

HOW TO ANSWER MULTIPLE-CHOICE QUESTIONS

RELEVANT TO ALL FOUNDATIONS IN ACCOUNTANCY PAPERS AND ACCA QUALIFICATION PAPERS F1, F2 AND F3

Exams for all papers in the Foundations in Accountancy qualification and Papers F1, F2 and F3 in the ACCA Qualification, whether computer based or paper based, will comprise multiple-choice questions (MCQs).

Answering MCQs successfully requires you to develop a range of skills and exam techniques.

Taking the steps set out below will help you to maximise your marks in these papers.

PREPARE TO PASS

As with any assessment, the golden rule for success is to prepare thoroughly. It is not unusual for ACCA examiners' reports to note that some candidates were not adequately prepared for the exam. In many cases, candidates attempt to compensate for inadequate preparation by 'question spotting', or concentrating on a small number of 'pet' topics. These approaches to preparation are extremely risky and are always strongly discouraged by examiners – for good reason.

As each MCQ relates to a specific issue within the syllabus, each exam will include broad coverage of the syllabus. This means that to maximise your chances of success you must have studied the whole syllabus.

You may be lucky enough to find that a particular MCQ is on a topic which was part of your most recent studies, but this will not be the case with the vast majority of the questions you will face.

As well as studying topics right across the syllabus, it is important to attempt past exams and exam-standard questions. Examples of MCQs are available on ACCA's website. Visit www2.accaglobal.com/students/fia/exam/ for *Pilot Papers* for the paper-based exams in the Foundations in Accountancy suite of qualifications and for Papers F1, F2 and F3 visit www2.accaglobal.com/students/acca/exams/ and select the relevant paper (the *Pilot Paper* can be located on the 'past exam papers' link). Visit www.iassessserver.com/index02.html to access the demo questions for computer-based exams. It is also recommended that you practise long-form questions, to develop a deeper understanding of the issues relating to each topic in the syllabus.

Of course, it is essential that you use all of the questions carefully and follow up on all of your answers. Whether a question was answered correctly or incorrectly during exam preparation, it will provide an opportunity to enhance your understanding of the topic. By reflecting on why a specific option is correct, while reflecting on why the other options are wrong can help to overcome misunderstanding and eliminate confusion. When attempting questions as part of your preparation, it is useful to remember that the key purpose of the exercise is to enhance your understanding – not just to get the right answer.

When reviewing each option, it is important to ensure that you understand exactly what the underlying point is – and to make sure that you reflect on this to enhance your learning.

READ THE QUESTION

The amount of time, effort, and discussion that is put into each question before it appears in an exam is likely to surprise most candidates. Every question is subjected to a number of rigorous reviews as it progresses from an idea in the writer's mind to the exam paper. These reviews mean that you need to read the question extremely carefully, remembering that the wording has been chosen deliberately. This is intended to ensure that the question is unambiguous and does not mislead candidates.

An example of the need to read the question carefully might be the way in which a question communicates cost information. It is not unusual for a question to relate to a production period of, say, three months, but for fixed costs to be stated as an annual figure. To get the correct answer, candidates must have recognised this fact. This is not an attempt to catch candidates out, but rather an attempt to ensure that candidates can apply the technique in a real-life situation, where information must be clearly understood and is frequently communicated in this way.

A further aspect is to recognise that the answer will be based on the data included in the question. There are two aspects to this. First, in order to ensure that questions are not too long, the data may have been simplified. To some candidates, this may seem to be unrealistic when compared to a real-life situation. A particular example of this is the way in which the labour cost is described in many questions. More often than not, direct labour is described as a variable cost, with no reference to the cost of laying off staff. For a candidate who has experience of staff rationalisation, this assumption will be totally unrealistic. While a longer question may provide the opportunity to critically examine the underlying assumptions, this is not possible in an MCQ and the question should be answered on the basis of the data provided. Second, only the data included in a question is required to obtain the answer. That means you should not waste time wondering about additional data, or inferring additional data into the question.



An example of this could be a question which tests the ability to calculate the closing balance on a ledger account. The question may give details of transactions during a period and a closing prepayment, but there may be no reference to an opening prepayment. In such cases, you can assume that this was nil. As already noted, the writer will have sought to keep the question as short as possible by omitting unnecessary words such as 'the opening prepayment was nil' or 'there was no opening prepayment'.

It is imperative that the prompt (the actual question that is to be answered) is read carefully. For example, a question may give information on receivables, irrecoverable debts, and required allowances for receivables. Here the prompt could require any of the following to be calculated:

- ▣ the movement on the allowance
- ▣ the closing receivables allowance
- ▣ the charge to the income statement or
- ▣ the net value of receivables to be reported on the statement of financial position.

Rather than actually reading and noting the prompt, some candidates assume that they know what it is. This is usually on the basis of a question they have seen previously. More often than not, this approach leads to the wrong option being selected.

THINK

It is a common fallacy that MCQs are easy. This is based on the fact that one of the options is the correct answer. Therefore, the argument goes, all you have to do is make the correct selection. While it is fair to say that some questions may be easy, that is usually because you have prepared thoroughly. Hopefully, this will happen in some questions, but it is more likely that the answer will not be obvious. A question from the *Pilot Paper* for Paper FAB/Paper F1, *Accountant in Business* illustrates this:

SAMPLE QUESTION 1

ABC Co has a system which records details of orders received and goods dispatched, invoices customers and allocates remittances to customers.

What type of system is this?

- A** Management information system
- B** Decision support system
- C** Knowledge management system
- D** Transaction processing system

Even a casual reading of the question will highlight that the word 'system' is a key word. It is used in the stem (the initial statement which describes the system), the prompt (the actual question) and in each of the choices.

This means that unless care is taken to read the question and think carefully about what is being asked, it would be easy to become confused. A further problem is that all four of the systems in the choices are examples of systems that might be utilised in an organisation.

To select the correct answer, the best approach is to consider what each of the four systems is intended to achieve.

A management information system is intended to provide information to managers. Information is processed data, which is useful for making decisions. In this case, the stem refers to data (as it is unprocessed – information would not be an individual order, but the total value of orders for a particular product or from a specific customer). Therefore, A is not correct.

A decision support system is intended to do exactly what the name suggests – provide information to assist managers to make decisions. Once again the system relates to information. As we have already decided that the stem refers to data, B cannot be the correct answer.

Choice C presents a potential problem. A knowledge management system is intended to create, capture, store and share information. The stem notes that the system 'records details of orders' (capture) and invoices customers (creates). This may create confusion for the ill-prepared candidate. However, a well-prepared candidate will note that, once again, the issue is that 'information' is relevant to a knowledge management system. On that basis, choice C is incorrect.

D is the correct choice because a transaction processing system deals with data – which is processed to create information.

From, this we can see that a candidate who is clear about the difference between 'data' and 'information' will be able to answer this question without undue difficulty, but very clear thinking, and application of knowledge, is needed.

It is essential that, having read the question carefully, you think about your response, and that your answer is the result of a considered choice. This is because of the way in which the incorrect options have been constructed. In ACCA exams, MCQs have one correct option and three incorrect options. The incorrect options are referred to as 'distractors'. This term is used because in writing the question, the examiner attempts to identify the most common mistakes made by candidates and uses these as a basis for the incorrect options. This can be illustrated by a question taken from the *Pilot Paper* for Paper FMA/Paper F2, *Management Accounting*.

AS EACH MCQ RELATES TO A SPECIFIC ISSUE WITHIN THE SYLLABUS, EACH EXAM WILL INCLUDE BROAD COVERAGE OF THE SYLLABUS. THIS MEANS THAT TO MAXIMISE YOUR CHANCES OF SUCCESS YOU MUST HAVE STUDIED THE WHOLE SYLLABUS.

SAMPLE QUESTION 2

Information relating to two processes (F and G) was as follows:

Process	Normal loss as % of input	Input (litres)	Output (litres)
F	8	65,000	58,900
G	5	37,500	35,700

For each process, was there an abnormal loss or an abnormal gain?

	Process F	Process G
A	Abnormal gain	Abnormal gain
B	Abnormal gain	Abnormal loss
C	Abnormal loss	Abnormal gain
D	Abnormal loss	Abnormal loss

SOLUTION

Each process must be considered separately.

Process F Normal loss is 8%, thus expected output is 92% of input.
Input was 65,000 litres.
Thus expected output was 59,800 litres.
Actual output was 58,900 litres.

As actual output was less than expected, there was an abnormal loss.

That means that choices A and B are incorrect. However, a common mistake by candidates is to assume that the performance in both processes is the same. Making this mistake leads to the selection of choice D.

Process G Normal loss is 5%, thus expected output is 95% of input.
Input was 37,500 litres.
Thus expected output was 35,625 litres.
Actual output was 35,700 litres.

As actual output was more than expected, there was an abnormal gain.

Thus the correct choice is C.

Another common mistake in questions such as this is to mix up the values for expected output and actual output. Well laid-out workings and a logical approach can help to overcome this problem.

WORK OUT YOUR ANSWER

As the incorrect answers are based on common mistakes, it follows that attempting to guess the correct answer is not likely to be productive. Rather it is essential that you use your understanding of the topic to work out your answer. This will prevent you from being distracted by incorrect options.

SAMPLE QUESTION 3 (TAKEN FROM THE PILOT PAPER FOR PAPER FA2)

At 30 November, Charles is owed a total of \$72,660 by his customers. His receivables allowance brought forward from the previous year end is \$11,700. He estimates that his receivables allowance should be equivalent to 15% of the amounts due from customers.

What value should be included in the income statement for receivables expense for the year to 30 November?

- A \$801 debit
- B \$10,899 debit
- C \$801 credit
- D \$10,899 credit

Solution

The receivables allowance should be equivalent to 15% of the amounts due from customers ($\$72,660 \times 15\% = \$10,899$).

If a candidate completes this calculation and then reviews the choices, there is a danger that, because \$10,899 is included in two of the choices, one or other of those choices will be selected.

This ignores the fact that the amount to be included in the income statement is the movement in the allowance – which has fallen from \$11,700 to \$10,899, or \$801. A reduction in the allowance will be a credit in the income statement, thus the answer is C.

This illustrates that, for questions which require calculations, covering up the options while you work out your answer can be a productive strategy. Of course, with questions which do not require calculations, the possible answers need to be considered in turn. However, this still requires your answer to be worked out, not randomly selected. These questions might require a decision on which one of two or more statements are correct, or which one of a number of statements is correct. In such cases, the best approach is to consider each statement in turn, and decide whether or not it is correct. Once again, the fact that incorrect options are distracters must be borne in mind.

ELIMINATE INCORRECT ANSWERS

This approach is likely to be most effective in discursive questions which require the correct combination of statements to be selected. Consider a question which offers three statements, and requires the correct combination of correct statements to be selected. The ideal way to answer this is to consider each statement in turn, and decide if it is correct or not. Often, candidates will find that they can quickly identify one incorrect statement. On that basis, it is possible to eliminate the options which include that statement.

A question from the Paper F2, *Management Accounting Pilot Paper* illustrates this point.

SAMPLE QUESTION 4

Which TWO of the following statements relating to relevant cost concepts in decision making are correct?

- (1) Materials can never have an opportunity cost whereas labour can
- (2) The annual depreciation charge is not a relevant cost
- (3) Fixed costs would have a relevant cost element if a decision causes a change in their total expenditure
- (4) Materials already held in inventory never contribute to relevant cost

- A 1 and 3
- B 1 and 4
- C 2 and 3
- D 3 and 4

Solution

In this case, a little thought will confirm that statement 1 is incorrect. Thorough preparation will mean that you know that materials can often have an opportunity cost. Once this decision has been made, choices A, and B can be eliminated, leaving either C or D as the correct choice. As statement 3 is included in both of these choices, it does not need to be considered. The question now requires a decision on whether choice 2 or choice 4 is correct.

Both of these relate to issues in which many candidates experience difficulty. How a particular candidate will progress from this point will depend on the knowledge they have brought into the exam as this will be the basis of their decision regarding statements 3 and 4.

Let's consider statement 3 first. The key issue is that a cost is relevant if the decision leads to a future incremental cash flow. Statement 3 effectively says this in the phrase 'a change in their total expenditure'. A candidate who recognises this will thus select choice C – if they are confident about their understanding of statement 3. If there is any doubt, or to provide reassurance, statement 4 can then be considered.

In this case, well-prepared candidates will recognise that if materials already held in inventory can be sold, using them will have a relevant cost – the benefit foregone by using them rather than selling them. Thus statement 4 is incorrect and choice 3 is the correct answer.

OTHER POINTS

There are some other points on which you need to make decisions in order to maximise your marks. For each of these, the exam room is the wrong place to make the decision. It is essential that you have prepared thoroughly and have decided on your own approach to each of the following:

- ▣ Above all else, remember that you should not allow yourself to become so stuck on a question so that you run out of time. Generally speaking, exams are drafted so that the time spent on each part of a question is in proportion to the marks allocated. With MCQs, however, it may be that some candidates will find some questions are more straightforward than others, and can therefore be answered more quickly. For that reason, it may be better to consider the time allocation for a group of, say, five MCQs, rather than for each question individually.
- ▣ As there is no penalty for an incorrect answer in ACCA exams, there is nothing to be gained by leaving an MCQ unanswered. If you are stuck on a question, as a last resort, it is worth selecting the option you consider most likely to be correct, and moving on. Make a note of the question, so if you have time after you have answered the rest of the questions, you can revisit it.
- ▣ If you are sitting a paper-based exam, you must remember to record your answers to MCQs on your *Candidate Registration Sheet (CRS)*, as this is the only way you can obtain the marks you deserve for all your efforts. Workings for MCQs are not marked, nor are answers written in script booklets as opposed to on the CRSs.

CONCLUSION

From this discussion, you can see that MCQs are not an easy option. Maximising your marks when attempting MCQs requires:

- ▣ sound preparation
- ▣ studying across the syllabus
- ▣ practising as many different types of question as possible
- ▣ developing your own strategy for different types of question
- ▣ thinking clearly in the exam
- ▣ working out your answers
- ▣ structuring your approach to the paper
- ▣ answering all the questions.

Taking this approach does not make answering MCQs easy, but it should mean that you get the marks you deserve.

Key learning points

- ▣ prepare thoroughly
- ▣ think clearly
- ▣ work out your answer
- ▣ structure your approach
- ▣ answer all of the questions.

Ronnie Patton is examiner for FIA Paper FA2

EXAMPLES OF MCQs ARE AVAILABLE ON ACCA'S WEBSITE. VISIT WWW2.ACCAGLOBAL.COM/STUDENTS/FIA/EXAM/ FOR PILOT PAPERS FOR THE PAPER-BASED EXAMS IN THE FIA QUALIFICATION AND FOR PAPERS F1, F2 AND F3 VISIT WWW2.ACCAGLOBAL.COM/STUDENTS/ACCA/EXAMS/ AND SELECT THE RELEVANT PAPER.

