



EXAMINER'S REPORT

MAY 2001

MARKETING FINANCE

General Comments

This was a good exam sitting with 75 % of candidates achieving a pass mark. Question one was the most popular in Section A and questions three and four the most popular in Section B. Once again, it is important to note that students either leaving space between sections of a question or between questions should indicate that the question is continuing. Layout is important in this paper.

Question 1

Even though this was the more popular of the questions in Section A many of the answers were quite weak.

- (a) IRR formula was missing arithmetic signs although all the words/ letters of the formula were known. Many candidates were confused by internal rate of return and did not give acceptable answers.
- (b) Most candidates attempting this question displayed some understanding of cash budgeting. Some candidates did confuse cash budgets with cash flow statements.
- (c) Inventory management was comprehensively answered by many of the candidates displaying a good understanding of this topic.

Question 2

The standard of answer varied on this question. Good answers related the need for an accountant to the syllabus topics and delivered the information as requested in debate format by addressing the audience. Some answers offered quantity but not quality; unclear on the meaning of inventory and the management of it.

Question 3

Most ratios were calculated correctly although (viii) Capital gearing and (x) Fixed asset turnover did cause problems for a high proportion of candidates. The main problems in part (b) were confusion of debtors and creditors and lack of commentary in the comparison of the two firms. Better answers included a brief explanation of the ratio and a possible explanation for differences.

Question 4

The standard of answers to this question was extremely high with many candidates achieving full marks. The common errors were not recognising delivery costs as a variable cost and misreading the rent as increased *BY* and not *TO* as instructed. Weak answers did not know the formulae for breakeven or margin of safety.

Question 5

The standard was very low in this question. Many candidates did not calculate the standard cost card correctly and as a result could not do the variances. Others knew the formulae but could not apply them to the information given. Some candidates showed formulae in abbreviated form without explanation. This is not acceptable. Marks will only be given for a formula where the exact formula is given. Generally, answers were very disappointing considering the frequency of this topic on exam papers.

Question 6

Although attempted by many candidates, the answers were weak in most cases with a high proportion unable to calculate the tax and dividend figures. Many calculations of net cash flow from operating activities had the correct figures but shown incorrectly (added where they should have been subtracted and vice versa). A very high proportion of candidates forgot debenture interest.

Question 7

Potentially the easiest question on the paper. Many candidates identified the problem with the cost estimate as a non-technical approach to overhead absorption but failed in (b) to offer a reasonable solution. In part (c) many candidates used 25% as a mark up on cost rather than a percentage of sales price as instructed. Some candidates did achieve full marks on this question.