comparison and hence, Candidates whom are ill prepared or cherry-pick topics for their exam preparation suffered when answering this question.

Question 3

Part (a) required Candidates to demonstrate their understanding on Economic Order Quantity (EOQ). This question part was reasonably well attempted by Candidates. However, most of the Candidates were not able to demonstrate step by step computation and did not document their workings clearly in deriving the answer. Most Candidates provided irrelevant permutation of figures for which marks were difficult to award without clear demonstration by Candidates that they understood what the question required.

Candidates should note that it is important to label the computations or workings used in deriving the final answer, as it provides a trail for markers to identify and follow through the computations.

Part (b) required Candidates to showcase their understanding and decision making based on the given scenario of 1% discount for increased quantity ordered. Most Candidates performed badly for this part. Marks were awarded on the decision made based on the evidence of the Candidates' thought process, logic and assumptions. No marks were awarded for Candidates who provided qualitative explanations without supporting figures to show their understanding of this part of the question. Similarly, no marks were awarded to Candidates who provided one-line answers without attempting to put forth any explanations.

For **part (c)**, most Candidates were able to articulate the limitations of using the EOQ model. However, not many of them were able to make reference back to ELW. Quite a number of Candidates seemed to have an impression that each limitation was worth 2 points and therefore only wrote 3 to 4 points. Some Candidates left the answer blank and did not attempt the question part. This could be a result of poor time management or a lack of knowledge on this topic.

Question 4

Question 4 was the easiest question to attempt among all 4 questions set out in this sitting. This question tested Candidates' knowledge on the Porter's 5 forces framework that highlights the threats of substitutes, new entrants and competitive rivalry as well as the bargaining power of suppliers and customers.

Majority of Candidates scored quite well for this question as a whole. Candidates who were not able to relate their answer to the case were penalised. Time management was an issue for Candidates who failed to attempt the question.

Part (a) required Candidates to identify and explain the Porter's 5 forces. By listing out these 5 forces (or components), Candidates would score 0.5 mark each with 1.5 marks being allocated for explanation with the case study as reference point. Many Candidates were able to articulate at least 3 to 4 of the forces.

Part (b) required Candidates to identify and justify one key performance indicator (KPI) to monitor each of the components in **part (a)**. A good number of Candidates were able to identify the KPIs and justified such KPI to the case study. However, there were some Candidates who only quoted the KPIs but were unable to link their KPIs to the case study. Even so, this allowed them to earn enough marks to pass this part of the question.

For **part (c)**, by quoting the six capitals of Integrated Reporting (IR) and referencing these elements back to the case study would have earned Candidates 6 marks out of the possible 10.

Majority of the Candidates failed to answer the second part of the question which required Candidates to illustrate the relationship between input and output capitals using the case. Candidates failed to provide examples or illustration and lost marks from this part of the question.