



# Examiner's report

F1/FAB Accountant in Business

For CBE and Paper exams covering July to December 2016

## General Comments

The paper was composed of two parts. Part A included 46 questions, worth either 1 mark or 2 marks. All of these were objective test questions with only one correct answer to be chosen from either 4 options (for 2 mark questions), or 2 or 3 options (for 1 mark questions). There were 6 questions in part B, each worth 4 marks. At least one section of each part B question was based on a short scenario. Each question related to one of the generic syllabus areas.

Most candidates were well prepared, and the pass rate was very satisfactory, with some candidates scoring very high marks. A minority of scripts were significantly below pass standard, and for these candidates it has to be attributed to lack of preparation or under-estimating the standard of the examination. Generally, poor performances in part A of the paper correlated strongly with poor performance in part B.

Most candidates completed all of the questions in the time available, suggesting that the examination is not time pressurised. However, several candidates did not answer all of the questions. This should be avoided as is often possible to arrive at the correct answer by eliminating some or all of the incorrect options.

With a greater focus on application of knowledge and principles, performance on the part B questions was understandably more variable, with pass rate on some questions much higher than others.

## Comments on Part A performance

The majority of candidates scored high marks in part A, which meant that they only had to secure a few marks in part B to achieve a pass. Only a minority of candidates would have achieved a pass on the strength of part A alone.

In some cases, a solid performance in part A was not built upon sufficiently by the answers to part B questions. Unfortunately, some failed to achieve a pass because they did not give appropriate attention to both parts of the paper, or were not fully prepared to deal with the different types of question in each section.

The objective test questions in part A should be read carefully, and this is particularly important when the requirement relates to a short scenario. There are no 'trick questions' in the examination, so what the candidate reads should be taken at face value. However, there is also a danger of reading a requirement too quickly without fully understanding what is required. A good practice is to read the question twice unless absolutely certain of the correct answer, or alternatively to defer completion of a question to a later stage of the examination if it is felt that too long has been spent on it.

The syllabus areas on which candidates performed best were types of organisation, span of control, stakeholders, types of information system, conflict, performance appraisal and some aspects of ethics and professional values. There was evidence that candidates had worked hard to understand ethical principles and related concepts, as they also performed well on a part B question on the same area.

Questions which appeared to pose the greatest difficulty were on the types of work carried out by accountancy staff, fiscal policy, the differences between groups and teams, time management and the theories of Belbin and Kolb. Although candidates dealt with questions on ethics quite well, one objective test question on this subject presented difficulty.

There was no evidence within part A of the paper to suggest that candidates experienced greater difficulty with scenario-based questions than shorter questions.

### Sample questions for discussion

Question 6 related to macro-economic policy:

**Which of the following is a deflationary fiscal policy measure?**

- A Reduction in interest rates
- B Increase in sales tax levied on goods and services
- C Purchase of government bonds by the Treasury
- D Increase in subsidies on affordable housing for low income families

The correct answer is B.

Deflationary policy is any policy intended to reduce the level of aggregate demand in the economy. Fiscal policy is concerned with controlling the economy through the management of income, expenditure and borrowing.

A reduction in interest rates is an example of monetary policy, not fiscal policy, but it is also reflationary, as such a reduction will increase disposable income, some of which will be spent by consumers. In turn, this will have a positive (and multiplied) effect on aggregate demand.

The purchase of government bonds by the Treasury is an example of open market operations, which are one tool of monetary policy. This will reduce the liquidity of the banks and is therefore deflationary, but is not an example of fiscal policy.

Subsidies for affordable housing is reflationary, as it injects money into the economy, thereby increasing aggregate demand.

The pass rate for this question was 48%.

Question 22 was on time management:

**Which of the following should be carried out first when planning time?**

- A Selecting the priorities from all the tasks which have to be performed
- B Identifying objectives and the key tasks relating to these objectives
- C Considering the resources available to complete tasks, including people and budgets
- D Consulting with colleagues to ascertain what contribution each individual can make

The correct answer is B.

All of the options offered in this question are matters which have to be considered when planning time. However, it is necessary to identify objectives and key tasks before any of the other actions can be contemplated. The phrase 'key tasks' is especially important here, as distinct from 'all tasks', to which choice A alludes. Choices A and B were the most popular options selected, though only 48% of candidates chose the correct answer.

Question 33 was on ethics:

**Which of the following is the most effective way of ensuring that minimum standards of behaviour set down in a corporate code of ethics are implemented?**

- A** Issuing a statement by the board of directors stating that the organisation will expect compliance with the code by all staff
- B** Introducing appropriate control systems and communicating the serious consequences of breaches of expected standards
- C** Ensuring that the code is communicated across the whole organisation, and reminding staff of its provisions in ongoing training
- D** Emphasising the benefits to the organisation of compliance with the code, including a higher level of trust by stakeholders

The correct answer is B.

Again, all of the options are plausible, and represent best practices in promoting an ethical culture in an organisation. However, the question is concerned with identifying the most effective way of ensuring the implementation of expected standards of behaviour. Choice B has to be the most effective approach, as control systems should be sufficiently robust to provide reasonable assurance that the organisation will meet its objectives (including related behavioural standards necessary to support this). If employees are aware that breaches of expected standards will have serious consequences, this can be a very effective deterrent to inappropriate behaviours.

### **Comments on part B performance**

Candidates performed quite strongly on the question in part B.

It was clear that candidates were well prepared to deal with questions on stakeholders, and most were able to correctly select positions on Mendelow's grid from information given in a scenario. The only confusion here was for those who transposed 'keep informed' and 'keep satisfied', but even if this was the case, it was still possible to secure half of the marks available for this part of the question.

A question on SWOT analysis was answered satisfactorily, but those who selected incorrect answers clearly did not know that opportunities and threats arise from external factors while strengths and weaknesses relate to internal factors. If students understand this important distinction, they should be able to address any similar question confidently.

Although part A questions on some theories caused difficulties for students, no such problems arose in respect of questions on the theories of Drucker and Mintzberg. There were high pass rates on questions relating to both. Candidates also dealt with a question on the Ashridge leadership styles model very competently. Candidates demonstrate a reasonable understanding of the fundamental principles of ethics, and were able to match definitions to concepts such as openness, trust and empowerment.

In common with the part A questions, candidates did not appear to have major difficulties with questions taken from part C of the syllabus, which relates to accountancy and finance functions.

### **Conclusions**

Success in the F1/FAB paper is dependent on accumulating a reasonable knowledge of a range of diverse subjects, all of which fall within the generic disciplines of management, organisations, accountancy, and ethics. As each of these subjects are disciplines in their own right, there is a vast array of material and no prospective candidate can possibly know every fact or understand every concept fully. However, the examination is

deliberately designed to ensure fairness, so that a candidate who invests a reasonable amount of time in studying all of the syllabus areas will achieve pass standard. Best practice is therefore to adopt a broad approach but one that has to be relatively shallow.

Candidate generally coped quite well with the range of theories that they are expected to study, but it is inevitable that some questions will be more challenging than others. To address any uncertainty in relation to the depth of knowledge required, candidates should be guided by the study materials accredited by the ACCA, and also read articles in 'Student Accountant', many of which are written by members of the examining team.

Candidates should be mindful that while some subjects in the syllabus appear to be 'common sense', such as time management, dealing with conflict and communications, this does not necessarily mean that all questions will be easy. Candidates are urged to practice questions on all subjects, no matter how straightforward they may appear to be.

As the examination approaches, candidates should practice questions as much as possible, including different styles of question. It is unlikely that practising 'true/false' questions alone will be adequate, as these are usually concerned with pure knowledge recall. Adequate time should be spent on scenario-based questions and those calling for applications of knowledge. It should be noted that examination questions are positively focused, with very few asking 'Which of the following is NOT....', so while such questions help to reinforce understanding, undue focus on them may be too sharp a contrast with the questions experienced in the examination itself.

As those who sit the examination are student members of the ACCA, they are already bound by the provisions of the ACCA Code of Ethics and Conduct. Some of the topics in the syllabus are directly relevant to provisions of the Code, so it is useful to look at the Code when studying the ethics and professional value section of the syllabus. This will enable candidates to understand some of the practical implications of the Code, and well as enhance their ability to apply the provisions to given scenarios.