

BE PREPARED

MULTIPLE-CHOICE QUESTIONS

RELEVANT TO CAT PAPERS 1 TO 4 AND ACCA QUALIFICATION PAPERS F1 TO F3

The paper-based and computer-based exams for Papers 1 to 4 of the CAT Scheme, and Papers F1 to F3 of the ACCA Qualification, include multiple-choice questions (MCQs). A candidate's ability to use good exam technique when answering such questions will strongly influence their marks in these papers. This article provides some practical guidance on how to maximise marks, by setting out some golden rules and emphasising some points that, while not unique to ACCA exams, are key to understanding how ACCA has decided to use MCQs.

Prepare to pass

As with any assessment, the golden rule for success is to prepare thoroughly. Examiners' reports regularly note that too many candidates attempt exams for which their preparation has been inadequate. Clear evidence of inadequate preparation is an attempt to 'question spot', as is the reliance on a small number of 'pet' topics. These approaches to preparation are extremely risky and are always strongly discouraged by examiners – for good reason.

By considering why MCQs are used in an exam, the risk attached to these approaches becomes clear. Like any other approach to assessment, there are a number of advantages to using MCQs as an assessment method. Because each MCQ relates to a specific issue within the syllabus, the exam can achieve 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 an MCQ on a topic which was part of your most recent studies, but the chances of finding a large number of questions on one topic in any paper are very low.

As well as studying topics right across the syllabus, it is important to attempt past exams and exam-standard questions. Past paper-based MCQs can be found for CAT Papers 3 and 4, along with *Pilot Papers* for all exams on ACCA's website. Go to www.accaglobal.com/students/study_exams/exams/cbe/demo for practice computer-based exams for all subjects. Three questions for each of Papers F1, F2, and F3 are also published after each exam session, with commentaries from the examiners, on

the student channel of the ACCA website.

It is also recommended that you practise long-form questions, to give a better depth of understanding of issues relating to the subjects. It is essential that such questions are used carefully and thoughtfully.

Candidates preparing for exams often fail to follow-up on questions which they have answered. Whether a question was answered correctly or incorrectly during exam preparation, it provides an opportunity to enhance your understanding of the topic. By reflecting on why a specific option is the correct answer, you can improve your understanding, just as 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 a key purpose of the exercise is to enhance your understanding – not just to get the question right.

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 candidates need to read the question extremely carefully, as the wording has been chosen with care. This care 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 confuse candidates, 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 of the care taken when drafting questions is that the answer should be based on the data included in the question. For example, 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.

It is imperative that the prompt is read carefully. For example, a question may give information on receivables, irrecoverable debts, and required allowances for receivables. The prompt is often assumed by candidates, but may be any of the movement on the allowance, the closing allowance, the charge to the income statement, or closing receivables, among others.

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 the candidate has to do is make the correct selection. While it is fair to say that some questions may be easy, this is usually because the candidate already knows the answer – because they have prepared thoroughly. As noted above, this may happen in some questions, but it is more likely that the answer will not be obvious. A question from the *Pilot Paper* for Paper F1 illustrates this:

SAMPLE QUESTION 1

Which one of the following is consistent with a government's policy objective to expand the level of economic activity?

- A** An increase in taxation
- B** An increase in interest rates
- C** An increase in personal savings
- D** An increase in public expenditure

All of the options refer to matters that may be part of a government policy to influence economic activity, so the question is testing candidates' ability to determine how each of the matters will impact on economic activity. Selecting the correct answer depends on clear thinking.

— If direct taxation is increased, consumers will have less disposable income, while if indirect taxation is increased, prices will rise. Either of these will have the effect of reducing consumer demand, and will lead to a contraction of economic activity. Therefore A is incorrect. When interest rates rise, borrowing becomes more expensive. As the majority of businesses and consumers are borrowers, this will (just as an increase in taxation) lead to a reduction in disposable income, and in turn to a contraction of economic activity. Therefore B is incorrect. If the government encourages an increase in personal savings, then consumers will (once again) have less disposable income. Therefore C is incorrect. Therefore option D must be correct, and it is correct because an increase in public expenditure will increase demand within the economy, leading to an increase in economic activity.

— 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 two or three incorrect options. The incorrect options are referred to as 'distracters'. 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 F2.

SAMPLE QUESTION 2

A company's budgeted sales for last month were 10,000 units, with a standard selling price of \$20 per unit and a standard contribution of \$8 per unit. Last month, actual sales of 10,500 units at an average selling price of \$19.50 per unit were achieved. What were the sales price and sales volume contribution variances for last month?

Sales price variance (\$)	Sales volume contribution variance (\$)
A 5,250 Adverse	4,000 Favourable
B 5,250 Adverse	4,000 Adverse
C 5,000 Adverse	4,000 Favourable
D 5,000 Adverse	4,000 Adverse

Sales volume should have been 10,000 units

Sales volume was 10,500 units

As volume was greater than anticipated, the sales volume contribution variance *must* be favourable. Therefore only options A and C can be correct. Also, there is no need to complete the calculation of this variance.

Selecting the correct answer depends on correctly calculating the sales price variance. As the actual selling price was \$0.50 per unit less than anticipated, the variance is adverse. The key issue is the volume which should be applied to the unit variance. When calculating a price variance, we use actual volume. Therefore, the variance is based on 10,500 units.

The variance is therefore 10,500 units @ \$0.50 = \$5,250 adverse, or answer A.

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 F3)

A company's income statement for the year ended 31 December 2005 showed a net profit of \$83,600. It was later found that \$18,000 paid for the purchase of a motor van had been debited to the motor expenses account. It is the company's policy to depreciate motor vans at 25% per year on the straight-line basis, with a full year's charge in the year of acquisition. What would the net profit be after adjusting for this error?

- A** \$106,100
- B** \$70,100
- C** \$97,100
- D** \$101,600

The first point that most candidates will recognise is that the profit will increase by \$18,000 when the van is removed from the income statement and included in non-current assets on the statement of financial position.

This will increase the profit to \$101,600 (\$83,600 + \$18,000). A lack of care could therefore lead to option D being selected, but this ignores the need to include the charge for depreciation. This is \$18,000 x 25%, or \$4,500, which reduces the profit to \$97,100, making option C the correct answer.

This means that, for questions which require calculations, covering 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 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 *Pilot Paper* illustrates this:

SAMPLE QUESTION 4

The following statements relate to relevant cost concepts in decision making:

- (i) Materials can never have an opportunity cost whereas labour can.
- (ii) The annual depreciation charge is not a relevant cost.
- (iii) Fixed costs would have a relevant cost element if a decision causes a change in their total expenditure.

Which statements are correct?

- A** (i) and (ii) only
- B** (i) and (iii) only
- C** (ii) and (iii) only
- D** (i), (ii) and (iii)

In this case, a quick thought will confirm that statement (i) is incorrect. Materials can often have an opportunity cost. Once this decision has been made, options A, B and D can be eliminated,

leaving C as the correct option. This should then be checked by continuing to consider each of the statements in turn.

OTHER POINTS

There are some other points on which candidates need to make decisions in order to maximise their marks. For each of these, the exam hall is the wrong place to make the decision, so it is essential that you have prepared thoroughly.

Above all else, remember that you should not allow yourself to spend so long trying to answer one question that you run out of time. Generally speaking, the time spent on each part of a question should be in proportion to the marks allocated.

With MCQs, however, it may be that some questions are more straightforward than others, and can be answered more quickly. 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 remaining questions, you can revisit it.

If you are sitting a paper-based exam, you must not forget 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, and neither are answers written in script booklets as opposed to on CRSs.

CONCLUSION

From this discussion, we 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 easier, 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. ■

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