

Management Accounting (FMA) September 2024- August 2025 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 alongside previous versions gives candidates at future sittings the resources which 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 two sections. Section A of the paper contains 35 objective test questions – each worth 2 marks, and section B contains 3 MTQs worth ten marks each. All questions are compulsory.

The paper is a two-hour examination. Calculation questions account for approximately one half of questions in both Section A and Section B. Candidates tend to perform slightly better on the narrative questions than on the calculation questions.

Section A

The following questions cover different aspects of the syllabus. The approach to correctly answering each question is explained, and the common incorrect approaches, along with the misunderstandings that 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

Kenmore Co is analysing the salaries of its five directors.

The following figures have been calculated for each director:

Director	1	2	3	4	5
Salary \$'000 (x)	90	75	80	110	85
$(x - \bar{x})^2$	4	169	64	484	9

Calculate the coefficient of variation of the salaries (to 2 decimal places).

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The correct answer is 0.14

This type of question requires you to use the information in the scenario to calculate and input a correct number entry.

The formula for the calculation of the coefficient of variation is $CV = \frac{\sigma}{\bar{x}}$

Where the standard deviation (σ) is calculated as: $\sigma = \sqrt{\frac{\sum(x-\bar{x})^2}{n}}$

And the mean ($\bar{x}$) is calculated as: $\bar{x} = \frac{\sum x}{n}$

These formulae are given on the FMA/MA formula sheet.

In this example, x is the directors' salaries in \$000, and n is the number of directors = 5.

First, calculate the standard deviation:

Add up the $(x - \bar{x})^2$ given in the table: $(4 + 169 + 64 + 484 + 9) = 730$

Then divide this total by n : $730/5 = 146$

Now calculate σ by taking the square root of 146: $\sqrt{146} = 12$

Next, calculate the mean (average) salary:

Add up the total salaries: $(90 + 75 + 80 + 110 + 85) = 440$

Then divide this total by n , which is 5: $440/5 = 88$

Finally, calculate the coefficient of variation:

$$CV = \frac{\sigma}{\bar{x}}$$

$CV = 12/88 = 0.136$, rounded to two decimal places: **0.14**.

Example 2

Corrie Co, a bus operator, uses a single bus to service a small town. The total cost of operating the bus for a typical day is \$1,400. The route covers 20 km and the vehicle makes 10 journeys each day. The vehicle has 35 seats and at peak times these are full. The peak lasts for 30% of the day. For the remainder of the day, it has an average of only 10 passengers.

Calculate the cost per passenger – kilometre (to two decimal places).

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The correct answer is \$0.40

This calculation is important as it helps the bus operator understand the cost efficiency of their service per passenger transported over a distance, allowing for better pricing strategies and operational decisions.

To calculate the cost per passenger-kilometre, first determine the total passenger-kilometres for the day.

The scenario tells us that the bus makes 10 journeys each day and each journey covers 20 km. Therefore, the total distance covered is $10 \text{ journeys} \times 20 \text{ km} = 200 \text{ km}$

Now we need to calculate the average passengers per day. During peak times (30% of the day), the bus is full with 35 passengers and for the remaining 70% of the day, there are 10 passengers. Therefore, the average number of passengers per day is $((0.30 \times 35) + (0.7 \times 10)) = 17.5$.

So, the total passenger-kilometres = $200 \text{ km} \times 17.5 = 3,500$.

The total cost of operating the bus for a day is \$1,400

Therefore, the cost per passenger-kilometre is $\$1,400 / 3,500 \text{ passenger km} = \mathbf{\$0.40}$.

Example 3

Select whether each of the following statements regarding joint and by-products is true or false.

	True	False
1. By-products should be costed separately		
2. Joint products have a substantial sales value		
3. By-products have no value		
4. Joint products are identified at the separation point		

The correct answer is:

	True	False
1. By-products should be costed separately		X
2. Joint products have a substantial sales value	X	
3. By-products have no value		X
4. Joint products are identified at the separation point	X	

- 1. False.** By-products are typically not costed separately; any revenue from by-products is usually subtracted from the joint costs before apportioning costs to the main products.
- 2. True.** Joint products are produced from a common input and have a substantial sales value.
- 3. False.** By-products do have some value, although it is generally lower than that of the main joint products.
- 4. True.** Joint products are identified at the separation point because this is where the production process splits into distinct products, each having significant sales value.

Example 4

Consider an investment of \$5,000 for two years at an interest rate of 1% per month, compounded monthly.

Calculate the interest receivable at the end of two years (to the nearest \$).

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The correct answer is \$1,348

First, identify the variables:

Principal (P) = \$5,000

Monthly interest rate (r) = 1%, so is = 0.01

Number of months (n) = 2 years × 12 months/year = 24 months

The formula for compound interest is $A = P(1 + r)^n$

Where A is the amount of money accumulated after n months, including interest.

$$A = \$5,000(1 + 0.01)^{24}$$

$$A = \$5,000 \times 1.269734$$

$$A = \$6,348.67$$

The interest earned is the total amount minus the principal

$$= \$6,348.67 - \$5,000 = \$1,348.67, \text{ so } \mathbf{\$1,349 \text{ to the nearest \$}}.$$

Example 5

Crovie Co uses standard marginal costing.

The following variances were calculated for the last period:

Sales price variance	\$8,000	favourable
Total variable cost variances	\$5,810	favourable
Fixed overhead expenditure variance	\$3,900	adverse

All other variances were zero.

The budget for fixed overhead for the period was \$50,000 and the standard contribution from actual sales for the period was \$88,000.

Calculate the actual profit for the period.

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The correct answer is \$47,910

Standard contribution from actual sales	\$88,000
Add the sales price variance	\$8,000
Add the total variable cost variances	\$5,810
Deduct the fixed overhead expenditure variance	(\$3,900)
Deduct the budget fixed overhead for the period	(\$50,000)
Actual profit	\$47,910

Standard contribution from actual sales is \$88,000.

The sales price variance was \$8,000 favourable, which means that the actual contribution was higher than the budgeted contribution by this amount.

The total variable cost variances were \$5,810 favourable. This indicates that the actual variable costs were lower than budgeted, contributing positively to profit.

The fixed overhead expenditure variance was \$3,900 adverse. This means that actual fixed overheads were higher than budgeted, which negatively impacts profit.

Finally, we consider the budgeted fixed overheads for the period, which were \$50,000. To find the actual profit, we subtract the budgeted fixed overheads from the adjusted contribution.

Example 6

Which of the following would be a PROBLEM when measuring the performance of a non-profit seeking, publicly funded hospital that does not charge for its services at the point of consumption?

- (1) Multiple conflicting objectives
- (2) Measuring the value of outputs

Choices:

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

The correct answer is 3. Both 1 and 2

This is an example of a multiple-choice style question where candidates are required to select one from four options.

Both statements are true regarding the problems when measuring the performance of a non-profit seeking, publicly funded hospital that does not charge for its services at the point of consumption.

(1) Multiple conflicting objectives:

This is **true** as non-profit organisations often have various goals that may conflict, such as providing quality care while, at the same time, managing costs.

(2) Measuring the value of outputs:

This is **true** as the hospital does not charge for its services; it can be challenging to assign a market value to the outputs, making it difficult to measure effectiveness and efficiency.

Conclusion

Future candidates are advised to:

- Study the whole syllabus, because the exam will cover the full syllabus.
- Practise as many objective testing questions as possible, number entry questions appear to be a weakness.
- Read questions very carefully in the examination.
- Ensure that calculations are complete before selecting answers to multiple choice questions.
- Try not to spend too much time on apparently 'difficult' questions.
- Attempt all questions in the examination (there are no negative marks for incorrect answers).
- Consider the 'reasonableness' of their answers.
- Read previous Examiner's Reports.