
Examiner's Report

Paper II
Management Accounting

(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

In general, the performance was satisfactory. Most questions were straightforward, but candidates sometimes failed to apply their knowledge to solve real life problems by drawing proper conclusions.

In addition, quite a number of candidates lacked awareness of the basic techniques in answering questions, e.g., providing different answering components to a question in random order and splitting the response to the same question on different pages. This created confusion for the markers and such a careless practice should be avoided.

Specific Comments

Section A – Compulsory Questions

Question 1

Candidates performed satisfactorily in the computation part of this question but it appeared that they failed to apply the concept of ABC to address behavioural issue examined in part (d).

In part (b), most of them could not give good reasons on why the move to ABC.

Question 2

Most performed quite well in this question. If they had read the question and analysed the data carefully, it was not difficult to get the correct answer for the computation part of the question as it involved typical production budget calculation.

In part (d), most provided the rationale related to the merits of JIT system.

Section B – Optional Questions

Question 3

The question examined the candidates' knowledge on evaluation of investment return.

Most got the correct answer but some of them failed to distinguish between Return on Investment (ROI) and Residual Income. This was quite disappointing.

In part (d), most failed to address the limitations of cost-plus pricing.

Question 4

Not many candidates selected this question and part (a) was not answered satisfactorily. Most candidates provided answers on strategic, tactical and operational information only and did not address the actual need of information for planning, controlling and decision making.

In part (c), again, not many candidates could note the four perspectives of Balanced Scorecard correctly and they failed to comment on the problem of its implementation.

Question 5

Many candidates gave incorrect answers on cashflows because they did not deduct the straight-line depreciation from the accounting profit in the computation. They should be aware of the delicate but important facts provided in the question, i.e., only accounting profit but not cash flow was provided.

It was disappointing that limitations of using NPV were also not well answered.

Question 6

Most candidates gave the correct answers in part (a) to part (c).

In part (d), the question examined candidates' the concept of "margin of safety" which was the change in sales level before a company incurred loss from operation. It was anticipated that after deriving the breakeven point in part (c), candidates would draw conclusions. However, not many gave the correct answer for part (f) and it indicated their weakness in applying their knowledge to solve problems that had a changing variable.

* * END OF EXAMINER'S REPORT * *