Examiner's report
P1 Governance, Risk and Ethics
September 2017

ACCA

General Comments

The examination consisted of two sections. Section A contained one question for 50 marks and Section B contained three questions of 25 marks each, from which candidates had to answer two questions.

Candidates require technical knowledge and understanding as a solid foundation when preparing for the P1 examination. Candidates then need to build on the foundations and learn to evidence their answer to the case scenario. Quoting by rote is rarely sufficient. P1 questions are based on case scenarios and those candidates who studied the information in the case and applied it suitably in their answer were well rewarded.

Addressing the requirements as written is essential. This requires careful reading of the question requirement before attempting to produce an answer. Candidates want to produce what they have learnt and will answer the question they hoped would be set. No marks will be gained for superfluous information and time is wasted by writing factually correct but irrelevant information.

It was pleasing to see evidence of time planning on scripts, with many of the better candidates writing the time to start and stop for each question on their scripts. However there were many cases of poor time management displayed by the weaker candidates. Candidates must use the permitted time wisely and use the mark allocation as a guide to how many points they need to make.

Each question has a maximum number of marks and once this has been met then candidates cannot score any more regardless of how much they write. As a general rule at this level marks are often awarded for identification and then application. So for a 10 mark question candidates should identify five relevant points from the case, explain why they are relevant to the case and then move on. Do not try to find more and do not write too much about just one particular point, or make too many points which exceed the maximum allowable mark allocation for that requirement. Once time is up on any particular question part then candidates should move on.

Learning to evidence, addressing the requirement and planning are all essential skills needed to maximise marks in this exam and like all skills needs practice.

Question One

Q1a required candidates to understand the important role which board committees have in governance and to critically assess the governance arrangements of the committee operating in the case scenario. Candidates failed to address the requirement and disappointing answers contained everything the candidate knew about remuneration, nomination, audit and risk committees.

As stated above the question requirement was not addressed, technical answers were produced and in writing everything known about committees the mark allocation was clearly not used as a guide for the number of points required to gain the marks available.

Q1b required candidates to discuss the conditions that exist allowing the facilitation of corruption. This part of the question was well answered by candidates, which was very pleasing. It is important to realise in answering this type of question that there is a range of possible points which could be

raised by candidates, which may or may not be included in the model answer. Candidates were given due credit for relevant opinion on the subject matter of the question.

Q1c) required candidates to describe the purpose of internal control and to recommend control measures relevant to the case scenario. The question was quite well answered as regards the purpose but the recommendations were often too general **"change the tone at the top"** does not explain why or how that will improve control.

Part (d) of the case study typically requires an answer in a particular format – whether this is a letter, email, press release, draft presentation etc. and four professional marks are available in total for flow, persuasiveness, tone and format. In this particular case, a briefing note. Candidates should ensure that they understand the audience and write their response appropriately in order to maximise these professional marks.

Q1d (i) required candidates to explain the importance of independence to a particular stakeholder. This part of the question was not well answered, many candidates just explained independence making no reference to the stakeholder addressed in the requirement.

Q1d (ii) required candidates to assess the wider effect of bribery and corruption on the association in the case scenario. Candidate answers were well applied in this part of the question.

Q1d (iii) required candidates to discuss the benefits and contents of a professional code of ethics to control a stakeholder. This part of the question was well answered by many candidates, although some candidates just discussed the five fundamental principles taken from the ACCA code of conduct, which did not cover all of the question requirement.

Question Two
Candidates who struggled to plan and understand what was needed for each part of the question were repeating their points in all parts of the question which for some candidates resulted in time management issues on the remaining questions that were attempted.

Q2a) required candidates to explain the purpose of the recent AGM as a mechanism for the exchange of information between the board of directors and shareholders. The requirement makes reference to "the recent AGM" many candidates ignored the reference and just explained everything that could be covered in the AGM. Candidates with a lack of evidence based answers did not gain as many marks.

Q2b) (i) required candidates to discuss the rights and responsibilities of private and institutional shareholders in a company. This part of the question was well answered by candidates, which was very pleasing.

Q2b (ii) required candidates to assess the role of proxy voting including how this may have affected shareholder democracy. The question was quite well answered as regards the role but how this affected democracy was not well discussed. In the case the significant institutional shareholding had given their proxy vote to the board leaving the private shareholders no power and this was missed by many candidates.

Q2c) required candidates to evaluate the nature of accountability in the agency relationship at the listed company in the case scenario. Candidates who answered in context and used the case evidence to evaluate accountability were well rewarded. The performance on this part of the question highlights the need for candidates to recognise when an answer needs to be entirely evidence based.

Question Three
Q3a) required candidates to use the 3Es (value for money) to evaluate two public sector proposals. Candidates failed to address "evaluate" in the requirement and disappointing answers contained everything the candidate knew about economy, efficiency and effectiveness with no evaluation to the proposals. Candidates who answered in context and used the case evidence to evaluate the proposals were well rewarded and many achieved full marks.

Q3b) required candidates to use Tucker's 5-question model to evaluate the moral case for a proposal. This part of the question was well answered by candidates, which was very pleasing.

Q3c) required candidates to discuss the contestable nature of the public sector and how government proposals should be decided. This part of the question was not well answered, many candidates failing to understand it can be very difficult to reconcile a public policy position when each stakeholder group has different demands.

Question Four
Q4a) required candidates to explain the meaning of diversity for boards of directors and how board diversity may positively affect the future performance of the company in the case scenario. This part of the question was well answered by candidates, which was very pleasing.

Q4b) required the candidate to explain the importance of board performance and to discuss the criteria that should be used to assess both the board and the individual directors in the case scenario. The question was quite well answered as regards the importance but criteria to be used was not always relevant to measurements for board directors and some candidates focused criteria on day to day measures more appropriate at the operational level.

Q4c) required the candidate to discuss the importance of induction for a new director operating in a particular functional area and the importance of CPD for all directors. Candidates who answered in context and used the case evidence to evaluate the proposals were well rewarded and many achieved full marks. Candidates who produced a technical answer on induction and CPD failed to gain as many marks.