
Examination Panelist's Report

Paper II
PBE Management
Accounting and Finance
(June 2017 Session)

(The main purpose of the following report is to summarise candidates' common weaknesses and make recommendations to help future candidates improve their performance in the examination.)

General comments

Candidates in general did satisfactorily in this paper particularly in Question 1 and Question 5. These two questions are traditional management accounting questions. Candidates did not perform so well in the questions related to topics in Financial Management which form an integral part of this paper. Candidates are advised to pay an equal level of attention to both parts.

Specific Comments

Section A – Compulsory Questions

Question 1 – 22 marks

This is a compulsory question and it tested candidates' abilities to construct a projected financial statement from the information given and to calculate the return on asset and equity. The performance was satisfactory and most candidates could apply their knowledge to the case.

Question 2 – 18 marks

This question continued with the application of the case regarding cash flow estimation and net present value calculation. It was not well answered, partly because it involved more work and understanding from the case. It also reflected that students had not mastered the technique of capital budgeting well. In addition, part (d) asked for a "way to increase revenue of the business" and yet some candidates mixed this up with expense and proposed ways to reduce expenses.

Section B – Optional Questions

Question 3 – 20 marks

This question assessed candidates' understanding of dividend policy and two important ratios related to dividend payment: dividend yield and dividend payout ratio. The performance was fair. Students could perform better in order to gain a higher score for this typical question.

Question 4 – 20 marks

This question was attempted by a few candidates only and the performance was quite poor. It was about theory and the application of market efficiency. It seems that most candidates were not familiar with the topic which is indeed an essential concept in financial management.

Question 5 – 20 marks

This question was the best handled question in this paper. Candidates could master the concept and application of accounts receivable as covered in the question very well.

Question 6 – 20 marks

This question was a typical question about the application of break-even analysis. Surprisingly, the performance was not satisfactory. Candidates are reminded that break-even analysis is an important decision tool in management accounting especially for the production volume and the launch of a new product.

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