



Examiner's report

F1/FAB Accountant in Business

For CBE and Paper exams covering September 2017 to June 2018

General Comments

The examination was divided into two sections. Section A consisted of 46 objective test questions, worth either 1 mark or 2 marks. Section B comprised 6 scenario-based or other multi-task questions each worth 4 marks. The time permitted for completing the examination was 2 hours. All questions were compulsory.

The majority of candidates presenting themselves for the examination are well-prepared and are able to secure a pass. As the syllabus for the examination is broad, it requires study across several disciplines, including business organisation, management theories, finance functions, personal management skills and business ethics. Questions are drawn from all of these areas, so in order to succeed candidates have to spread their efforts and cannot concentrate on a few individual areas.

Generally, candidates are most confident when dealing with questions drawn from Part C and Part E of the syllabus. Part C requires knowledge and understanding of basic accounting concepts, the finance function and control. Part E of the syllabus includes personal management techniques such as time management and personal development planning, as well as dealing with conflict, and the roles of coaching, counselling and mentoring.

Candidates are also proficient when dealing with some management and organisational theories. For example, questions on stakeholders and some of the leadership theories have high pass rates. Understandably, more complex theories such as those of Schein (organisational culture) and Herzberg (two factor theory of motivation) present greater difficulty. Inevitably, candidates cannot know and understand every theory or concept presented to them, but the examination is designed to offer a good chance of a pass for candidates who invest a reasonable amount of time in their study.

Candidates have some difficulty with what they may perceive as 'softer' areas of study, where fixed rules may not always apply and potential answers cannot be learnt from lists. These include some areas of corporate governance and professional ethics. For this examination, both topics demand only a rudimentary knowledge, but serve as a gateway to more detailed consideration as part of the 'Strategic Business Leader' examination, encountered at a subsequent stage of study for those undertaking the Professional Qualification.

Comments on Part A performance

The performance of candidates was steady across all syllabus areas, and there are no topics that stand out as presenting major difficulties. Nevertheless, there are some subjects on which candidates are consistently strong, while others present greater difficulty, reflected in lower pass rates for individual questions.

The questions with the highest pass rates include the following:

- Time management
- Leadership styles

- Types of business organisation
- The purpose of International Financial Reporting Standards
- Some management theories, notably the Anthony hierarchy and scientific management
- The role of the Chairman and Secretary of a meeting
- Some accounting topics

It must be stressed that these are not 'easy' subjects, and indeed there are no easy subjects on the syllabus. As the examination is objectively tested, it is quite possible that a candidate who answers a question on time management correctly may not answer every question on time management as successfully. Candidates should be aware that the very nature of the questions means that many questions can be asked on a single topic, so absolute certainty of dealing with all questions cannot be guaranteed. However, any student will have a reasonable prospect of success with sufficient study.

The subject areas with the lowest pass rates were as follows:

- Organisational culture
- Some aspects of corporate governance
- In the context of micro-economics, the theory of the firm
- Recruitment and selection
- Some aspects of professional ethics

Questions with lower pass rates should be considered with care. It is understandable that candidates are less comfortable with some questions on more complex management theories, and this inevitable if the theory is studied from a textbook and not backed by any practical managerial experience. Some candidates have management experience while others do not, but this should not be a disadvantage for the latter, especially as real life experience does not always mirror the conclusions of some of the authorities on management.

Candidates should not expect to get all of the objective test questions right, no matter how well prepared they are. However, those who can secure at least half of the 76 available marks in Part A of the examination should go on to pass by making a reasonable attempt at the multi-task and scenario questions in Part B.

Sample Part A question for discussion

This section of the report offers insights into three questions. To provide a comparison, the first question had a higher-than-average pass rate and the last had a lower-than-average pass rate. The second question had an almost equal proportion of correct and incorrect answers.

Example 1 – time management

Mindy does not feel she has enough hours in the day to deal with her workload. She typically identifies up to five important tasks at any one time, and is able to decide what has to be done and how to do it. She is good at her work and maintains absolute control of the quality of output of her department. Mindy is assisted by three very capable employees who respect her but often feel she

is rather too involved in their work and does not seek their input often enough, even when they have time to help.

Which of the following actions would be of benefit to Mindy in improving her time management?

- A** She should pass accountability for the quality of output to her assistants
- B** She should ask her manager to reduce her workload
- C** She should define the tasks which she has to perform more clearly
- D** She should delegate more authority to her assistants

(2 marks)

The scenario is quite long and so has to be considered carefully. Questions for this examination include little or no superfluous information, so every sentence should be read in order to identify the important clues that will lead to the correct answer.

As in this case, it may be possible to eliminate some choices quickly. For example, those who have studied the meaning of 'accountability' will know that this cannot be passed to anybody else. The term refers to the obligations arising from holding a position in the organisation, or in other words, being called to account. Therefore, option A must be incorrect.

Likewise, option B is a poor choice, as workload is usually commensurate with position, and few people have the luxury of being able to ask their manager to reduce the work put before them.

Option C contradicts the information in the case scenario, which states that Mindy is able to decide what to do and how to do it.

If the candidate has not already ruled out A, B and C, the correct answer D can be identified by looking at the clues. Mindy has three capable assistants who believe they can do more if Mindy gives them the opportunity to do so. Therefore, delegation is the best option. If the assistants are capable people they should be able to help Mindy manage her time in a more efficient manner.

The question was answered successfully by most candidates, with 87% selecting the correct answer.

Example 2 – performance appraisal

Which of the following is a purpose of performance appraisal?

- A** Selecting employees for promotion in the medium term
- B** Dealing with a one-off, serious disciplinary breach
- C** Identifying short-term training gaps
- D** Providing a formal channel for a grievance

(2 marks)

This question is shorter and therefore quicker to read. It should be easier to identify indicators of the correct answer and incorrect answers.

Option A should be eliminated because of the reference to ‘medium-term’. While medium-term goals may be discussed to some extent at an appraisal interview, the fact that appraisal is most often an annual exercise as part of an ongoing development process should be sufficient to eliminate it. Appraisal is also an input into the selection process, but not a major one.

Appraisal is totally unsuitable for dealing with one-off disciplinary breaches. These are concerned with the rules of employment and personal conduct. When breaches occur, they will probably be dealt with in a one-off formal meeting, possibly including employee and employer representatives where serious, but such discussions have nothing to do with the purpose of an appraisal. Likewise, option D concerns grievance. Just as appraisal is usually a one-to-one interview, so too should grievances be dealt with between manager and subordinate. However, the key phrase here is ‘formal channel’, and most organisations set down separate formal channels for grievances.

The correct answer is C. Performance appraisal has numerous purposes, but nearly all of them are orientated towards positive development and building on opportunities. The individual in the workplace likes to consider ‘How am I doing?’ and one purpose of appraisal is to address this, as well as aligning the goals of the individual with the expectations of the employer.

The question was answered correctly by 50% of candidates.

Example 3 – theory of the firm

According to the theory of the firm, how does the average revenue curve for a monopoly appear when price is measured against output?

- A** Horizontal
 - B** U-shaped
 - C** Vertical
 - D** Downward sloping from left to right
- (2 marks)**

This question tested knowledge of micro-economic theory. It is highly likely that those who attempted this question had memorised the equilibrium diagram for a monopoly, as it would be difficult to think it through in the examination room under time pressure.

In a monopoly the average revenue curve is downward sloping from left to right. It is actually the demand curve, and slopes in the same direction as the marginal revenue curve but with a shallower gradient. Option D is the correct answer.

It should be noted that option A is incorrect for all of the curves at equilibrium for a monopoly, but would be correct if the question had referred to perfect competition.

Both the average cost and marginal cost curves are U-shaped, with the latter intersecting the former at its lowest point.

The correct answer was selected by 55% of candidates.

Comments on Part B performance

The questions in Part B of the examination can take several formats, including selecting one or more correct answers from a list, matching statements to concepts or actions, clicking on the correct field in a diagram and filling in the correct words from a drop down list. Many but not all Part B questions are supported by a scenario.

Performance on Part B questions is satisfactory, though inevitably some questions are more challenging than others.

No definitive conclusions can be drawn from questions on management theories. For example, a question on motivation theory suggested that candidates were better prepared to identify positions on Maslow's hierarchy of needs than Herzberg's hygiene factors and motivators.

Candidates were quite proficient in dealing with a question on SWOT analysis, and most were able to correctly differentiate between a strength and an opportunity, just as they were able to identify whether statements were weaknesses or threats.

Candidates did encounter some problems with organisational questions, such as the benefits of shared services organisations. When dealing with questions on marketing, not all were able to match role descriptions to components of the marketing mix, or to correctly attribute a stage of the product life cycle to a given scenario.

By contrast, candidates were relatively comfortable in identifying roles within the finance function.

There was evidence that candidates need to study definitions of key ethical concepts in more detail. These include terms such as reputation, respect, judgement and accountability.

Conclusions

The aim of candidates should be to produce a full set of answers within the permitted two hours. The majority of candidates completed a full set of answers, and there was no evidence to suggest that the examination was time pressured.

Candidates should be mindful that not all questions will take the same amount of time. For example, scenario-based questions in both Part A and Part B of the examination take longer to read and digest. In some cases, it may be beneficial to read the requirement and the choices before reading the scenario, which should reduce the need to keep going back to the scenario for the relevant information.

A well-prepared candidate will probably deal with the examination in several 'sweeps'. The first of these will enable the candidate to deal with questions on which they are absolutely confident, resulting in the ability to score quick, early marks. However, it is important to read questions very carefully, as the obvious answer may not always be the correct one if vital words or phrases are missed.

For a typical candidate, some questions will require detailed thought. A good technique is to apply a process of deduction to try to eliminate distractors (incorrect answers). Then if a guess has to be made for the harder questions, it will at least be an informed guess involving fewer options.

As the syllabus is very broad, there is a limit to how much information can be absorbed by reading and note taking alone, and there is a strong case for practising questions using the resources offered by ACCA and ACCA-X, as well as those published by private learning providers.

A small minority of candidates do not complete all of the questions. It is strongly recommended that every question be attempted, no matter how uncertain the candidate may be on the topic.

Some candidates do guess the answers on their weaker questions, which is an entirely legitimate approach. However, it should be noted that some have chosen answer D when there are only choices of A,B and C available, and care should be taken to avoid this.