ACCA Think Ahead

Management Information MA1 September 2022 - August 2023 Examiner's report

The examining team share their observations from the marking process to highlight strengths and weaknesses in candidates' performance, and to offer constructive advice for those sitting the exam in the future.

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General Comments

The intention of this report is that, when considered in conjunction with previous reports, candidates at future sittings will have a resource which maximises their chance of success. The most effective way to use these reports is to consider both the technical content of each question, and the approach to answering the question – noting that different question types will require slightly different approaches.

The examination consists of 50 objective test questions, each worth 2 marks. The purpose of this report is to provide illustrations of questions which have especially posed problems for candidates.

The six sample multiple-choice questions below cover different aspects of the syllabus. The approach to correctly answering each question is explained and the common incorrect approaches, along with the misunderstandings which they indicate, are highlighted. Answering objective test questions requires candidates to have both a clear understanding of the subject matter being examined and a logical approach.

Example 1

Which of the following features is used to fit output on one page when printing a spreadsheet?

Choices:

1. Print scaling
2. Print preview
3. Print area
4. Printer properties

The correct answer is 1. Print scaling

By scaling your worksheet for printing, you can make your data fit on to a desired number of pages. If your spreadsheet has a lot of columns or rows, you can use the print scaling to reduce the size of the spreadsheet to better fit the printed page.

Incorrect answers are:

2. Print preview is a view that shows how your spreadsheet will look when it is printed. It shows you all the data and formatting that you have applied to your data.

3. Print area is one or more ranges of cells that you designate to print when you don't want to print the entire spreadsheet.

4. Printer properties is for setting the parameters of the selected printer. You can control how your printer works, such as paper size and orientation.

Example 2

In March 20X5, a company produced 5,000 units of product XT and sold 4,500 units. Costs of the product for the same period were:

	$
Prime cost	17,500
Variable production overhead	8,000
Fixed production overhead	12,500
Variable selling overhead	8,000
Fixed selling overhead	6,500
Total	52,500

There was no opening inventory.

What was the value of the inventory of product XT at the end of March 20X5 using marginal costing?

Choices:

1. $2,833
2. $2,550
3. $3,350
4. $3,800

The correct answer is 2. $2,550

To calculate the value of closing inventory, you need the number of units of closing inventory and the marginal cost per unit.

The number of units of closing inventory for the end of March 20X5 can be calculated as opening inventory plus production less sales.

Closing inventory units = 0 + 5,000 – 4,500 = 500 units.

The marginal cost is the prime cost plus the variable production overhead.

Marginal cost = $17,500 + $8,000 = $25,500. This is the total marginal cost of producing 5,000 units, therefore the marginal cost per unit = $25,500/5,000 = $5.10.

So, the value of the inventory of product XT at the end of March 20X5 using marginal costing is (500 units x $5.10) = $2,550.

Incorrect answers are:

The following answers all correctly use 500 units for closing inventory, but are valued wrongly as follows:

1. $2,833

The total marginal cost has been divided by the sales units instead of the production units, giving a marginal cost per unit of $25,500/4,500 = $5.666.

Value of closing inventory = 500 x $5.666 = $2,833

3. $3,350

The variable selling overhead has been incorrectly included giving a marginal cost per unit of $25,500 + $8,000 = $33,500/5,000 = $6.70.

Value of closing inventory = 500 x $6.70 = $3,350

4. $3,800

The fixed production overhead has been incorrectly included giving a marginal cost per unit of $25,500 + $12,500 = $38,000/5,000 = $7.60.

Value of closing inventory = 500 x $7.60 = $3,800

Example 3

Which of the following is/are ESSENTIAL attributes of good management information?

(1) Authoritative and complex
(2) Tailored to meet the needs of the recipients
(3) Communicated in writing
(4) Summarised and appropriately coded

Choices:

1. 2 and 4
2. 2 only
3. 3 and 4
4. 1 and 3

The correct answer is 2. 2 only

On of the ways essential attributes of good management information can be remembered is using ACCURATE: (Accurate/Complete/Cost effective/User targeted/Relevant/ Authoritative/Timely/Easy to use).

The user should have all the information they need but it should not be excessive, and information should be tailored to the needs and level of understanding of its intended recipients.

Incorrect answers are:

(1) Authoritative and complex is not correct. Information should be authoritative in that is, it should come from come from a reputable and trusted source, but information should be understandable and easy to use and not unnecessarily complex.

(3) Communicated in writing is not correct. Information does need to be provided in writing, it could also, for example, be provided verbally.

(4) Summarised and appropriately coded is incorrect. It can be useful to summarise information or to use coding to make information easier to use, but these are not essential attributes of all management information. In some cases, very detailed information may be required and in these cases, summarised data may not provide what the user requires.

Example 4

A college has a spreadsheet containing students' exam marks:

	A	B	C	D
1	**Student**	**Date of birth**	**Mark**	**Pass/Fail**
2	1264	02.04.X1	46	
3	1376	19.05.X1	34	
4	1465	21.08.X1	65	
5	1498	19.11.X1	57	

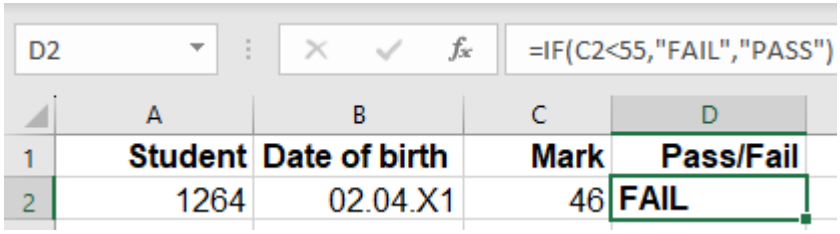
The college administrator wants to use an 'IF' formula in column D to show whether a student has passed or failed. The pass mark for the exam is 55.

Which formula should be entered in cell D2 to perform this task for student 1264?

Choices:

1. =IF(C2<55,”FAIL”, “PASS”)
2. =IF(C2<55,FAIL,PASS)
3. =IF(C2>=55,”FAIL”,”PASS”)
4. =IF(C2<55,FAIL,C2>=55,PASS)

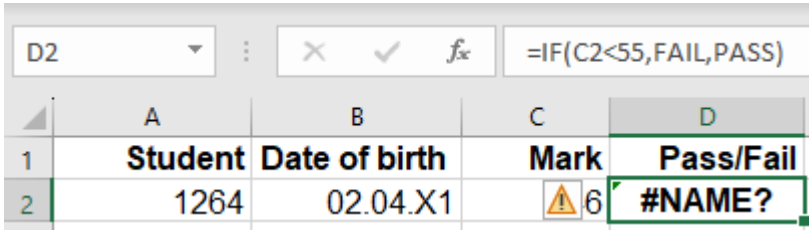
The correct answer is 1. =IF(C2<55,”FAIL”, “PASS”)



This is the correct use of the IF function. The student scored 46 so should have FAIL for a failed attempt as it is less than the pass mark of 55.

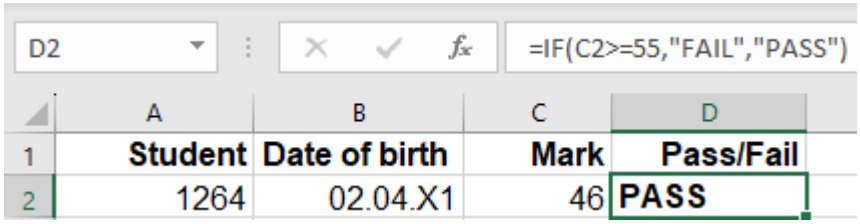
Incorrect answers are:

2. =IF(C2<55,FAIL,PASS)



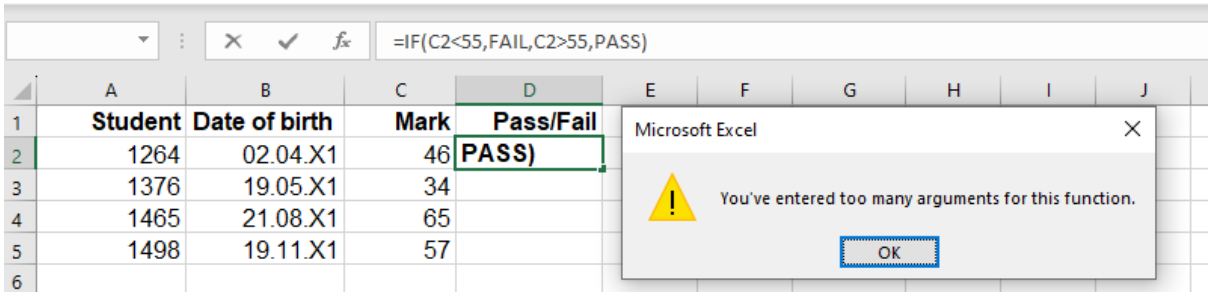
It does not recognise the formula - #NAME? error appears in the formula is because there is a mistake in the formula.

3. =IF(C2>=55,”FAIL”,”PASS”)



This is incorrect as the student scored 46 so should have FAIL for a failed attempt, as it is less than the pass mark of 55, not a pass.

4. =IF(C2<55, FAIL,C2>=55,PASS)



This formula is written with the same logical test in the formula twice – it should have =IF the logical test of C2<55 then what should be the value if true and then if false.

Example 5

A manufacturer of drilling equipment uses account codes which include:

Account type	Code range	Account type	Code range
Non-current assets	1000 - 1999	Revenue	2000 - 2999
Fixtures and fittings	1000 - 1099	Sales	2000 - 2099
Land and buildings	1100 - 1199	Machinery hire	2100 - 2199
Plant and machinery	1200 - 1299	Research consultancy	2200 - 2299

Which of the following would be valid as an account code for the Research and Development Building?

Choices:

1. 1142
2. 1276
3. 2101
4. 2254

The correct answer is 1. 1142

A valid account code for the Research and Development (R&D) Building is 1142, it is within the code range 1100 – 1199 which is the account type for Land and buildings. It is for a building, the fact that it is for use in R&D does not affect the classification into account codes.

Incorrect answers are:

2. 1276 which would be within code range 1200 – 1299 and would be for account type for Plant and machinery.

3. 2101 which would be within code range 2100 – 2199 and would be for account type for Machinery hire.

4. 2254 which would be within code range 2200 – 2299 and would be for Research consultancy. While the item is a building relating to Research and Development, the key aspects is that it should be coded by the nature of the asset and not by the department.

Example 6

Costs can be classified by function into which of the following?

Choices:

1. Manufacturing / administration costs
2. Direct / indirect costs
3. Controllable / uncontrollable costs
4. Fixed / variable costs

The correct answer is 1. Manufacturing / administration costs

When costs are classified by function, they are split into production and non-production costs. Manufacturing is a production cost and administration costs are non-production costs.

The incorrect answers are:

Direct / indirect costs are costs classified by traceability to the final product.

Controllable / uncontrollable details which costs are controllable by a user and which costs are non-controllable.

Fixed / variable costs are costs classified by behaviour.

Conclusion

Based on the performance of candidates in these questions, it can be observed that there were two major reasons for incorrect choices being made. The first is that there was a lack of awareness/understanding of fundamental issues in the syllabus such as the use of spreadsheets. The second is that the questions were not read carefully enough, which led to confused thinking.

Candidates preparing for future sittings are strongly encouraged to ensure that they have developed a clear understanding of the key points of each area of the syllabus and that they read carefully and think logically when attempting questions.