



Think Ahead

# Management Information (MA1) September 2023- August 2024 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

This report should be considered in conjunction with previous reports to show candidates at future sittings have the resources that maximise 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.

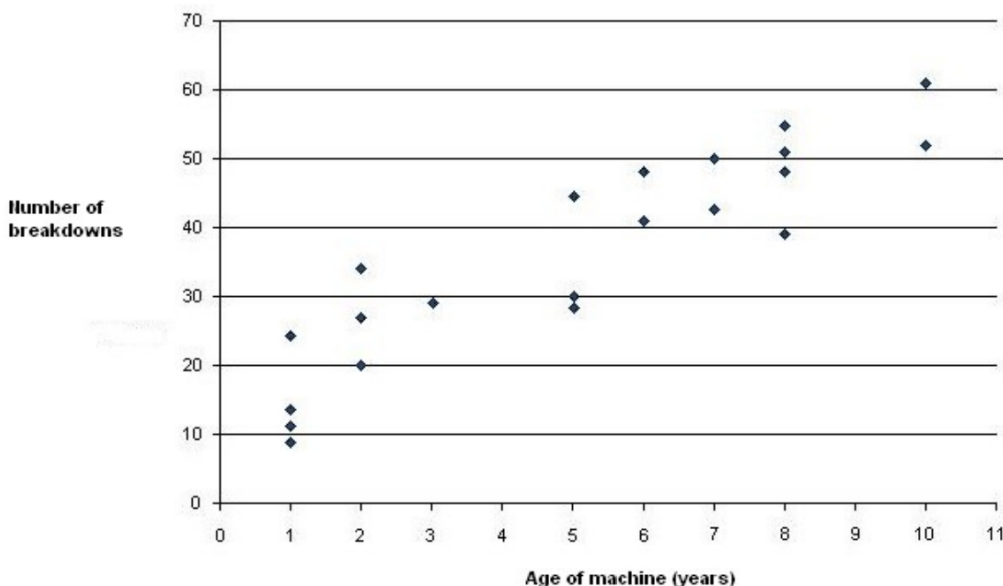
The examination consists of 50 objective test questions, each worth 2 marks. The purpose of this report is to provide illustrations of questions which have especially posed problems for candidates.

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

The following spreadsheet scatter graph shows the number of times machines of different ages broke down in a factory in a year.

Each dot represents a separate machine:



**Which of the following is NOT shown by the graph?**

**Choices:**

1. One of the 5 year-old machines broke down more often than one of the 6 year-old machines.
2. Newer machines can be more relied upon.
3. One of the 8 year-old machines broke down less often than all the 6 and 7 year-old machines.
4. All the 1 year-old machines broke down less often than all the 2 year-old machines.

**The correct answer is 4. All the 1 year-old machines broke down less often than all the 2 year-old machines is NOT shown on the graph.**

It can be seen from the graph that three of the 1 year-old machines broke down fewer times than the 2 year-old machines. However one broke down approximately 25 times, which is more than the 2 year-old machine that had 20 breakdowns.

The following are incorrect answers and can all be read from the graph:

*The readings for the following are approximate.*

One of the 5 year-old machines broke down more often than one of the 6 year-old machines.

It can be seen that there was one 5 year-old machine that had 45 breakdowns, and one 6 year-old machine that had just 41.

Newer machines can be more relied on.

This can be seen by the fact that the machines of lower ages have fewer breakdowns in the majority of cases.

One of the 8 year-old machines broke down less often than all the 6 and 7 year-old machines.

The lowest number of breakdowns for an 8 year-old machine was 39, whilst 6 and 7 year-old were 41 and 43 respectively.

## **Example 2**

**Which of the following is/are features of useful management information?**

- (1) It should be based upon data from internal sources only
- (2) It should be targeted to the needs of the user
- (3) It should always be as detailed as possible

**Choices:**

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

**The correct answer is 2. 2 only.**

It should be targeted to the needs of the user: This is a key feature of useful management information. Information should be relevant and tailored to the specific needs of the user to aid in decision-making.

Incorrect answers are:

(1) It should be based upon data from internal sources only:

This is not a feature of useful management information. Useful management information can come from both internal and external sources.

(3) It should always be as detailed as possible:

This is not necessarily true. While detail can be important, too much detail can overwhelm the user. The level of detail should be appropriate to the user's needs and the context of the decision being made.

**Example 3**

A management accountant needs to keep column A and rows 1, 2 and 3 of a spreadsheet visible when scrolling.

**Which cell should be selected prior to using the freeze panes function?**

**Choices:**

1. B4
2. A4
3. B3
4. A3

**The correct answer is 1. B4**

The management accountant should select cell B4 prior to using the freeze panes function. The correct cell will keep the columns to the left and rows above visible when scrolling.

Incorrect answers are:

A4: This would freeze rows 1, 2, 3, and columns to the left of column A (which is none), effectively only freezing rows 1, 2, and 3.

B3: This would freeze rows 1 and 2, and columns to the left of column B (which is column A), effectively freezing rows 1 and 2 and column A.

A3: This would freeze rows 1 and 2, and columns to the left of column A (which is none), effectively only freezing rows 1 and 2.

#### **Example 4**

When Siskin Co receives raw material goods from a supplier, they are checked against the purchase order.

**Which of the following are purposes of this control?**

- (1) To ensure that the correct price has been charged by the supplier
- (2) To ensure that the goods received are the goods ordered
- (3) To ensure that goods ordered have been authorised

**Choices:**

- 1. 2 only
- 2. 1 and 3 only
- 3. 1 and 2 only
- 4. 1, 2 and 3

**The correct answer is 1. 2 only**

To ensure that the goods received are the goods ordered is correct. One of the main purposes of checking goods against the purchase order is to confirm that the items delivered match those that were ordered in terms of quantity, type, and specifications.

Incorrect answers are:

- (1) To ensure that the correct price has been charged by the supplier.

This statement is not correct in the context of checking raw material goods against the purchase order. The primary purpose of this control is not to verify the price but to ensure the accuracy and completeness of the delivery.

The supplier invoice would provide the necessary information to be verified against the purchase order to ensure that the correct price has been charged.

(3) To ensure that goods ordered have been authorised.

A purchase requisition should be raised to ensure that only genuine purchases are made for the benefit of the company. Once this has been approved the goods can be ordered, using a purchase order.

### Example 5

Michael is paid \$9 per hour unless he works more than the basic 40 hours per week, when any excess is paid at time and a half. Last week he completed a number of jobs in basic hours, but one customer's job needed six hours of overtime. The reason for the overtime was a power failure during the week, which meant that no work could be completed until power was restored.

**Which of the following is the correct treatment of the \$81 paid to Michael for his overtime hours?**

#### Choices:

1. \$54 is treated as a direct cost, \$27 as an indirect cost
2. The entire \$81 is treated as a direct cost
3. The entire \$81 is treated as an indirect cost
4. \$54 is treated as an indirect cost, \$27 as a direct cost

#### The correct answer is 1

The correct treatment of the \$81 paid to Michael for his overtime hours is \$54 treated as a direct cost, \$27 as an indirect cost.

The reason for this is that the basic pay of \$9 per hour is considered a direct cost for all the hours worked, including the basic 40 hours. However, any excess hours worked (in this case, the 6 hours of overtime) are paid at time and a half, which is  $\$9 \times 1.5 = \$13.50$  per hour.

The overtime hours were necessary due to a power failure, which is an unforeseen event out of the control of both customer and manufacturer. The direct cost will be the basic rate of pay only, with any overtime premium classified as an indirect cost.

Therefore, \$54 (6 hours worked  $\times$  \$9) is treated as a direct cost (basic pay), and \$27 (6 hours  $\times$  \$4.50) is treated as an indirect cost (overtime premium).

#### Incorrect answers are:

The entire \$81 is treated as a direct cost would only be appropriate if the overtime hours had been worked at the specific request of the customer (such as for urgent delivery).

Treating the entire \$81 as an indirect cost is incorrect as the direct cost will be the basic rate of pay of \$9 per hour.

\$54 indirect cost and \$27 direct cost is where the cost classifications have been mixed.

### **Example 6**

**Which of the following statements regarding cost classification is/are TRUE?**

- (1) Materials can be classified according to their physical properties
- (2) The labour cost for an employee may be classified as part direct and part indirect cost

**Choices:**

- 1. Both 1 and 2
- 2. Neither 1 nor 2
- 3. 1 only
- 4. 2 only

**The correct answer is 1. Both 1 and 2**

- (1) Materials can be classified according to their physical properties is true. Materials can indeed be classified based on their physical properties, such as being solid, liquid, or gas, which helps in identifying and managing them appropriately in various production processes.
- (2) The labour cost for an employee may be classified as part direct and part indirect cost is also true as it depends on the nature of the work performed. For example, the majority of an employee's time may be spent directly on the production of goods, which is considered a direct cost, but they may also spend some time on training newer members of staff which would be classified as an indirect cost.

### **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 cost classification and accounting for costs. 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.