





Hello. Welcome to the examiner's presentation for F1, *Accountant in Business*.

The presentation covers a range of issues, focussing on candidates' performance over the last 3 exam sessions and how to improve it.

PURPOSES OF THIS INTERVIEW

To provide a review of performance in examinations to date

To identify areas on which to focus in forthcoming examination sessions

To explain how the examination will evolve in the future

I would like cover 3 main areas in this presentation.

The first is to provide a review of performance in the three examinations which have been set between December 2007 and December 2008.

Secondly, I would like to identify areas where I believe candidates should be focusing in future exams.

Finally, I would like to explain how the exam might develop or change in the future.

THE F1 PAPER

Business organisation structure, governance and management

Key environmental influences and constraints on business and accounting

History and role of accounting in business

Specific functions of accounting and financial control

Leading and managing individuals and teams

Recruiting and developing effective employees

As you know this paper is about setting the context for accountants in business, so the syllabus examines such aspects as what a business organisation is, how it is structured and governed, and how it is managed.

In addition, the student accountant needs to be aware of how the business interacts with - and is affected by - the environment. The second section of the syllabus covers key environmental influences such as political, economic, social and technological. It also covers constraints and regulation governing business and accounting. #

The syllabus then focuses on the history and role of accounting as a central business function.

This involves gaining an understanding of the various roles and responsibilities that accountants have within a business organisation: financial accounting, management accounting, finance, audit and tax. This section also includes an introduction to internal control, assurance and compliance.

The last two sections of the syllabus relate to managing and developing people within the business organisation. The first deals with leading and managing individuals and teams and looks at such areas as leadership theories and motivation.

The final section of the syllabus covers the recruitment, training and development of staff.

THE F1 PAPER

50 objective test questions in 2 hours

Conventional unseen examination or CBE

40 x 2 marks

10 x 1 mark

As with the other two examinations within the Knowledge module, F1 is a two hour examination consisting of 50 objective test questions.

The examination is available both as a paper based examination and as a computer based examination (CBE). The CBE can be taken at designated examination centres throughout the world and can be taken at the time of the candidate's choosing. The style of the CBE is similar to the paper based examination but there is a wider variety of question styles. Samples of these question types are available from the ACCA website.

Of the 50 questions in the paper based exam or in the CBE, 40 are two mark questions and 10 are one mark questions. The total number of marks available within the exam is 90. As the pass mark is 50%, candidates need to score 45 marks or above to pass.



REVIEW OF PAST EXAMS

In a preview of past exams, the first thing I would like to say is how impressive candidate performance has been over the past three exams. We have experienced consistently high pass rates for this paper as both a paper based and computer based exam. These pass rates compare very favourably with the pass rates achieved for the previous equivalent paper 1.3, *Managing People*. When you break the pass rates down further, however, it is interesting to note that the F1 pass rates on the human resource sections of the syllabus are significantly lower than the overall average, confirming that candidates still find these areas difficult or are inadequately prepared in the managing people aspects of the syllabus.



I will now highlight all the syllabus sections where I believe candidates are well prepared and then I will identify where candidates may be having some problems.

STRENGTHS

High pass rate since the paper was introduced and satisfactory standard in all areas of the syllabus

Particular strengths:

- Organisational structure
- Environmental analysis
- Stakeholders
- Responsibilities within the accounting function

As I said previously, candidates generally performed very well indeed and can be congratulated on demonstrating a sound knowledge and comprehension of most of the syllabus areas. I believe this is because most candidates have studied and been taught comprehensively across the syllabus.

I would identify the following areas as particular strengths:

The candidates are very good at knowing and understanding organisational structure – for example areas such as tall and wide organisations - and relating this to management levels and the span of control. They also have a good understanding of strategic management like the strategic apex and other areas, such as tactical and operational.

Candidates also demonstrated good knowledge of environmental factors within PESTEL, particularly the economic aspects.

It also seems apparent that tuition providers are covering stakeholder theory comprehensively, with candidates able to distinguish between internal, external and connected stakeholders and their relative power and influence.

Finally, the other area which candidates are very good at is understanding the specific roles of accountants in business, such as the difference between what a treasurer does compared with an internal auditor and so on.

STRENGTHS

- Some management theories
- Communications
- Individual and team development

I have noticed that candidates are performing well in some management areas, such as some theories of motivation and the Blake and Mouton grid for example.

Candidates also seem to be capable of answering questions on communication issues, such as what the communication cycle is, and communications structures like the Y and the wheel. Candidates also seem knowledgeable about barriers to communications such as types of 'noise'.

The other area which many candidates seem comfortable with is individual and team development.

**WHAT WASN'T
DONE WELL?**

WEAKNESSES

Applying macro-economic theories to mini-scenarios

Legal environment

Roles of certain international bodies

External audit

Internal audit

More complex or detailed leadership and management theories

Although the list of strengths was quite a long one, which is to be welcomed, there are some areas where candidates did less well.

While I mentioned earlier that environmental factors were generally well understood, and that macro economics was one of those areas, many candidates did have difficulties with macro economic questions which were set within a mini-scenario. This implies that candidates are unable to apply their knowledge of macro economics to a given situation.

The other environmental area with which some candidates are less confident, is the legal area. Candidates must be aware that while F1 is a global paper and country specific legislation will not be examined, there are some generic business laws which are common to most countries - such as health and safety, security, employment and diversity laws. Candidates only need to be able to understand the basic principles underlying such legislation and be able to apply it in some cases.

Candidates also need to be more aware of the roles of certain international bodies; such as IFAC and the IASB for example.

Candidates need to be better prepared in audit, particularly external audit and its scope. They need to understand to whom auditors are accountable and what type of tests they undertake.

A number of candidates seem to have an unrealistic view of the external auditor's ability to detect all errors and eliminate fraud.

Candidates are also a little unsure about *internal* audit, what it covers and the essential differences between internal and external auditing.



LESSONS LEARNED



First of all it is worth mentioning that no one area of the syllabus is more important than the other. Questions from each area of the syllabus are selected evenly within each examination.

Tuition providers and candidates need to teach and to learn widely across the syllabus and avoid going into too much depth in any area, to the exclusion of covering another area adequately.

PART A

Types of organisation structure and functions within them

Culture

Basics of corporate governance and ethics

Committees and functions of Chairman and Secretary, linked to concepts such as team roles, etc

In specific terms, as far as Section A is concerned, I think tuition providers and candidates should focus on learning about different types of organisational structure such as matrix, functional, geographic and so on. Candidates also need to have a better appreciation of how other functions within business integrate with each other and with the accounting function, such as sales, production and procurement.

Candidates also need a better understanding of corporate culture, particularly Hofstede.

As far as corporate governance is concerned, candidates need to know about the main committees recommended in the major reports issued on corporate governance safeguards. They need to understand the separation of roles of CEO and Chairman, the nature of various committees - such as audit, nominations and remuneration - and to understand the roles of non-executive directors.

Surprisingly, many candidates are unclear about these issues.

PART B

Impact of PEST factors on businesses

Changes in the environment

Analysis of competitive environment

Basic applications of models – 5 forces, value chain

Many candidates are generally well prepared for Part B, but there are some areas that cause problems.

Candidates seem to have a basic knowledge of PEST factors but they sometimes seem unable to apply these in terms of their impact on the modern business.

They are not sure about the effects of changes in the political, macro-economic, socio-demographic and technological environment on businesses.

The other area which needs more focus is analysis of the competitive environment

The main theories to learn – and apply – are the commonly used models such as the 'value chain' and Porter's 'five forces'.

PART C

Impact of legislation and codes

Roles and objectives of regulatory and other bodies

How the accounting function interrelates to other functions

As far as part C of the syllabus is concerned, the overall principles of business law need more focus. This includes principles of health and safety, security and employment law.

Candidates need to be more familiar with the roles and objectives of regulatory and other bodies. Again, tuition providers and candidates need to focus more on international regulation. There is not enough understanding of International Financial Reporting Standards issued by the IASB; IFAC and accounting education standards; international standards on auditing and so on.

Candidates also need to be clearer on the wider functions of business and how their roles integrate with each other, and with the accounting function.

PART D

Responsibilities of different departments within accounting function

Roles of internal and external audit

The main area in this section worth concentrating harder on is the responsibilities of different departments within the accounting function. There is an awareness of the different functions, but sometimes candidates are not quite clear on what, specifically, different accountants are responsible for.

Again I would emphasise that tuition providers and candidates may need to focus more on the specific roles of internal and external audit and the fundamental differences between them.

PART E

Theories of management, leadership and motivation

Team formation and team roles

Confine to theories explicitly named in study guide

Consider in the context of scenarios

Moving on to Part E, a key issue is that candidates need to study more widely within the syllabus across the theories of management, leadership and motivation. They need to have a better understanding of the differences between particular theories in areas such as motivation.

They need to have a better appreciation of the team roles such as in Belbin's theory.

Some tuition providers may be teaching management theories which are not on the syllabus. As this is such a broad syllabus already, it makes little sense teaching or learning theories that are not explicitly mentioned on the study guide.

Finally, as a significant proportion of the questions in the exam paper are scenario based, there will be some requirement for candidates to be able to apply their knowledge rather than simply demonstrate it. It may be worth practising questions which include application. One way of doing this would be to take an example, either from the press or from class notes, and ask candidates to discuss the issues and come to a conclusion. This type of exercise helps give candidates a greater understanding of a theory than just describing it to them.

PART F

Overview of recruitment and selection

Education, training and development, and theories of learning process

Training process

Communication models

Appraisal

This area of the syllabus has caused candidates problems.

There needs to be a better appreciation of recruitment and selection methods, including an understanding of which are the most effective in different circumstances.

Candidates need to place more emphasis on learning about education, training and development, and how these things differ. They also need to focus more on the learning cycle and how it works, using models such as Kolb.

Candidates seem to lack a proper understanding of the training process, from identifying needs through to validation and evaluation.

The last two areas to focus more on are communication models (although this is less of an issue than the others I have just mentioned), and appraisal.

Some candidates seem to have a lack of understanding of how the conventional appraisal process works and seem to think that appraisal is more about discipline and reward rather than interaction and identifying development needs.



There are a few general tips I would give on how to improve candidate performance.

HOW TO IMPROVE?

Rudimentary knowledge of ALL areas

Do not over-concentrate on any single area

Avoid spending too much time on areas specific to UK or other laws

Work a wide range of questions across the syllabus

Work different types of question

My main tips are:

Careful analysis of the syllabus will indicate the opportunities to divide the syllabus up logically into sections. These can then be learned (or taught) together. It's important to make sure you have at least an overall understanding of the whole syllabus.

Don't concentrate too much on any single area. As a bench mark, the two official texts cover the syllabus in about the right depth. Concentrating on one area for too long will mean less time for other areas or may mean that areas are missed.

One pitfall to avoid is going into too much depth on country specific legislation. This will not be examined although general principles and purposes of the common business laws will be.

Practice is important and practicing exam standard questions under time pressure will help candidates get used to what they will face in the exam.

Finally I would encourage tuition providers and candidates to practice on different types of questions such as scenario based questions, true/false questions, missing word, and particularly multiple response and multiple response matching questions.



**FOCUS ON
FUTURE**



Although F1 is a stable subject, there are new theories and new developments from time to time - although not as many as one would find in a topic such as financial accounting, law or tax.

The exam has evolved somewhat over the first three sittings. A higher proportion of mini-scenario based questions have already been introduced to test application.

WHAT'S NEW? WHAT MAY CHANGE?

Changes in universally applicable best practices (such as codes)

Use of revised IAS terminology

Questions modelled on changes in the business environment

The only things that may change in the future are:

Any changes in universally recognised best practice, such as new codes of governance or new types of legislation to cover new developments and events, may be added to a revised study guide in the future.

Any revised terminology, such as happened as a result of the 2006 IAS 1 (Revised) will need to be taken into account.

The other potential areas of change will be questions modelled on changes in the business environment such as the macro economic impact of the credit crunch



Thanks very much.