



## **EXAMINER'S REPORT**

**MAY 2005**

### **MARKETING FINANCE**

#### **General Comments**

In this exam sitting 27% of candidates achieved either grade A or B. Once again, there were a significant number of candidates in the grade F category. A contributory factor to the grade F result in many cases is candidates attempting less than the required number of questions. Students should be advised not to limit the number of topics for study thereby reducing their choice on the paper.

#### **Question 1**

The majority of candidates attempted this question. The standard was improved over earlier sittings with candidates displaying a reasonable understanding of the importance of an accountant to a business.

#### **Question 2**

This was not a popular question. Many students explained debentures but did not score well on part (b) or (c).

#### **Question 3**

This was the most popular question in Section B. The standard of answers was very high with many candidates achieving at least 20 marks. The same errors continue to arise:

- a) sales instead of cost of sales
- b) incorrect formulae

#### **Question 4**

This was the least popular question at this sitting. Many candidates could not identify the problem with the quotation – a non-technical approach to overhead recovery. However, some did calculate correct overhead absorption rates in part (b) suggesting a rote learning approach rather than a deep understanding of the concept. The main errors were:

- a) ignoring administration and selling overhead
- b) incorrect calculation of profit margin

#### **Question 5**

The standard of answer to this question were varied. Some candidates scored 80% but many were unable to apply the formulae. The most common problem was using units of production for material price and labour rate variances instead of actual material used and actual hours. A number of candidates did not calculate sales or overhead variances.

**Question 6**

This question was very popular with surprisingly weak attempts in many cases. The most common problem was a lack of appreciation of the nature of variable cost i.e. varies with the level of activity. A number of candidates did not even know the formula for breakeven in either units or value.

**Question 7**

This question was popular at this sitting. The majority of candidates were obviously well prepared with many candidates achieving high scores. The most common error was miscalculation of fixed asset purchases.