

Examiner's report

F1/FAB Accountant in Business

For CBE and Paper exams covering January to June 2015



General Comments

The examination was made up of two parts. Part A of the paper comprised 46 objective test questions, worth 1 and 2 marks, while part B of the paper had 6 multi-task questions each relating to different parts of the syllabus, and each worth 4 marks. Candidates were asked to attempt all of the questions in 2 hours.

Candidates appeared to have prepared well for the examination, with very few questions presenting major difficulties. The vast majority of candidates completed the paper, suggesting that it was not time pressured. Syllabus topics on which candidates performed well included stakeholders, outsourcing, responsibilities for budgetary planning, personal effectiveness and financial information used to prepare the profit or loss account. Section E of the syllabus, which is concerned mainly with personal effectiveness and communications, presented least difficulty, and candidates dealt with questions relating to appropriate methods of communication to deal with specified situations very well. Questions drawn from this part of the syllabus had the highest average pass rates.

Syllabus topics on which candidates performed poorly included non-governmental organisations, Tuckman's team development theory, intrinsic rewards, and corporate codes of ethics. There was also evidence to suggest that candidates struggled to identify the appropriate action that should be taken by external auditors when evidence of fraud was uncovered. Many candidates did not understand how a package of legislation would impact on the labour market and wages. Newer organisational models (hollow, modular, virtual) and Herzberg's two factor theory presented difficulties for some.

Candidates did not always understand some of the distinctions between the role and duties of internal auditors and external auditors, or indeed some of the attributes of both.

Scenario-based questions posed no significantly greater level of difficulty than shorter questions, though clearly candidates would have spent longer reading through these and considering the information presented. There was some evidence to suggest that part B questions with slightly longer scenarios offered candidates more opportunity to make reasoned selections of answers. This was especially applicable to questions on types of organisation (companies, cooperatives, partnerships) and ethical theories (deontological and teleological approaches).

For candidates who choose to take the paper-based version of the examination, it has to be emphasised very strongly that they must select answers in the manner required, as set down clearly in the instructions. Writing narrative answers and giving written justifications for answers is given no credit, as the required answers are objective. Candidates must never write out words, sentences or paragraphs. If the candidate believes that the correct answer is B, it is only necessary to write the letter B, and nothing else. By attempting to enhance the submission with added words, phrases or sentences, candidates simply waste valuable time that would be better spent on questions that are more challenging. Likewise, it is futile to write down more answers than the number required. Therefore, if there are two correct answers and the candidate writes 'B, D and E', no marks will be awarded, even if two of the selections are correct.

As stated above, the examination can be completed within the required time by a well-prepared candidate, but it is significant that some candidates did not attempt all of the questions, and in some cases this may have been critical in achieving success. Even if the candidate is not certain of the correct answer, by reading and considering the choices carefully it is often possible to eliminate some of them, enabling an informed decision to be made. Questions should not be left unanswered.



It is inevitable that some candidates will choose answers on a balance of probabilities even if they do not know the answer, and this is entirely acceptable. However, a minority of submissions suggested that some answers were pure guesswork, and this is supported by the fact that some candidates chose option D for questions where there was no such option. For example, single mark questions can only have A, B or C as a correct answer.

Sample questions for discussion

This section of the report discusses three questions with which candidates experienced difficulties.

Question 9

This question required an understanding of the differences between intrinsic and extrinsic rewards.

Which of the following is driven by intrinsic rewards?

- A Pawel, who wants good grades in his examinations to secure a bonus
- B Quentin, who sees achievement of his targets as a way of securing promotion
- C Ralph, who has declined managerial appointments because he enjoys his current job
- D Suzanne, who tries to be the best in her team in order to build her reputation in the company

Intrinsic rewards are those which arise from performance of the work assigned to the individual, and are often related to the quality of working life. They include factors such as job satisfaction, recognition, the feeling of belonging to a successful organisation and personal growth. By contrast, extrinsic rewards are dependent on the decisions of others and are generally pre-determined by external forces. They may include pay and fringe benefits as determined by the employer, or a national minimum wage decided by legislators.

In the context of this question, targets set by managers, bonuses and the person's reputation are driven by external factors to the job itself, while enjoyment of the job is clearly intrinsic. The correct answer is therefore C. The pass rate for this question was 36%.

Question 29:

The question required an understanding of how the performance of a non-governmental organisation (NGO) is assessed.

The performance of a non-governmental organisation is most often measured in respect of which of the following?

- A Customer satisfaction
- B Profitability
- C Value for money

Non-governmental organisations (NGOs) are a diverse group of bodies which, although independent of government, generally have social, welfare or environmental objectives. They are not necessarily charities, though some charities would undoubtedly be recognised as NGOs.

In many cases, NGOs have to be financially self-sufficient and must therefore break even or turn a surplus. However, profitability is not a recognised objective of most NGOs. They are also not truly commercial organisations, so customer satisfaction could not be measured in the conventional sense. If option A had stated 'stakeholder satisfaction', this would be a credible answer. Instead of using the usual commercial criteria, the performance of NGOs is often assessed using value for money indicators associated with effectiveness and efficiency. The correct answer is therefore C.



It is quite possible that candidates were confused by the term 'non-governmental', assuming that it referred to commercial organisations. However, NGOs are clearly mentioned in the syllabus and study guide as a particular type of organisation, so it is necessary to study them as a distinct type of entity.

The correct answer was selected by 25% of candidates.

Question 43

This question required knowledge of the content of a corporate code of ethics.

Which of the following should be included in a corporate code of ethics?

- A** A detailed description of all of the commercial objectives of the company
- B** The consequences for employees of violating the standards of behaviour expected of them
- C** A summary of the responsibilities of the individual directors of the company
- D** A list of laws and regulations with which the company will comply

A corporate code of ethics typically opens with a statement of values, mission and core objectives of a company, but it would never include a detailed description of all of the commercial objectives as laid down by its board of directors. The strategic plan would most certainly include such a statement.

The details of responsibilities of individual directors are often set out in the directors' report and financial statements published by larger companies, and indeed may be a corporate governance requirement for listed companies. However, the corporate code of ethics would not normally drill down to personal responsibilities of individual directors, as the code itself would be expected to be relevant irrespective of future changes in the composition of the board.

Although the corporate code may allude to specific laws and regulations, it would not be expected to include all of these.

The correct answer is B. Many organisations now acknowledge that in order for a corporate code of ethics to be effective, it is necessary to combine statements of minimum standards with explicit preventative actions that the company is prepared to take when violations occur.

The correct answer was chosen by 37% of candidates.

Conclusions

The performance of candidates was generally sound, with pass rates on individual questions suggesting a satisfactory or good standard of preparation, and although some topics appeared to be easier or more difficult, this may have been a function of the requirement rather than the specific topic set.

Candidates should attempt all of the questions on the paper, and plan their time accordingly. It should be possible for a candidate who has invested sufficient time in study to make an attempt at every requirement. Although it is unlikely that even the best prepared candidates will know every answer instantly, distractors can often be eliminated by a process of deduction. This takes time, and there is perhaps a case for dealing with questions in 'sweeps', by getting marks quickly for questions where the answer is known straight away, and then focusing more time and effort on those requiring greater thought.

The part B questions are generally longer and therefore probably need to have more time allocated to them. For example, parts of these questions may require two or three selections from more than four choices, and each



should be considered carefully. It was clear that some candidates opted for default selections, such as choosing 'A' for all options or using sequences (often A, B, C, D), but this is seldom a successful strategy, as answers are randomised in advance.

Those taking the paper-based examination must follow the instructions and make their answers legible. A significant minority of candidates presented detailed answers when it was only necessary to write down the chosen letter. This is time consuming and often self-defeating. It is very regrettable that in some cases, credit could not be given because it was unclear what the candidate had actually chosen. If an answer cannot be read, credit cannot be given.