NOVEMBER 2020 PROFESSIONAL EXAMINATIONS
INTRODUCTION TO MANAGEMENT ACCOUNTING (PAPER 1.4)
CHIEF EXAMINER'S REPORT, QUESTIONS AND MARKING SCHEME

STANDARD OF THE PAPER

The paper covered all relevant topics of the syllabus and the questions were standard and comparable to other Professional Qualifying Examinations.

Mark allocation to the questions followed the weighting in the syllabus. The marks allocated to questions were commensurate with the amount of work and time required.

PERFORMANCE OF THE CANDIDATES

The general performance of the candidates was average with the reasonable number of passes. These were the following associated reasons:

Many candidates answered Question Three very well and a significant number of candidates passed the paper mostly due to this question.

Some candidates fairly answered Question One and Question Four well and this significantly contributed to the significant number of candidates attaining passes.

High performers were very few and spread across all centres. Low performers were also spread in all centres but certain centres registered more low performers than others.

There were no signs of copying at any centre.

There was an indication that candidates did not prepare adequately for the paper because they either could not attempt nor answer Question Five a) and b) in addition to question Two b) on the company's cash operating cycle. Reasonable number of candidates surprisingly did calculate net current assets in monetary amount to represent cash operating cycle in terms of number of days.

NOTABLE STRENGTH AND WEAKNESS OF CANDIDATES

The strong performance of few candidates depended on the volume of knowledge and skill in approaching specific questions like break even analysis, preparation of overhead analysis sheet, cash budget preparation and standard costing. All of the strong performers exhibited accuracy, precision and better understanding of these areas. Strong performers really and adequately understood the costing methods and principles; develop the skills in applying the costing principles.

Some candidates did not adequately understand the costing principles required very well to enable them successfully write exams. Many candidates did not take adequate time and effort to understand the requirements of the questions and therefore did not do well in some questions on cash operating cycle and preparation of histogram from sales figures.

QUESTION ONE

a) Explain the terms ***break-even point*** and ***margin of safety*** as used in cost-volume-profit (CVP) analysis in short term decision marking. **(4 marks)**

b) Kack Ltd is a company which uses cost-volume-profit analysis for planning and control decisions. You have been given the following information for the just ended operational period:

Total revenue	GH¢3,600,000
The annual total cost	GH¢3,510,000
Variable cost	GH¢2,700,000

Required:

As the Management Accountant, calculate the following for the use of management in decision making for the forthcoming period:

i) Variable cost/sales ratio. **(1 mark)**
ii) Contribution/sales (C/S) ratio. **(2 marks)**
iii) Break-even sales (in value). **(2 marks)**
iv) Margin of safety (in value). **(1 mark)**
v) Margin of safety (in percentage). **(1 mark)**
vi) The sales value which would yield a profit of GH¢270,000 assuming the C/S ratio and fixed costs remain unchanged. **(3 marks)**
vii) The sales value which would yield a profit of 15% of that sales assuming the C/S ratio and the fixed costs remain unchanged. **(3 marks)**
viii) The break-even sales value if total fixed cost are reduced by GH¢180,000 whiles selling price is reduced by 10%, assuming no changes in variable costs ratio. **(3 marks)**

(Total: 20 marks)

QUESTION TWO

a) FG Ltd is preparing its cash budget for January, February, and March 2020. Budgeted data are as follows:

	November	**December**	**January**	**February**	**March**
Sales (Units)	750	800	800	850	900
Production (Units)	800	800	850	900	950
Direct labour & variable overhead incurred	GH¢48,000	GH¢48,000	GH¢51,000	GH¢54,000	GH¢57,000
Fixed overhead incurred (excluding depreciation)	GH¢20,000	GH¢20,000	GH¢20,000	GH¢20,000	GH¢20,000

The selling price per unit is GH¢200. The purchase price per kg of raw material is GH¢25. Each unit of finished product requires 2kg of raw materials which are purchased on credit in the month before they are used in production. Suppliers of raw materials are paid one month after purchase.

All sales are on credit. 80% of customers pay one month after sale and the remainder pays two months after sale.

The direct labour cost, variable overheads and fixed overheads are paid in the month in which they are incurred.
Machinery costing GH¢100,000 will be delivered in February and paid for in March.
Depreciation including that on the new machinery are as follows:

Machinery and equipment	GH¢3,500 per month
Motor vehicle	GH¢800 per month

The opening cash balance at 1 January is estimated to be GH¢15,000.

Required:

i) Prepare a cash budget for each of the three months January, February and March. **(12 marks)**

ii) State and explain **FOUR (4)** usefulness of cash budget. **(4 marks)**

b) A company's sales revenue for the year just ended was GH¢28 million. The company earned a gross margin of 40% on sales. All sales and purchases were on credit.
The following balances have been extracted from the year-end accounts:

Inventory	GH¢4 million
Accounts receivable	GH¢6 million
Accounts payable	GH¢3 million

Required:
Calculate, to the nearest whole number, the company's cash operating cycle based on the year ended figures. **(4 marks)**

(Total: 20 marks)

QUESTION THREE

a) Cost is a generic term used by accountants to mean the expenses that are incurred in the production of goods and the delivery of services. The nature of cost is however well understood by a preceding adjective.

Required:
Explain the difference between the following cost terms as used in Management Accounting.

i) Direct and Indirect cost. **(3 marks)**
ii) Fixed and Variable cost. **(3 marks)**
iii) Controllable and Uncontrollable cost. **(3 marks)**
iv) Full and Marginal cost. **(3 marks)**
v) Production and Non- Production cost. **(3 marks)**

b) Costs can be established for ***services*** and ***operations*** in the same way as for physical goods even though services are different from physical goods.

Required:
Identify and explain **TWO (2)** characteristics of services. **(5 marks)**

(Total: 20 marks)

QUESTION FOUR

a) The following information relates to the first quarter of operations for Kack Ltd:

	Machining	Assembling	Finishing	Stores
Area occupied (square metres)	12,000	18,000	8,000	2,000
Plant at cost (GH¢000)	600	100	200	100
Number of employees	200	400	100	100
Direct labour hours	16,000	30,000	4,000	
Direct wages (GH¢)	32,000	60,000	8,000	
Machine hours	32,000	4,000	4,000	
Number of requisitions on stores	3,000	1,000	1,000	
Allocated costs	**GH¢**	**GH¢**	**GH¢**	**GH¢**
Indirect wages	16,000	15,000	14,000	10,000
Indirect materials	3,000	2,400	6,000	10,000
Other costs (in total):	**GH¢**			
Rent	20,000			
Business operating permit	20,000			
Insurance on building	22,000			
Depreciation on plant	20,000			
Wage-related costs	28,000			
Factory administration	14,000			
Insurance on plant	18,000			
Total	**142,000**			

Required:
Prepare an overheads analysis sheet allocating the overheads to the costs centres using appropriate bases from the information provided. **(10 marks)**

b) Industrial Ability Ltd produced the following standard cost card for its brand of local rice called "Tasty Taste" for the month of October 2019:

		GH¢
Materials	4kg@GH¢4.00 per kg	16
Labour	2 hours @GH¢5 per hour	10
Variable overheads	2 hours @GH¢5 per hour	10
Fixed overheads	2 hours @GH¢7 per hour per hour	14
Total standard cost per unit of mini bag		**50**

Budgeted production was 14,000 mini bags for the month at a selling price of GH¢65 per mini bag.
During the month, 12,700 mini bags were produced and sold at GH¢75 per mini bag. The actual costs were:

		GH¢
Materials	63,500kg	241,300
Labour	22,860 hours	160,020
Variable overheads		148,590
Fixed overheads		210,000

Total costs	**759,910**

Required:

i) Prepare a statement showing the budgeted profit for the month, and hence, determine the profit variance. **(4 marks)**

ii) For each element of cost, calculate the total costs variance. **(6 marks)**

(Total: 20 marks)

QUESTION FIVE

a) Explain in brief the following features of time series;

i) Trend.

ii) Seasonal variation.

iii) Random variation. **(6 marks)**

b) The following table relates to sales of Emefa Ltd for a three-year period.

	1st quarter GH¢000	**2nd quarter GH¢000**	**3rd quarter GH¢000**	**4th quarter GH¢000**
Year 1	200	150	180	260
Year 2	220	190	210	280
Year 3	240	200	220	300

Required:

i) Prepare a histogram using the above sales figures. **(7 marks)**

ii) Describe the trend of performance of the company. **(2 marks)**

c) Explain the following terminologies as used in accounting for overheads in management accounting:

i) Apportionment

ii) Allocation

iii) Allotment

iv) Absorption

v) Over/(under) absorption

(5 marks)

(Total: 20 marks)

SOLUTION TO QUESTIONS

QUESTION ONE

a) Break-even point (BEP) is the level of sales where a total of fixed and variable cost equals total revenues. In other words, the breakeven point is a level where the company neither makes profit nor loss.
A margin of safety (MoS) is a difference between actual/budgeted sales and level of breakeven sales.

Although the breakeven point (level) and margin of safety fall under the broad domain of cost-volume-profit analysis (CVP Analysis), they differ in various aspects. Main points of difference between the breakeven point and margin of safety are as listed below:

- Breakeven point means an amount of sales that covers entire fixed and variable cost. Sales lower than the BEP will result in losses, while, the sales above the BEP will generate profit after considering all the costs.
- As the name suggests, Margin of Safety is the margin between the actual/budgeted sales and breakeven point. It denotes the level of safety that company enjoys before incurring losses (i.e. falling below the breakeven level).

(4 marks)

b)

Sales = GH¢3,600,000
Total costs = GH¢3,510,000
Total variable costs = GH¢2,700,000
Total fixed costs = Total costs – variable costs = GH¢3,510,000 – GH¢2,700,000 = GH¢810,000

i) Variable cost to sales ratio $= \frac{\text{variable costs}}{\text{sales}} = \frac{\text{GH¢}2{,}700{,}000}{\text{GH¢}3{,}600{,}000} = 75\%$ **(1 mark)**

ii) Contribution to sales ratio $= 1 - \frac{\text{variable costs}}{\text{sales}} = 1 - 75\% = 25\%$ **(2 marks)**

iii) Breakeven (sales values) $= \frac{\text{Fixed costs}}{\text{C/S}} = \frac{\text{GH¢}810{,}000}{0.25} = \text{GH¢}3{,}240{,}000$ **(2 marks)**

iv) Margin of Safety (in value) = Sales − Breakeven Sales

$$\text{Margin of Safety (in value)} = \text{GH¢}3{,}600{,}000 - \text{GH¢}3{,}240{,}000 = \text{GH¢}360{,}000$$

(1 mark)

v) Margin of Safety (in percentage) $= \frac{\text{Sales} - \text{Breakeven Sales}}{\text{Sales}}$

Margin of Safety (in percentage) $= \frac{\text{GH¢}3{,}600{,}000 - \text{GH¢}3{,}240{,}000}{\text{GH¢}3{,}600{,}000} = 10\%$ **(1 mark)**

vi) Sales value to earn Targeted profit $= \frac{\text{Fixed Cost+Profit}}{\text{C/S}}$

Sales to earn Targeted profit of GH¢270,000

$= \frac{\text{GH¢810,000+GH¢270,000}}{0.25} = \text{GH¢4,320,000}$ **(3 marks)**

vii)Sales value to earn Targeted profit $= \frac{\text{Fixed Cost+Profit}}{\text{C/S}}$

Sales value to earn Targeted profit of 15% of that sales value (X)

$$X = \frac{\text{GH¢810,000 + GH¢0.15X}}{0.25}$$

0.25X – 0.15X = GH¢810,000

X = GH¢8,100,000 **(3 marks)**

viii) Sales reduced by 10%

Fixed costs reduced by GH¢180,000

C/S = 0.25

Fixed cost = GH¢810,000 – GH¢180,000

$$\text{Breakeven (sales values)} = \frac{\text{GH¢810,000} - \text{GH¢180,000}}{0.25} = \text{GH¢2,520,000}$$

(3 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

The marks allocated to the question were appropriate with the amount of work and time required. The question was standard.

QUESTION TWO

a)

i)

	JANUARY	FEBRUARY	MARCH
	GH¢	**GH¢**	**GH¢**
RECEIPTS			
80% credits sales	128,000	128,000	136,000
20% credit sales	30,000	32,000	32,000
Total Receipts	**158,000**	**160,000**	**168,000**
PAYMENTS			
Purchases	42,500	45,000	47,500
Labour & overheads	71,000	74,000	76,000
Machinery	-	-	100,000
Total payments	**113,500**	**119,000**	**223,500**
Opening balance	15,000	59,500	100,000
Net cash flow	44,500	41,000	(55,500)
Closing balance	**59,500**	**100,500**	**45,000**

(12 marks evenly spread)

ii) The cash budget is one of the most important planning tools that an organization can use.

- It shows the cash position at any point of time
- It shows the cash effect at all plans made within the budgeting process
- It helps companies to make critical decisions such as creating cash reserves to make arrangements for projected shortages and using excess funds prudently.
- Cash budget helps prioritize payments in the budget period.
- It also helps in analyzing payments in the budget period.
- It also helps in analyzing budget versus actual variances in cash flow and outflows.
- It also gives management an indication of potential problems that could arise and allows them the opportunity to take action to avoid such problems.

(Any 4 points for 1 mark each) **(4 marks)**

b)

		DAYS	
Inventory days		$(\frac{4}{2}* 0.6)*365 =$	86.9
Account receivable days		$(\frac{6}{2}*365\ )=$	78.2
Account payable days		$(\frac{3}{28}* 0.6)*365 =$	65.29
The cash operating cycle is 100 days			99.9

(4 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

The question was standard and an average prepared student should stand the chance to score well. With respect to the first part (a), many number of candidates did not do well on cash budget preparation.

The b) part was straight forward and did not need much effort to score good marks.

QUESTION THREE

a)

i) Direct costs are identified with the cost object indirect cost cannot be easily traced to the cost object. **(3 marks)**

ii) Fixed costs in total remain unchanged with the change in level of activity while total variable cost changes in direct proportion with the level of activity. **(3 marks)**

iii) Controllable cost is cost that the responsibility officer can influence the size, but uncontrollable cost is beyond the control of the officer. **(3 marks)**

iv) Full cost also called absorption cost treats fixed production overhead as product cost while such cost is treated as a period cost under marginal cost. **(3 marks)**

v) Production costs are costs incurred in production of goods and services, DM, DL, production overheads. Non-production costs are incurred to manage the organization; selling and distribution, administration etc. **(3 marks)**

b) Characteristics of Services:

- **Lack of Ownership**

  Lack of ownership may be one of the most obvious ones of the characteristics of service. It refers to the fact that you cannot own and store a service like you can a product. This characteristic is strongly linked to several other characteristics of services, such as intangibility, perishability, inseparability.
- **Intangibility**

  When thinking about the characteristics of services, intangibility may come to your mind first. Service intangibility means that services cannot be seen, tasted, felt, heard or smelled before they are bought. You cannot try them out. For instance, airline passengers have nothing but a ticket and a promise that they will arrive at a certain time at a certain destination. But there is nothing that can be touched.
- **Inseparability**

  Characteristics of services include inseparability, which means that services are produced and consumed at the same time. This also entails that services cannot be separated from their providers. Contrary to services, physical goods are produced, then stored, later sold, and even later consumed. Services are first sold, then produced and consumed at exactly the same time. A product can, after production, be taken away from the producer. However, a service is produced at or near the point of purchase. For instance, when visiting a restaurant, you order your meal, the waiting and delivery of the meal, the service provided by the waiter/ress etc. All these parts, including the providers, are part of the service and therefore inseparable. In services marketing, a service provider is the product.

- **Variability**
  Variability does also belong to the important characteristics of services. It refers to the fact that the quality of services can vary greatly, depending on who provides them and when, where and how. Because of the labour-intensive nature of services, there is a great deal of difference in the quality of service provided by various providers, or even by the same providers at different times.
- **Perishability**
  Perishability means that services cannot be stored for later sale or use. In other words, services cannot be inventoried. This is one of the most significant characteristics of services, since it may have a major impact on financial results. Doctors or dentists often charge patients for missed appointments because the service value has foregone. The value existed only at that particular point and disappeared when the patient did not come. When demand is steady, the perishability of services is not a problem. However, in case of fluctuating demand, service firms can have difficult problems. For this reason, transport companies own much more equipment than they would if demand were even throughout the day: the demand during rush-hours needs to be served at that specific time, it cannot be served later or earlier. Consequently, service companies use various techniques for creating a better match between demand and supply: Demand shifting.
- **User participation**
  Finally, the characteristics of services include user participation. Indeed, users participate in every service production. Even when the user is not required to be at a location where the service is performed, users participate in every service production. A service cannot be separated from its provider, but neither can it be separated from its user.

(Any 5 points for 1 mark each) (5 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS
The question was clear, straight forward and standard. Performance was generally good with reasonable number of candidates scoring 20 marks.

QUESTION FOUR

a) **Kack Ltd**

Overheads Analysis Sheet

Overheads	Allocation Basis	Machining	Assembling	Finishing	Stores	Total
Allocated costs:		GH¢	GH¢	GH¢	GH¢	GH¢
Indirect wages	D/A	16,000.00	15,000.00	14,000.00	10,000.00	55,000.00
Indirect materials	D/A	3,000.00	2,400.00	6,000.00	10,000.00	21,400.00
Maintenance	D/A	3,000.00	6,000.00	1,000.00	--------	10,000.00
Power		4,000.00	4,000.00	2,000.00	--------	10,000.00
Rent		6,000.00	9,000.00	4,000.00	1,000.00	20,000.00
Business rates		6,000.00	9,000.00	4,000.00	1,000.00	20,000.00
Insurance on building		6,600.00	9,900.00	4,400.00	1,100.00	22,000.00
Lighting and heating		7,200.00	10,800.00	4,800.00	1,200.00	24,000.00
Depreciation on plant		12,000.00	2,000.00	4,000.00	2,000.00	20,000.00
Wage-related costs		8,960.00	16,800.00	2,240.00	-----	28,000.00
Factory administration		3,500.00	7,000.00	1,750.00	1,750.00	14,000.00
Insurance on plant		10,800.00	1,800.00	3,600.00	1,800.00	18,000.00
Cleaning of factory premises		3,600.00	5,400.00	2,400.00	600.00	12,000.00
Total		90,660.00	99,100.00	54,190.00	30,450.00	274,400.00

(10 marks evenly spread)

Workings

Computation of overhead allocation basis

- Rent – floor area GH¢20,000/40,000sqm. GH¢0.50/sqm.
- Business rates - floor area GH¢20,000/40,000sqm. GH¢0.50/sqm
- Insurance on building – floor area 22,000/40,000sqm. GH¢0.55/sqm
- Lighting and heating – floor area GH¢24,000/40,000sqm. GH¢0.60/sqm
- Depreciation on plant -
  - cost of plant GH¢20,000/ GH¢1,000,000 2% of cost of plant

- Wage-related costs -
  - Direct labour costs GH¢28,000/ GH¢100,000 — 28% of direct labour cost
- Factory administration –
  - No. of employees GH¢14,000/800 employees — GH¢17.5/employee
- Insurance on plant -
  - cost of plant GH¢18,000/ GH¢1000,000 — 1.8% of cost of plant
- Cleaning of factory premises –
  - floor area GH¢12,000/40,000sqm. — GH¢0.30/sqm

b) **Industrial Ability Ltd**

i)

Budgeted profit:

Budgeted production and sales units	14,000
Budgeted profit margin	GH¢15
Budgeted profit	**GH¢210,000**

Actual profit:	GH¢	GH¢
Sales (12,700 x GH¢75)		952,500
Costs:		
Materials	241,300	
Labour	160,020	
Variable overheads	148,590	
Fixed overheads	210,000	759,910
Actual profit		**192,590**

Profit variance:	GH¢
Budgeted profit	210,000
Actual profit	192,590
Profit variance	**17,410A**

(4 marks)

ii)

Material costs variances

Total material costs variance	GH¢
12,700 units should have cost (12,700 x GH¢16)	203,200
But did cost	241,300
Variance	**38,100A**

Material price variance	GH¢
63,500 kg should have cost (63,500 x GH¢4)	254,000
But did cost	241,300
Variance	**12,700F**

Material usage variance

12,700 units should have used (12,700 x 4kg)	50,800kg
But did use	63,500kg
Difference	12,700kgA
Valued at standard price	GH¢4
Variance	**GH¢50,800A**

Labour costs variances

Total labour costs variance	GH¢
12,700 units should have cost (12,700 x GH¢10)	127,000
But did cost	160,020
Variance	**33,020A**

Labour rate variance	GH¢
22,860 hours should have cost (22,860 x GH¢5)	114,300
But did cost	160,020
Variance	**45,720A**

Labour efficiency variance

12,700 units should have used (12,700 x 2hrs)	25,400hrs
But did use	22,860hrs
Difference	2,540hrsF
Valued at standard price	GH¢5
Variance	**GH¢12,700F**

Variable overheads costs variances

Total variable overheads costs variance	GH¢
12,700 units should have cost (12,700 x GH¢10)	127,000
But did cost	148,590
Variance	**21,590A**

Variable overheads expenditure variance	GH¢
22,860 hours should have cost (22,860 x GH¢5)	114,300
But did cost	148,590
Variance	**34,290A**

Variable overheads efficiency variance

12,700 units should have used (12,700 x 2hrs)	25,400hrs
But did use	22,860hrs
Difference	2,540hrsF
Valued at standard price	GH¢5
Variance	**GH¢12,700F**

Fixed overheads costs variances

Total fixed overheads costs variance	GH¢
12,700 units should have cost (12,700 x GH¢14)	177,800
But did cost	210,000
Variance	**32,200A**

Fixed overheads expenditure variance	GH¢
Budgeted fixed overheads (14,000 x GH¢14)	196,000
Actual fixed overheads	210,000
Variance	**14,000A**
Fixed volume variance	
Budgeted production	14,000units
Actual production	12,700units
Difference	1,300unitsA
Valued at cost per unit	GH¢14
Variance	**GH¢18,200A**

(6 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

The amount of work required by this question (a) was commensurate with the allocated marks of 10. The question 4 was loaded and the marks given were exact. There were no ambiguities or no errors in the question but a clear presentation of the answer for an overhead analysis sheet. A reasonable number of candidates encountered some difficulties in identifying the basis of apportioning the Business Operating License, Insurance on Plant, and Wage Related Cost.

The b) part of the question was on standard costing and was normal for many candidates. But many candidates did not pay particular attention to the basic requirements to calculate only the total costs variances without its analysed variances. For this reason, many candidates wasted their time calculating variances not demanded by the question.

QUESTION FIVE

a)

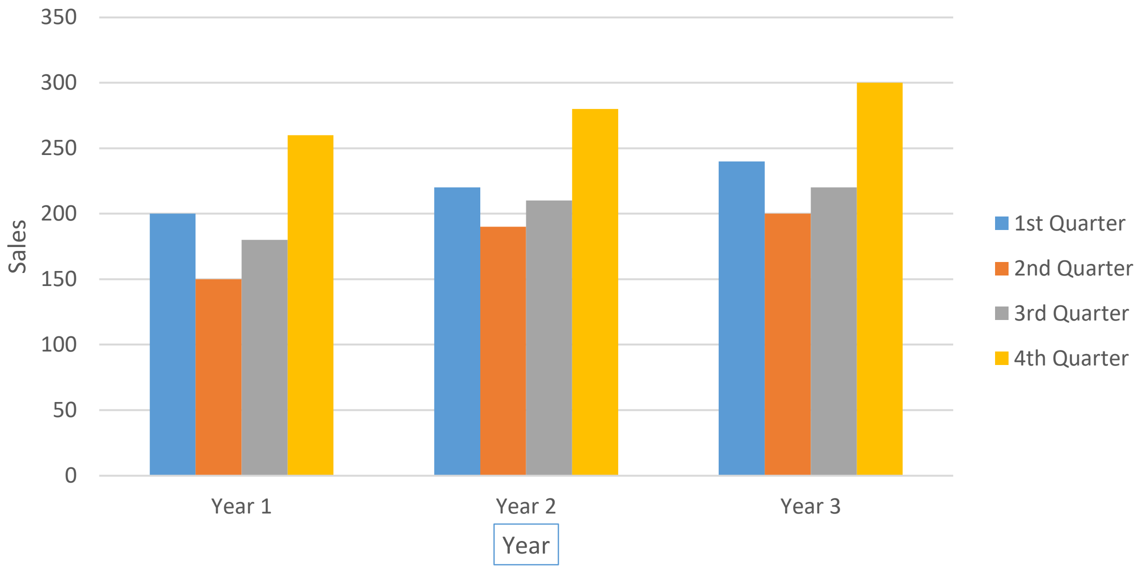
i) **Trend;** it is the underlying long term movement over time in the values of a data recorded. It could be upward, downward or static. It shows whether the results are improving or worsening. **(2 marks)**

ii) **Seasonal variation;** short term fluctuations in recorded values, due to different circumstances which prevail and affect results at different times of the year, days or week. **(2 marks)**

iii) **Random variations;** one-off changes due perhaps to unforeseen circumstances such as political change in government, war, the collapse of a company or technological change. **(2 marks)**

b)

i) HISTOGRAM



(7 marks)

ii) Sales have generally increased over the 3-year period. In the specific years, sales for the first quarters are generally higher than the second and third quarters with last quarter sales being the highest. From the first quarters sales decreases in the second quarters and start to increase in the second quarters and peaks in the fourth quarters. So the second quarters sales are the lowest with the fourth quarters being the highest. **(2 marks)**

c)

i) **Apportionment**

The sharing of overheads between and/or among costs centres using fair and equitable basis. For example, floor area occupied, number of employees, number stores requisitions, etc

ii) **Allocation**

This refers to the assignment of overheads in whole to costs centres. That is, the attribution of overheads in whole to particular costs centres.

iii) **Allotment**

This refers to the sharing of overheads using defined proportions. For example, 2:3:1, 20%: 30%: 50%.

iv) **Absorption**
This refers to the charging of overheads to costs units using predetermined absorption rates.
Example, direct labour hour rate, percentage of material cost, etc.

v) **Over/(under) absorption**
This refers to the difference between overheads absorbed charged to production and the actual overheads incurred. Over absorption arises where the overheads absorbed or charged to exceed the actual overheads incurred. On the other hand, under absorption occurs where overheads charged to production is lower than the actual overheads incurred.

(5 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS
Sub-question 5 a) was very standard and mark allocation was fair. The amount of work required by this question was commensurate with the allocated marks. There were no ambiguities in the question. The performance was just below average with some candidates not even attempting the question at all. Specifically, about 40% of the candidates could not answer the question 5a on trend, seasonal and Random variation.
Sub-question 5 b) on histogram was poorly answered with some candidates plotting line graphs, scattered diagrams that were a deviation. Also, reasonable number of candidates deviated the question by determining trend analysis.
Sub-question 5 c) on terminologies on accounting for overheads was well attempted and answered.

CONCLUSION
Recommendations for the observed weakness and advice to future candidates:
- Candidates should adequately prepare for the paper by ensuring that costing principles and methods are well understood.
- Candidates should ensure that they proficiently and capably know how costing principles and methods are applied.
- Candidates should take their time to understand the requirements of the questions before they start to answer them.
- Candidates should attempt first the questions that are relatively easier and straight-forward to them.