

Examiner's Report

December 2009 Session

Paper 3

Management Accounting

General Comments

The overall performance in this session was unsatisfactory and the pass rate was significantly lower than that of last session. This was probably because some of the topics in the paper were not expected and practiced by the candidates. Quite a number of candidates failed to demonstrate a good understanding of both the concepts and the practice of management accounting and they were obviously not well prepared for the paper. In order to achieve a pass, candidates are strongly advised to study all topics stated in the syllabus and should not assume that same type of questions will be repeated session after session.

In this session, the writings of some of the candidates were illegible and untidy. Candidates should recognise that it is not the duty of the markers to guess what the candidates write and thus candidates should try their best to improve their writings.

Section A – 15 Multiple-choice Questions

The result for Section A (Multiple-choice Questions) was quite disappointing. More than half of the candidates failed in this part. Quite a number of candidates obtained zero mark for questions A11 to A15, which contributed to 10% of the overall marks for the paper. As the multiple-choice questions usually cover a wide range of topics in the syllabus, including both conceptual and computational types, candidates are encouraged to study the recommended textbook well when preparing for the examination.

Section B – 1 Compulsory Question

Performance of the candidates for both Sections B and C was also poor. Most candidates did not demonstrate adequate knowledge of management accounting and failed to apply the costing concepts being examined.

Question B1

This was a compulsory question consisting of three parts and the overall performance was just satisfactory. Parts (a) and (b) were concerned with the computations of the budgeted overhead absorption rate for production departments, unit cost and profit for each product respectively. Part (c) was concerned with the explanations of the difference between job costing and batch costing and suggestions of two types of business in which batch costing would be appropriate.

For part (a), most candidates did not know how to spread the service departments' overheads over the production departments by using the repeated distribution method. Even if they could compute the overhead cost correctly, they were unable to calculate the basis of machine hours and direct labour hours for the two departments respectively.

Candidates' performance in part (b) was satisfactory. However, some candidates failed to observe the requirement for computing the unit cost of each product and thus lost marks.

Not many candidates attempted part (c) as it was concerned with essay writing and those who attempted it did not perform well. They were unable to distinguish job costing and batch costing properly, and gave irrelevant examples.

Section C – 3 Optional Questions

Candidates were required to answer two out of three questions. The overall performance in this section was satisfactory.

Question C1

The passing rate for this question was the highest in Section C. Part (a) tested candidates' ability in preparing the budgeted operating statements using absorption and marginal costing systems. Candidates' performance in this part was satisfactory except that some candidates were unable to calculate correctly the closing inventory under the absorption costing system.

Part (b) required candidates to reconcile the budgeted profits calculated in (a) between the two costing systems. Few candidates scored marks in this part as they failed to recognise the different treatments of fixed cost in calculating the closing inventory.

Part (c) required candidates to explain over-absorption and under-absorption of overheads and the situation in which these cases would occur. Quite a number of candidates omitted this part or gave irrelevant answers. This revealed their weaknesses and deficiency in answering conceptual type questions.

Question C2

This was a straightforward question but the performance was far from satisfactory. For part (a), most candidates were able to compute the cash inflow and outflow for the first quarter of 2010, but quite a number of them failed to provide a total column for the first three months.

Part (b) aimed at testing candidates' knowledge on the preparation of the budgeted statement of comprehensive income for the period. It was quite surprising to find that some candidates prepared the statement on a monthly basis when they were asked to prepare a statement for one period (a three-month total figure from January to March). Hence, candidates are strongly advised to read the question carefully and provide their answers according to the requirements of the question.

Few candidates could score marks for part (c) because they were unable to explain the incremental budgeting approach and point out its advantages.

Question C3

Question C3 was the least popular question and was answered by very few candidates. Those who attempted this question handled it badly. It aimed at testing candidates' knowledge on relevant costs and short-term decision making.

For parts (a) and (b), candidates failed to calculate the minimum price that should be quoted to the potential customer and provide proper explanation on the relevance of the additional information respectively. It appeared that candidates were not familiar with this type of questions and did not give sufficient attention on this topic. This revealed their practice of "screening out" topics for examination preparation and did not study those topics that were not always examined.

[END OF EXAMINER'S REPORT]