

# examiners' approach to Papers F1, F2 and F3 relevant from the December 2007 session

## building knowledge

■ **The Knowledge module of the ACCA Qualification introduces students to business in general, and to the two main accounting areas – management accounting and financial accounting.**

The Knowledge module consists of three papers, all of which are assessed through objective testing within equivalent paper-based and computer-based exams (CBE). This method of examination is used as students are required to demonstrate breadth of knowledge and comprehension across each syllabus, and show some knowledge of application. The emphasis is therefore on the broad coverage of knowledge and the understanding of concepts, techniques, and principles – and how they are applied in business and in the financial and management accounting areas.

**Paper F1, *Accountant in Business***  
**Aim of syllabus**

To introduce knowledge and understanding of the business and its environment, and the influence this has on how organisations are structured and on the role accounting and other key business functions play in contributing to the efficient, effective, and ethical management and development of an organisation and its people and systems.

The purpose of the syllabus is to introduce students to business in general, before taking students directly into the technical detail contained within the subsequent management accounting and financial accounting examination papers within the Knowledge module. The Paper F1 syllabus acts as the basis for further studies within Paper P1, *Professional Accountant* and Paper P3, *Business Analysis* in the Essentials module at the Professional level.

**Rationale**

The Paper F1 syllabus acts as an introduction to business structure and purpose, and to accounting as a central business function. The syllabus commences with an examination of the structure and governance of businesses, briefly introducing ethics. It then looks at business in the context of its environment, including economic, legal, and regulatory influences on aspects such as governance, employment, health and safety, data protection, and security. From there, it focuses on accounting, how it originated, how it is organised, its critical importance in business planning and control, and how it affects other business functions.

The syllabus then introduces students to the accountancy profession and to certain aspects of the regulatory framework as they affect accounting, auditing, and governance. The syllabus also covers accounting, auditing, and internal control as specific business functions, and examines how these should be supported by effective management information systems. Finally, the syllabus introduces key management and people issues such as individual and team behaviour, leadership, motivation, and personal effectiveness.

**Main capabilities being examined**

The Paper F1 syllabus contains six main capabilities which describe the main areas that students should know and understand. Effectively, these capabilities form the six main section headings of the *Study Guide*, and these are further sub-divided into discrete subject areas and then into specific outcomes. The six main sections are:

- 1 Knowledge of business organisations, their structure, governance and management.

- 2 Understanding the environmental influences, regulatory constraints and obligations on businesses.
- 3 History and role of accounting as a central function in business.
- 4 Specific functions and aspects of accounting and internal financial control.
- 5 Leading and managing individuals and teams.
- 6 Recruiting and developing effective employees.

#### Examination

The syllabus is assessed through 50 objective test questions. There are 40 two-mark multiple-choice questions, where students must select one correct answer from four. In the CBE equivalent, other question forms may be used, such as multiple response, multiple-response matching, or number entry. There will also be 10 one-mark questions, where candidates must select one correct answer from two or three alternatives. In the CBE equivalent papers, one-mark questions will take the form of multiple-response questions, where two correct alternatives from three must be identified.

In order to cover the syllabus as widely as possible, examination questions will be drawn from all the main section headings of the *Study Guide*, as identified above. Students are therefore advised to revise the syllabus as broadly as possible and should not selectively review or practice only part or parts of the syllabus or only certain subject areas within any overall section heading.

#### Guide to examination assessment

ACCA reserves the right to examine anything contained within the *Study Guide* at any examination session. This includes knowledge, techniques, principles, theories, and concepts as specified.

For the financial accounting, audit and assurance, law and tax papers, ACCA will publish 'examinable documents' every six months to indicate exactly what regulations and legislation could potentially be assessed at the following examination session. Knowledge of new examinable regulations will not be assessed until at least six calendar months

after the last day of the month in which documents are issued or legislation is passed. The relevant cut-off date for June examinations is 30 November of the previous year, and for December examinations, it is 31 May of the same year.

The *Study Guide* offers more detailed guidance on the depth and level at which the examinable documents will be examined and should therefore be read in conjunction with the examinable documents list.

#### Bob Souster is examiner for Paper F1

#### Paper F2, Management Accounting

##### Aim of syllabus

To develop knowledge and understanding of how to prepare and process basic cost and quantitative information in order to support management in planning and decision making in a variety of business contexts.

As in Paper F3, *Financial Accounting*, the syllabus introduces students to the relevant area of accounting and enables a thorough understanding of appropriate terminology, systems, processes, and techniques. The syllabus introduces students to fundamental management accounting and costing terminology, and to relevant mathematical, computer, and statistical techniques which can be applied in cost and management accounting. The syllabus requires students to develop a broad technical knowledge and comprehension of these techniques and processes in order to underpin further studies. This knowledge is then developed and expanded on in Paper F5, *Performance Management*, and ultimately in Paper P5, *Advanced Performance Management*, within the Options module at the Professional level.

##### Rationale

The syllabus for Paper F2, *Management Accounting*, introduces students to costing principles and techniques, and elements of management accounting which are used to make and support decisions.

The syllabus starts by introducing the nature and purpose of cost accounting, distinguishing it clearly from financial accounting. The next section covers cost

classification and behaviour. This is followed immediately by applied business mathematics and the use of computer spreadsheets, knowledge of which is essential if students are to understand the measurement and behaviour of business costs and to be able to classify them accordingly.

The next area of the syllabus represents a central part of this paper and it introduces candidates to a variety of costing techniques used in business. It is followed by the preparation and use of budgeting and standard costing as essential tools for planning and controlling business costs. The syllabus finishes with an introduction to the use of management accounting in supporting decision making.

##### Main capabilities being examined

The Paper F2 syllabus contains six main capabilities which describe the main areas that students should know and understand. Effectively, these capabilities form the six main section headings of the *Study Guide*, and these are further sub-divided into discrete subject areas, and then into specific outcomes. The six main sections are:

- 1 The nature and purpose of cost accounting.
- 2 Cost classification, behaviour and purpose.
- 3 Business mathematics and computer spreadsheets.
- 4 Cost accounting techniques.
- 5 Budgeting and standard costing.
- 6 Short-term decision-making techniques.

##### Examination

The syllabus is assessed through 50 objective test questions. There are 40 two-mark multiple-choice questions, where students must select one correct answer from four. In the CBE equivalent, other question forms may be used, such as multiple response, multiple-response matching, or number entry. There will also be 10 one-mark questions, where candidates must select one correct answer from two or three alternatives. In the CBE equivalent papers, one-mark questions will take the form of multiple-response questions, where the two correct alternatives from three must be identified. The examination will include an appropriate mix

of computational and non-computational questions.

In order to cover the syllabus as widely as possible, examination questions will be drawn from all the main section headings of the *Study Guide* as identified above. Students are therefore advised to revise the syllabus as broadly as possible and should not selectively review or practice only part or parts of the syllabus or only certain subject areas within any overall section heading.

**Guide to examination assessment**

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**David Forster is examiner for Paper F2**

**Paper F3, Financial Accounting**

**Aim of syllabus**

To develop knowledge and understanding of the underlying principles and concepts relating to financial accounting, and technical proficiency in the use of double-entry accounting techniques including the preparation of basic financial statements.

The syllabus introduces students to financial accounting, developing a thorough technical knowledge of accounting double-entry systems and techniques. Students should therefore gain proficiency in how to process a range of business and financial transactions leading to the production of a trial balance, and to become capable of preparing basic financial statements. This syllabus acts as the basis for further studies within Paper F7, *Financial Reporting*, and subsequently in Paper P2, *Corporate Reporting*, in the Essentials module at the Professional level.

**Rationale**

This syllabus introduces students to the fundamentals of financial accounting, explaining its context and purpose with reference to qualitative characteristics of useful financial information, and to the

fundamental bases of accounting. The syllabus then concentrates in depth on the basics of the double-entry system and on recording, processing, and reporting business transactions and events. The syllabus then covers the use of the trial balance and how to identify and correct errors, and then the preparation of financial statements for incorporated and unincorporated entities.

In order to cover the syllabus as widely as possible, examination questions will be drawn from all the main section headings of the *Study Guide* as identified above. Students are therefore advised to revise the syllabus as broadly as possible and should not selectively review or practice only part or parts of the syllabus or only certain subject areas within any overall section heading.

**Main capabilities being examined**

The Paper F3 syllabus contains six main capabilities which describe the main areas that students should know and understand. Effectively, these capabilities become the six main section headings of the *Study Guide*, and these are further sub-divided into discrete subject areas and then into specific outcomes. The six main sections are:

- 1 The context and purpose of financial reporting.
- 2 The qualitative characteristics of financial information and the fundamental bases of accounting.
- 3 The use of double-entry and accounting systems.
- 4 Recording transactions and events.
- 5 Preparing a trial balance.
- 6 Preparing financial statements.

**Examination**

The syllabus is assessed through 50 objective test questions. There are 40 two-mark

multiple-choice questions where students must select one correct answer from four. In the CBE equivalent, other question forms may be used, such as multiple response, multiple-response matching or number entry. There will also be 10 one-mark questions where candidates must select one correct answer from two or three alternatives. In the CBE equivalent papers, one-mark questions will take the form of multiple-response questions, where two correct alternatives from three must be identified. The examination will include an appropriate mix of computational and non-computational questions.

In order to cover the syllabus as widely as possible, examination questions will be drawn from all the main section headings of the *Study Guide* as identified above. Students are therefore advised to revise the syllabus as broadly as possible and should not selectively review or practice only part or parts of the syllabus or only certain subject areas within any overall section heading.

**Guide to examination assessment**

ACCA reserves the right to examine anything contained within the *Study Guide* at any examination session. This includes knowledge, techniques, principles, theories, and concepts as specified. For the financial accounting, audit and assurance, law and tax papers, ACCA will publish 'examinable documents' every six months to indicate exactly what regulations and legislation could potentially be assessed at the following examination session. Knowledge of new examinable regulations will not be assessed until at least six calendar months after the last day of the month in which documents are issued or legislation is passed. The relevant cut-off date for June examinations is 30 November of the previous year, and for December examinations, it is 31 May of the same year.

The *Study Guide* offers more detailed guidance on the depth and level at which the examinable documents will be examined, and should therefore be read in conjunction with the examinable documents list. ■

**Nicola Ventress is examiner for Paper F3**