



# Examiner's approach

## Paper F4 (ENG)

As the examiner for Paper F4, *Corporate and Business Law*, I can imagine the surprise with which the syllabus and exam structure was received – new content and 10 compulsory questions. This article explains the validity of the new content and approach in relation to the new exam structure.

As with the syllabus for Paper 2.2, the general aim of Paper F4 is to develop knowledge and understanding of the general legal framework within which an accountant operates. To that end it is thought necessary to develop an awareness of – and an ability to understand – both common law and statute in relation to specific legal areas of central importance to business in general, and to accountants in particular. It is in relation to this latter requirement that the content of the syllabus has shifted its focus. It is no longer appropriate to ignore issues of tortious liability, especially in relation to professional negligence, nor to ignore the demands imposed by the increased importance of issues relating to corporate governance and business ethics. However, while the inclusion of elements of tort law (and particularly negligence) is completely new, it should be recognised that issues of corporate governance have become increasingly important within the syllabus for Paper 2.2.

To accommodate this additional content, some elements of the previous syllabus have been removed, notably arbitration, some aspects of the law of contract, discrimination within employment law, and majority control and minority protection. This is because it was recognised that the syllabus was in danger of getting too big. However, it still remains a wide syllabus, a fact which raises the question of why it has to be so comprehensive.

The answer is that students must get to grips with some fundamental basics if they are to understand any aspect of law. It has to be emphasised that this paper does not aim to make students into lawyers. For the most part, in a 'real life' context, legal questions will be dealt with by legal professionals. Accountants must be aware, however, of the legal framework within which legal professionals operate, and indeed which controls their operation, and must be sufficiently sensitive to the fact that certain issues require expert legal advice. The stated capabilities of the Paper F4 syllabus are therefore as follows:

- Identifying the essential elements of the legal system, including the main sources of law. (This capability has been retained, even though it has been increasingly marginalised in recent years. It is felt that students must have a minimum understanding of the legal framework in order to understand the operation of the substantive law.)
- Recognising and applying the appropriate legal rules relating to the law of obligations (both contractual and tortious). (These are the essential legal relationships that people generally enter into, but accountants in particular must be aware of the issues raised. Whereas, previously, negligence has not been covered, it is now felt essential as it is the basis for understanding professional negligence.)
- Explaining and applying the law relating to employment relationships. (This remains an important and popular element of the syllabus.)
- Distinguishing between alternative forms and constitutions of business organisations.
- Recognising and comparing types of capital and the financing of companies.
- Describing and explaining how companies are managed, administered, and regulated.
- Recognising the legal implications for companies in difficulty or in crisis.
- Demonstrating an understanding of governance and ethical issues relating to business.

These last four elements of the syllabus focus on the formation and regulation of business organisations. As such, they are of central importance to the practising accountant in regard to their own form of business, but also the business forms assumed by their clients. As has been stated above, the syllabus has been adjusted to better reflect the increased emphasis placed on the issues of business ethics and corporate governance. This focus will require a consideration of both civil and criminal regulation (the Companies Act legislation) and quasi-legal regulation (the Combined Code).

**The exam**

The exam is a three-hour paper. It consists of seven 10-mark, short, knowledge-based questions and three 10-mark, problem-based questions – testing communication skills and the ability to appraise and analyse information.

All questions are now compulsory. One reason for this is the fact that candidates have, in the past, increasingly engaged in question spotting. As a result, they have reduced their study to a very limited coverage of the syllabus. However, even though this is a serious point, the issue of question spotting is not the ultimate driver of the change; rather it is the view that student accountants must engage with the full syllabus as a necessary basis for their further study and later practice.

**Conclusion**

The syllabus for Paper F4, *Corporate and Business Law* is wider than that of Paper 2.2, but the intention is that the level of study will remain the same as students will be required to study different areas, but perhaps some in less detail than before. The Paper F4 syllabus recognises that candidates are putative accountants, rather than potential lawyers.

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