

## Exam Approach Interview: F2/FMA – Management Accounting

**Interviewer:** Welcome to the Management Accounting Examiner's Approach interview.

The following is an examination approach interview for the Paper F2 or FMA exam, *called Management Accounting*. The content of this interview has been prepared by the examiner, working with the Qualifications team at ACCA, and is presented by actors representing an interviewer and the examiner in discussion.

From now on the examination paper will be referred to as F2.

To begin with, can you explain where F2 fits within the overall structure of the ACCA Qualification?

**Examiner:** Certainly. First of all, F2 is an examination within the new Foundation level qualifications, leading towards the Diploma in Accounting and Business. The examination is also one of three examinations in the Knowledge module of the ACCA Fundamentals level leading towards the ACCA Qualification. Those studying towards the new Certified Accounting Technician qualification will also need to take this examination. To be awarded the Diploma in Accounting and Business or the CAT qualification it is also

necessary for those students to complete the Foundations in Professionalism module as part of those qualifications. Those registering directly to the ACCA qualification, who do not wish to obtain the Diploma while studying towards ACCA membership, must take the three examinations but need not take the Foundations in Professionalism module before progressing to the Skills module of the Fundamentals Level or to the Advanced Diploma in Accounting and Business.

**Interviewer:** From what you have just said, the F2 paper is connected to other papers and components of the ACCA qualification. What are the links with other components or other related papers?

**Examiner:** Well, F1 introduces the student to what a business is and how the finance function is structured. This means that when students study F2, they already know where management accounting fits, what relevance it has for the business as a whole and what purpose it serves.

When they have completed F2, students have the knowledge and key techniques to broaden and deepen their capabilities in F5, *Performance Management*, which covers areas such as costing and budgeting and performance measurement in far more detail and depth.

F2 also underpins some of the knowledge and skills in F9, *Financial Management*. This paper draws on several techniques and principles introduced in F2, particularly those in Section C such as dealing with capital budgeting, discounted cashflow, linear regression, and spreadsheet applications.

**Interviewer:** And is the knowledge acquired in F2 useful for any other papers studied later on in the ACCA qualification?

**Examiner:** Yes, as well as this paper preparing students for F5 and F9, it also underpins P3 Business Analysis and the related Options papers at the Professional level: P4, *Advanced Financial Management* and P5, *Advanced Performance Management*.

Finally, knowledge and skills acquired in F2 will be applied, in context, within the practical experience requirements for CAT or for ACCA membership, depending on the qualification registered for.

**Interviewer:** So, what is the overall concept or theme for F2 as a paper?

**Examiner:** F2 is about ensuring the student has a thorough knowledge and understanding of all aspects of costing, financial planning and control. While financial accounting categorises historic income and

expenses for external financial reporting, management accounting classifies costs and revenues by their economic relevance and behaviour and consequently is more useful for internal operational decisions, both in the short and long-run, as well as for aspects of budgeting and performance measurement.

In other words, the F2 paper gives the accountant the knowledge and understanding about costs and revenues to assist in the key areas of planning and control.

The following quote sums up this idea nicely: 'The management accountant looks up and down stream at the same time.' This quote refers to the fact that management accountants not only have a clear view of where costs and revenues have originated, but also where they belong, how relevant they are and how they will behave. They use information to plan future operations and to make and support appropriate decisions for the benefit of the business and its stakeholders.

**Interviewer:** As you explained earlier, there is an overall aim or concept for the paper as a whole. Are there any other broad themes which run through the syllabus?

**Examiner:** Yes. As previously mentioned, F2 is essentially about examining knowledge and comprehension of how costs are incurred and revenues generated, in both the past and the future in order to be able to improve business performance. There are, however, five main themes within this overall concept.

Theme 1 – the purpose of management accounting and how it differs from financial accounting; why it is important to gain a proper understanding of what costs are incurred and revenues generated, and how this happens.

Theme 2 – breaking down costs into categories and classifying them under meaningful headings based on a sound business and economic rationale. Understanding how costs behave is also part of this theme; for example, understanding the distinction between fixed and variable costs is crucial in management accounting.

Theme 3 is about the costing of goods and services in a variety of different situations using different costing methods.

Theme 4 is about business planning and control. Planning is mainly to do with the construction of budgets. It includes statistical and mathematical techniques necessary for budget construction.

Control includes the reporting of variances from budgets or

standards to management in order that they can take necessary corrective action.

Finally, Theme 5 is around performance measurement and looks at both financial and non-financial measures of performance in a range of contexts.

**Interviewer:** I note that the syllabus for F2 is structured into five main sections. Can you briefly explain the main content of these syllabus sections please?

**Examiner:** Yes of course.

Section A considers what management accounting is and its purpose as an accounting function as compared with financial accounting. This section provides a good link with F1. It also looks at the types of data available to the management accountant and the categorisation of costs.

Section B. This section deals with cost accounting for the main business costs such as materials, labour and overheads. It looks in detail at costing principles (marginal and absorption costing) which are important for inventory valuation. It also looks at the various costing methods appropriate to different businesses.

Section C is on business planning and looks at the construction of budgets and the underlying statistical mathematical and spreadsheet techniques needed by management accountants. It also introduces students to discounted cash flow, a technique that is widely used throughout the rest of the ACCA syllabus.

Section D looks at the control aspects of management accounting. It introduces standard costing systems and looks at the calculation and interpretation of standard cost variances.

Section E covers financial and non-financial performance measurement in a variety of contexts. This is an important area which is developed further in papers F5 and P5.

**Interviewer:** Having explained the main content of the syllabus for us, can you tell us about the exam itself?

**Examiner:** First of all it is worth noting that, as F2 is a Fundamentals paper, all students must sit this exam unless they claim exemption. As with all papers within the Knowledge module, the completion time for this exam is two hours.

**Interviewer:** Can you tell us how many questions there are in the exam and what choice exists, if any?

**Examiner:** F2 is a two hour exam paper and is assessed by either paper based or computer based examination. The exam will contain 50 two mark objective type questions. For the paper based exam, all the 50 questions will be multiple choice. For the computer based exams, these will consist of a mixture of multiple choice, number entry, multiple response and multiple response matching questions.

Students can take the exam as a computer-based exam on demand at designated ACCA CBE centres, or as paper based examinations held in both June and December sittings. Whichever type of exam the student sits, they must answer all the questions set – there is no choice of questions - and the pass mark is 50%. Both paper based and computer based papers will be very similar in structure and level of difficulty.

Although management accounting is often regarded as a fairly numerical subject, the F2 exam will comprise a significant proportion of non-numerical questions which test knowledge and understanding.



**Interviewer:** Why is there no choice offered at the Fundamentals level of the ACCA Qualification?

**Examiner:** That's because, as the name of the level implies, all subject areas and capabilities at this level are 'fundamental' to having a sound grasp and technical proficiency in all the subject areas.

For more information about the exam itself and how it is structured there is a pilot paper for the paper based version of the exam and demo exam paper for the computer based, both available on the ACCA website.

**Interviewer:** Thanks for explaining all that. What else would you identify as core features of the exam itself?

**Examiner:** As was mentioned earlier, the exam style for all papers in the Fundamentals Knowledge module involves a mixture of objective testing which awards two marks for each question correctly answered. Multiple choice questions will have four alternative answers to choose from. Number entry questions require candidates to input their own numerical answer to a question. Multiple response questions require candidates to select more than one correct alternative. Multiple response matching questions

require candidates to match statements and conditions (e.g. true or false).

**Interviewer:** Should students think about time allocation per question when doing objective test exams?

**Examiner:** Yes, time allocation is important in any exam. A two mark question has an average time of 2.4 minutes. It is important to remember, however, that not every two mark question will take the same amount of time to answer. Candidates will find that some questions take a little longer than the average time but equally some will take less.

**Interviewer:** Should students guess the answers to questions if they don't know the answer?

**Examiner:** F2 is an objective test exam and therefore a correct answer is awarded marks, but a question with no answer will definitely not get a mark. There is no negative marking for a wrong answer. If a candidate does not know an answer or runs out of time, I would recommend a guess rather than leaving a question unanswered.

**Interviewer:** What advice would you give about revising effectively for, and passing, F2?

**Examiner:** Well, first there are the main exam strategies, focusing on key areas, and then there are some specific tips for F2 candidates during their revision, and for the examination itself.

I would recommend the best strategy to adopt in the revision phase is to focus on areas of the syllabus that a student may not be too sure of, or confident about. It is also essential to complete lots of practice questions on all syllabus areas from the official study text for F2 and from the demo questions available on the ACCA website.

As far as an approach is concerned, students should ensure that they understand all the aspects of management accounting in the F2 syllabus and study guide thoroughly. If you were to analyse the demo paper for F2 carefully, you would discover that about 25-35% of the total marks are for questions broadly testing syllabus areas A and B. Whereas questions testing syllabus areas C, D and E account for 65 to 75% of the total marks on the paper. This broad split is unlikely to change by very much in exams. Students should be aware of this split when allocating their revision time to topic areas within the F2 syllabus.

**Interviewer:** What would your three key revision and exam tips be?

**Examiner:** My first tip is that you should realise that because there are 50 questions on the F2 exam there is plenty of scope for me, as the examiner, to test all areas of the syllabus on every paper. However as I have already indicated, Sections C, D and E of the syllabus will generate more than twice as many questions on any exam than will Sections A and B. Students should allocate their revision time appropriately.

Secondly, students should appreciate that each exam will contain a significant proportion of questions (representing about 30 to 40% of the total marks of the exam) which will not involve using a calculator to answer them. The exam will definitely not be all calculations!

My final tip is to practise questions as much as possible. Some of this practice should be under strict exam conditions. There is no substitute for actually attempting exam style questions from the ACCA website or from approved study text materials.

**Interviewer:** So, what do you believe to be the main potential pitfalls when preparing for and taking the F2 exam?

**Examiner:** The main pitfalls I have seen students fall into are the following:

Students often come into the exam unprepared, without a sufficient knowledge or understanding of all areas of the syllabus. Students, and their tutors, need to ensure that they cover the whole syllabus. It's also very important to ensure that links between different sections of the syllabus are explained and understood.

The second main pitfall is rushing through questions through fear of not completing all questions in the allocated time. This can be a temptation for nervous students who are fearful of the relatively high number of questions to complete. In practice, most students will have plenty of time to complete the exam, so students should take care to read and fully understand each question – including the question statement where relevant – to give themselves the best chance of answering questions correctly. Where possible, students should double check their workings to numerical questions as no credit is given for workings even if the most minor error is made. A sensible approach is to work through the paper answering the questions you find easy as you go. You can then attempt the questions you find difficult on a second pass through. If you don't get to the end of the difficult questions, be prepared to guess.

The final pitfall is leaving questions unanswered through lack of time or knowledge. As I have mentioned before, effective time management is important. If, however, lack of time – or knowledge – become a factor, students should always make a reasonable guess at Section A questions and ensure that they have answered all the questions.

**Interviewer:** It is clearly important to follow the above tips and avoid any common pitfalls in exam revision and in the exam hall itself. What other information can you give about student performance which can help students prepare for exams?

**Examiner:** Students who are unfortunate enough to fail should try and understand why they think this happened. They should ask themselves whether they were unprepared from a knowledge or understanding perspective. Did they run out of time and/or did they leave any questions unanswered? Usually students will know where their knowledge or understanding was weak and they will need to learn or revise these areas more thoroughly next time and develop a better exam technique, particularly with the more difficult and time consuming questions. This is of course best achieved through practice. Using the pilot paper or the demo exam, simulations and questions in the official texts are all very

good ways to prepare for the exam and to identify any areas where more work needs to be done.

In addition, after each exam session an examiner's report will be produced which will highlight two or three questions which many students answered incorrectly, outlining the common problems.

**Interviewer:** Do you have any concluding advice about the F2 examination paper?

**Examiner:** I believe there are some key summary points to mention about the exam questions themselves.

Students must always read the question and, where relevant, the accompanying statement as carefully as possible, and make sure they have understood them.

Where there are statements included in an objective test question, a student is usually expected to think about and apply some knowledge to a specific situation in a particular context.

Students must also remember not to dwell for too long on any question that they are not sure about, don't understand or simply don't know the answer to. As there are 50 questions to get

through, think about each question carefully, but briefly, and if the answer isn't sufficiently clear, move on and return to it later. As I mentioned earlier it is important to ensure that by the end of the examination all questions have been answered even if some are just guesses!

**Interviewer:** Thank you very much for sharing your insight into this exam paper.

I'm sure it has given students and tutors lots of useful information.

**Examiner:** Thank you.