



# Examiner's report

## F1/FAB Accountant in Business

### For CBE and Paper exams covering July to December 2015

#### General Comments

The paper is divided into two parts. Part A consists of 46 objective test questions, each worth 1 or 2 marks. Part B had 6 multi-task questions, each drawn from one of the six parts of the syllabus. Questions in this part are worth 4 marks each. The time permitted for completing the paper is two hours. All questions are compulsory.

Candidates were generally well prepared, and the majority completed a full set of answers in the time available. This suggests that the paper is not time pressured. However, some candidates did not answer some of the questions, and this is probably a result of poor time management, caused perhaps by spending too long on questions that posed them greatest difficulty or failing to plan time effectively.

There was evidence of guesswork by some candidates. In an examination of this type, it is a legitimate approach to narrow down the available answers by eliminating distractors known to be wrong or improbable. Even if the correct answer is not known for sure, it may be possible to arrive at it by a process of deduction, or by reducing the choice to one answer from two. However, it is better to attempt questions on the basis of logic and reasoning than to rely on guesses or even sequences. For example, it is clear that some candidates used the latter based on repeated use of consecutive 'A. B. C, D' choices. In a minority of cases, some chose distractor D when there were only three choices available (A, B and C).

Candidates performed adequately or well on questions relating to several topics. Questions on centralisation, non-executive directors, the Anthony hierarchy, Honey and Mumford, competence frameworks, Mayo's theory and communication (attributes of the grapevine) all had high pass rates. This is encouraging, as some of these topics (non-executive directors and competence frameworks) were known to cause difficulties in previous examination sessions.

Some management theories cause difficulties, and it was evident that some candidates have difficulty in ascribing some theories to their authors. For example, a question on leadership had a particularly low pass rate. It was more surprising to note that ethical theories and concepts, studied in part F of the syllabus, give candidates concern, and it was clear that many do not understand concepts such as transparency, independence, integrity and so on. The five threats to independence were also not well understood.

Other areas that candidates found difficult were the marketing mix, money laundering, IFRS, wrongful dismissal and standing committees of the board of directors.

Many of the questions in part B of the paper are based on scenarios, and as such are likely to take the average candidate longer to work through in accordance with the mark allocations for these questions. However, candidates should not be intimidated by questions of this type, as they provide adequate information from which correct answers can be deduced. It is notable that some candidates did not complete a full set of answers to part B questions, and a small minority did not attempt this part of the paper at all. It is extremely unwise to rely on performance in part A of the paper being sufficient to achieve a pass mark, and this is underlined by the fact that some who did not attempt some of the part B questions did not quite do enough to achieve a pass mark.

Some areas tested in part B of the paper caused difficulties. These included different macro-economic policy instruments, and the different applications of coaching, counselling and mentoring.



### Sample questions for discussion

#### Sample question 1:

**A deontological approach to an ethical decision focuses on which of the following?**

- A** The desired virtues of the decision taker
- B** The duties of the decision taker
- C** The consequences arising from the decision

This question relates to part F of the syllabus and required a basic knowledge of theories of ethics. The virtues of a person are those characteristics regarded by society as desirable, and may result in an observer arriving at the conclusion that the individual will take good or bad decisions. A duty-based perspective considers whether a decision or action will be compliant with the perceived responsibilities of a person or organisation, which in turn may rely on consistency with the law, codes of practice or generally accepted standards. This is the deontological approach. The consequentialist approach considers right and wrong from the viewpoint of an action or decision bringing about an end result that is right or wrong. This is called the teleological approach.

The correct answer is therefore B.

Only 37% of candidates selected the correct answer.

#### Sample question 2:

**The audit committee and remuneration committee of a company are examples of which of the following?**

- A** Ad hoc committees
- B** Management committees
- C** Executive committees
- D** Standing committees

Ad hoc committees are non-permanent committees, often formed for a particular purpose. The terms 'management committee' and 'executive committee' are generally interchangeable. They refer to the committee of executives that will meet regularly to formulate, implement and review operational matters. In a large company, they usually include the two or three executives who serve as executive directors as well as other senior managers who are not executive directors. Standing committees are a permanent feature of the governance of a company and include the audit committee and the remuneration committee (larger companies also have a nomination committee and perhaps a risk committee). Standing committees meet regularly (though not necessarily monthly).

The correct answer is D.

The pass rate for this question was 37%.

**Sample question 3:**

Which of the following theorists suggested that leaders can emerge, rather than be formally designated?

- A Kotter
- B Heifetz
- C Adair
- D Mintzberg

This question was a test of whether candidates could recognise the essential features of leadership theories and attribute them to the relevant writer. Kotter's theory is concerned with the leader's responsibilities in coping with changes, and focuses on differences between 'leadership' and 'management'. Adair's work relates to the effectiveness of leaders in achieving a balance between achieving the task, maintaining the team and developing individuals. Mintzberg considers the roles of leaders. It is Heifetz who proposed that leaders can emerge informally in his theory of dispersed leadership.

The correct answer is B.

Only 33% of candidates selected the correct answer.

**Conclusions**

Although the paper serves as a gateway to the more detailed studies that follow at the Professional level of the qualification, it is broad in content and requires that the student learns many theories and concepts. It is impossible to know all of these, but a well-prepared candidate should be capable of acquiring sufficient knowledge to achieve a pass. It is important to note, however, that the paper demands formal study, so reliance on business experience or common sense alone is unlikely to serve as a basis for success. The most effective approach is to try to attain at least a basic understanding of all syllabus areas without pursuing too much depth of understanding.

The ability of candidates to deal with certain questions is not always dependent on their level of complexity. For example, many of the ethical concepts with which some candidates struggle are quite basic, but are concerned with 'softer' concepts than the comparatively more analytical features of F2 and F3. As members of ACCA, all candidates should be familiar with the code of ethics, and by reading this it is possible to reinforce understanding of some of the concepts, as well as make them easier to apply.

As well as undertaking a systematic programme of study, candidates must pay due regard to the necessity to complete the paper in the time available. In planning ahead, it should be accepted that the 46 objective test questions will include 12-15 short scenarios, which probably take the average candidate longer to complete because of the applied nature of the requirement than non-scenario based questions. Part B questions always include some element requiring application as well as knowledge, so an appropriate amount of time should also be reserved for these.