

Report on the Examination



Examination subject: Introduction to Cost and Management Accounting
Date of Examination: June 2015
Introduction/General comments: Overall pass rate was 50% which is an improvement on previous sittings and it was noticeable that there was considerable variation between candidates.
Question 1: Candidates were required to calculate the cost of stock issues using different valuation methods which was on the whole very well done. This was the most popular question in the paper. Candidates did less well on the written tasks and few were able to correctly quantify the effect on profitability of the different methods.
Question 2: A question which required calculation of labour costs and this was another popular choice. Candidates did struggle with the detailed nature of the calculations and relatively were able to accurately distinguish between direct and indirect labour elements.
Question 3: A question requiring candidates to identify direct and indirect expenses and to allocate these on appropriate bases to cost centres. Direct against indirect was answered on the whole quite well but the subsequent calculations did give some difficulty. Some good explanations were presented in respect of cost centres.
Question 4: Process costing is a difficult topic and this was not a popular choice. Some very good answers were submitted but on the whole candidates struggled with this one. Definitely an area that would benefit from further study for most.
Question 5 A breakeven chart was to be produced and most candidates were able to correct draw at least some of the required elements. A popular choice and some imaginative suggestions were presented under the heading of 'other factors' in the written section.
Question 6: Candidates were required to identify relevant cashflows and evaluate the financial

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viability of a long term project using payback and discounted cash flow techniques.

Good understanding of use of discount factors was demonstrated but other areas were relatively weak.

Question 7:

Somewhat unusually this question focused on the bookkeeping entries required in an integrated management accounting system.

On the whole the standard of answers was well above the average and this is clearly an area that has benefitted from some hard work by students and teachers.

Question 8:

Another popular choice and well answered for the most part. Students had to reconcile actual costs against budgeted costs and analyse the effectiveness of a sales campaign.

Most candidates reached the correct conclusion and there were some good written answers as a result.

Conclusions:

The better candidates showed clearly that this was a paper that gave ample scope for them to demonstrate knowledge and understanding. Still however too many candidates appeared to have significant weaknesses in their understanding of even some of the basic concepts.

Recommendations to students and tutors for future examinations:

The better candidates were those who showed genuine understanding of the context within which management accounting takes place. This is a field in which rote learning is of limited value whilst a little understanding of the bigger picture goes a long way and this is the approach that should be taken by students and tutors alike.