

## Examiner's analysis interview: F2 – Management Accounting

**Interviewer:** Hello. Welcome to the examiner's interview for F2, *Management Accounting*.

The examiner has provided the answers and his words are spoken by an actor.

The interview covers a range of issues including candidate performance over the last three examinations, common areas of weakness, what candidates need to do to improve performance and changes to the structure of the paper.

Can you please start by reviewing candidate performance over the past three exam sessions?

**Examiner:** Yes. I will review examination performance from June 2011 to December 2012.

**Interviewer:** Is there anything you would like to say about candidate performance?

**Examiner:** Generally, candidates achieved the poorest results on calculation based questions. Typically 50% of the questions on a paper will be calculation based. Commonly questions on the high low technique, ratio analysis and standard cost operating statements are badly answered. Most narrative questions are well answered, but some problems have occurred involving residual income and under or over absorption of overhead. Problems occur when questions go a little bit further than the introductory example level.

**Interviewer:** Would you give examples of areas that were not done so well?

**Examiner:** Two badly answered questions referred to in recent examiner's reports related to the high low method. In this, the majority of candidates failed to adjust for inflation and correctly applied the high low approach to incorrect data and arrived at the incorrect answer D. This suggests that although they understand the basic high low approach, they were unable to deal with the complication of changing price levels. A similar result occurred on a high low question involving stepped fixed costs.

Ratio analysis questions also cause problems. Candidates appear to know the definitions of ratios, but when I ask them questions relating to the effect of transactions on the value of ratios they find it much more difficult. In this case the correct answer is D, both ratios will decrease. The most

frequently chosen alternative was C. On this type of question correct answers are often not immediately obvious. Candidates should substitute some simple numbers to test out the effects of a transaction. Failure to take this approach suggests a lack of question practice.

**Interviewer:** Do you have more examples?

**Examiner:** Yes. Questions on standard cost operating statements also commonly caused problems. The correct answer is C which can be obtained by working backwards by adding appropriate adverse variances and subtracting appropriate favourable variances from actual profit. Standard profit on actual sales is exactly what it says, actual units multiplied by standard profit per unit. As it is based on actual units, a profit adjustment for the difference between budgeted and actual volumes is not required, and hence the sales volume variance should be ignored.

Incorrect answers were fairly evenly spread across the other three alternatives, suggesting a large amount of guessing by candidates. Performance on another question involving standard cost operating statements on the same paper was also poor. This suggests a lack of understanding in this area.

**Interviewer:** You mentioned that performance on narrative questions sometimes can also be poor, can you elaborate more please?

**Examiner:** Yes I will. Narrative based questions are generally well answered. The exceptions are those which relate to the application of a principle, for example ROI and residual income calculations.

The correct answer is D. The new project's return on investment is less than that of the investment centre and this will result in a reduction in its return on investment. However because the project offers a return higher than the cost of capital it will increase the investment centre's residual income. The most popular answer was C, with candidates mistakenly believing that the new project would result in a decrease in both return on investment and residual income.

Candidates usually do well on calculation questions based on these areas but perform poorly on written questions. This suggests rote learning at the expense of understanding.

A similar issue occurs with questions relating to the under or over absorption of overhead.

The correct answer was D.

Answer B was the most popular of the wrong answers, which suggests that candidates understood that situation (i) leads to over absorption but it was situation (ii) that caused the problem. If actual hours worked are below budget then applying the predetermined absorption rate (which is based on budgeted hours) to this lower number of actual hours will lead to under absorption.

Answers A and C were chosen by significant numbers of candidates, indicating a general lack of understanding of the topic.

Interestingly, when a calculation question is set on this topic the performance is better.

The correct answer is A, on this occasion selected by the majority of candidates.

**Interview:** Having reviewed candidates' performance can you give candidates any advice on preparing for the F2 examination?

**Examiner:** There are a number of things that candidates need to focus on in my view.

Each examination, computer or paper based, will cover the full syllabus.

There are no unimportant areas; therefore it is important that candidates study all areas of the syllabus.

Every examination will contain the same weighting of questions. These weightings can be deduced from the pilot paper.

Candidates should appreciate that although all questions carry equal marks, the level of difficulty varies between questions. In general, narrative questions are easier and quicker to answer. Candidates should avoid getting bogged down in calculation questions that they find difficult. "Guess and get on" is at times a sensible tactic.

The number of candidates who offer no answer to some questions is surprising; remember there is no penalty for incorrect answers.

Management accounting is straightforward if students understand how the principles, methods and techniques work. In teaching it is important to focus on the understanding of techniques rather than encouraging "rote learning" approaches. It is part of my role to develop questions that reward understanding rather than rote learning.

**Interviewer:** Can you give us an indication of what the focus is likely to be in future exams. Are there any changes to the syllabus?

**Examiner:** Quite simply there are no changes in the syllabus since December 2011 and no changes are planned for up to 1<sup>st</sup> September 2015.

**Interviewer:** What about the structure of the exam. Are there any changes?

**Examiner:** Yes. The structure of F2 exam will change. Multi-task questions will be introduced in all ACCA Knowledge modules (F1, F2 and F3) in both the paper and CBE exams. For F2, the exam will have two sections. Section A will have 35, two mark objective test questions while Section B will have three multi-task questions of ten marks each. Each multi-task question will come from budgeting, standard costing and performance measurement syllabus areas.

**Interviewer:** What do you mean by multi-task questions? Would you explain more please?

**Examiner:** Yes, of course I will. I will start with CBE multi-task questions. They are a series of short questions that relate to one scenario but each question part

could have different formats such as drop down lists, number entry, multiple choice or multiple response questions. Each component within a multi-task question is marked independently and so they are written in such a way that students are not penalised for the same error more than once. In the paper version of the exam these questions will require longer answers to be written and workings will have to be shown so that again, candidates are not penalised for the same error more than once.

**Interview:** When will these changes be introduced?

**Examiner:** These are planned to tie in with the 2014 exam year for the Foundation level and F1-F3. For the paper exam, the first exam with the new structure will be June 2014 while the CBE will be exams from February 2014. Specimen, CBE demo exam, practice tests and additional demonstration materials will be made available.

Keep watching the website for more information and updates.

**Interviewer:** Thanks very much.