

Examiner's Approach Interview: F9 - Financial Management

Interviewer: Welcome to the F9 Examiner's Approach interview.

The following is an Examiner's Approach interview for Paper F9, *Financial Management*.

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. For more detail on the examiner's approach, please see the article produced by the examiner in the February 2007 archive edition of *student accountant*.

The examiner is Tony Head. Tony is a Senior Lecturer in Financial Management at one of the leading UK universities. He was (previously) the examiner for paper 2.4 (Financial Management and Control).

I suppose it would be most appropriate to start off by asking where F9 fits within the overall structure of the ACCA Qualification.

Examiner: The ACCA Qualification is divided into two levels – Fundamentals and Professional. The Fundamentals level is further divided into two modules – Knowledge and Skills.

F9 is one of the six Skills module subjects which comprehensively cover the main technical areas that any accountant, regardless of their future career aspirations, is expected to have mastered. These comprise law, performance management, taxation, financial reporting, auditing and financial management.

All Skills module exams are three-hours long and make use of a range of assessment methods such as short-answer questions, extended computational exercises, essays, scenarios and case studies.

Interviewer: From what you have just said, F9 is connected to other papers within the ACCA Qualification. What are the links with other papers, or with other components of the qualification?

Examiner: F9, *Financial Management* develops some of the management accounting concepts introduced in F2 *Management Accounting*.

Students may also benefit from taking F5 before, or at the same time as F9.

F9, *Financial Management* is the foundation for the more specialist (and optional) P4 *Advanced Financial Management*.

In addition, the knowledge and capabilities acquired in F9 will be helpful in P1 *The Professional Accountant*. For example students will have been introduced to financial risk.

All knowledge and capabilities acquired in F9 will be applied, in context, within the Practical Experience Requirements. The performance objectives which are particularly relevant to this paper are optional objectives 15 and 16.

Interviewer: What is the overall concept or theme for F9 as a paper?

Examiner: Candidates passing this paper should be equipped with the knowledge and skills expected from a finance manager responsible for the finance function of a business. The syllabus is broad enough to cover all three types of financial management decisions, namely:

- Investment decisions
- Financing decisions
- Dividend decisions

Interviewer: Are there any other broad themes which run through the F9 syllabus?

Examiner: Two important themes in financial management are valuation and decision-making. Financial decisions cannot be made without valuing financial choices, for example using present values. The financial manager is also the link between the financial markets and the business, and so is concerned with raising funds, deploying funds in the business and ensuring that funds are used effectively.

As mentioned earlier, F9 is essentially about:

Investment decisions, both long-term investment in non-current assets and short-term investment in working capital;

Financing decisions, both long-term and short-term. Candidates need to demonstrate knowledge of various sources of finance and how they are raised. Specific problems relating to financing small and medium-sized businesses are also covered;

Dividend decisions. Candidates will need to understand dividend theory and the impact of dividend policy on business value.

Interviewer: The syllabus for F9 is structured into eight main sections. Can you briefly explain the main content of these syllabus sections?

Examiner: Syllabus Section A introduces the financial management function. This section includes the role and purpose of financial management in business; the different stakeholders in a business and their conflicting objectives.

Section B covers the environment in which businesses make financial management decisions. In this section, students are introduced to the role played by the financial markets in business finance.

The crucial area of working capital management is covered in Section C. Students are introduced to all aspects of working capital management, including the management of inventories, accounts receivables, accounts payables and cash.

Investment decisions are an important area of financial management and Section D of the F9 syllabus covers investment appraisal. Students will be expected to understand, and be able to apply, a range of investment appraisal techniques. They will also be expected to evaluate specific investment decisions.

Section E covers business finance – including short-term and long-term external sources of finance – and internal sources of finance

such as retained earnings. This section also covers dividend policy and finance for small and medium-sized businesses.

Syllabus Section F introduces the concept of cost of capital.

Students must be able to calculate the costs of different sources of finance such as equity and debt, and understand the relationship between average cost of capital and capital structure.

Section G is concerned with business valuation and the valuation of financial securities such as shares and bonds. Linked to valuation, is the concept of market efficiency.

Finally, Section H introduces risk management, the reasons for exchange rate and interest rate changes, and the hedging of foreign currency and interest rate risk.

Interviewer: Thank you for explaining the main content of the syllabus for us. What can you tell us about how the exam itself is structured?

Examiner: First of all it is worth noting that as F9 is a Fundamentals paper, all students must sit this exam unless they have an exemption awarded for prior learning in a degree or equivalent.

As with all papers within the Skills module, the writing time for this exam is three hours. All ACCA three hour papers have been

allocated an additional 15 minutes reading and planning time, within which students can read the paper and understand the requirements. An article explaining how this time should be productively used has been published in the *student accountant* magazine in the August 2007 edition which can be seen on the website.

Interviewer: What exactly can students do in reading and planning time?

Examiner: They can make notes and plan answers. This may only be done on the question paper and not on the answer booklet. The answer booklet cannot be used until the exam begins.

Interviewer: So, how many questions are there in the exam and what choice, if any, exists?

Examiner: As can be seen here, the exam has all compulsory questions. The paper contains 4 x 25 mark questions which are based on short scenarios, with requirements divided into two or more parts. Remember, the student must answer all questions.

For more information about the exam itself and how it is structured, there are past papers to refer to. These can be found on the ACCA website.

Interviewer: What would you say are the key features of the F9 examination paper?

Examiner: Firstly, the exam style involves the assessment of both knowledge and understanding of an area, or areas, of the syllabus, where a student is required to explain and apply financial management techniques. In some cases, students could be required to critique or evaluate these techniques or theories in context.

Interviewer: How should students deal with a requirement that asks the candidate to do something AND something else?

Examiner: Because some questions may ask the candidate to do something 'and' something else, the candidate may have to use judgement to decide how much effort to devote to each aspect. This will be based on the difficulty of different cognitive levels, for example 'describe' is usually easier than 'assess'. However, markers will be asked to exercise quite a lot of flexibility in awarding marks in this situation.

Interviewer: Can you explain more about cognitive levels?

Examiner: Certainly. This is very important. Most instructional verbs used within the Fundamentals' Skills module should be set at level 2,

but where lower level verbs are used, the marks available will usually reflect this. For more information about these levels and the kind of verbs which fall within them, see the 'Testing testing 1,2,3 article in the January 2007 edition of *student accountant*.

Interviewer: So, why is there no choice of questions offered at the Fundamentals level?

Examiner: This is because all questions in all papers are compulsory at the Fundamentals level. As the name of the level implies, all subject areas and main capabilities within these papers are 'fundamental' to having a sound grasp and technical proficiency in all these topics.

For more information about the exam itself and how it is structured refer to the pilot and past papers on the ACCA website, or the official publishers' books.

Interviewer: Are any issues about ethics introduced in this paper?

Examiner: In some circumstances the ethical dimension of a situation may be examined with respect to, for example, stakeholder objectives.

Interviewer: What advice would you give about revising effectively for, and passing, F9?

Examiner: I would recommend the best strategies to adopt in the revision phase and in the exam itself are as follows.

Make sure you understand the theory and concepts behind any calculations you have carried out. Ask yourself why financial managers make calculations like these.

Study the pilot paper and the December 2007 paper. Note the style and structure of the questions, and how suggested answers relate to each question asked.

Practice as many exam-standard questions as you can, so that you are thoroughly prepared. Revise wherever you find uncertainty.

Study relevant articles in *student accountant*.

There are no key areas to focus on because the whole syllabus is examinable. Question spotting is not a substitute for thorough preparation and revision.

Interviewer: What would you say is the most important thing to remember during revision?

Examiner: Apart from repeating that effective revision involves plenty of question practice, I would say it is essential to develop a methodical approach to financial analysis and financial calculations in answering questions. The ability to see the implications and uses of financial information within the context of a question's requirement will usually suggest an appropriate answer, or at least the direction in which an answer might be found. The reading time can help here.

Interviewer: So, time management is important then?

Examiner: Yes, very important. Students must make sure they manage their time effectively, both during revision and in the examination. Spending too long on one area of the syllabus is less productive than developing a proper understanding of the main principles, ideas and concepts within each syllabus section and each subject area. In the exam, spend your time in proportion to the marks available and then move on.

Interviewer: What else must students remember during the exam itself?

Examiner: It is essential to use the terms and concepts of financial management in answering questions, since this allows candidates to demonstrate their knowledge and understanding.

Interviewer: What do you believe to be the main potential pitfalls in preparing for and taking the F9 exam?

Examiner: I would say the main pitfalls fall into the following areas:

Irrelevant discussion

Some students lose focus in the exam and their answer drifts into discussing a topic they know a great deal about, but which is not being assessed. Their answer gains low marks and precious time is wasted which could make the difference between a pass and a fail. Check regularly that your answer is meeting the requirements of the question.

Bullet points

Very few marks are available for bullet point lists. If the question asks for discussion, this is what will be rewarded, rather than a list of key words or phrases. Use a bullet point list to plan your answer and then write a well-organised discussion that might gain high marks!

Disorganised answers

Students must be disciplined in answering a question once they have started it. Disorganised answers are difficult and frustrating to

mark. Students should answer each part of a question in the order given and keep them together on the answer script.

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

Examiner: After each examination session, all ACCA examiners are required to produce an exam report. These reports highlight key issues arising in the last exam and focus on where students performed particularly well or badly. These are published in February and August and can be found under paper resources for each paper which can be accessed through the website.

In addition, after each exam session has been completed, the exam review board meets. This is a board consisting of ACCA internal Education staff and six representative members of the approved learning partner community. Minutes from this board summarise the comments made by tuition provider representatives, report survey results about the exams from student questionnaires and detail the responses. Again, the minutes from the exam review board are available on the website.

Interviewer: And finally, what would be your concluding advice about the F9 examination paper?

Examiner: I think the key summary points to mention are about the exam questions themselves.

Firstly, students must always read the question carefully, identifying clearly the instructional verbs contained within each requirement.

Secondly, it is important to understand properly the question requirements, assessing exactly what the examiner is really looking for in each question part, and being fully aware of the marks available for each requirement.

Finally, don't forget that answers given should relate to the question actually asked, not the one that a candidate would have liked to answer.

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.