



Examiner's report

F1/FAB Accountant in Business

For CBE and Paper exams covering January to June 2013

General Comments

The paper consisted of 50 objective test questions, each worth two marks. Each question gave four choices, of which one was correct and the others were distracters. All questions on the paper had to be attempted in two hours. The questions were evenly spread across the syllabus, with either eight or nine questions from each of the six syllabus areas.

With some exceptions, candidates performed well on questions drawn from parts A, B and C of the syllabus. The questions that posed most difficulty related to management theories and human resource management topics. Particularly high pass rates were achieved on questions relating to stakeholders, the role of the management accountant, Maslow's hierarchy of needs, competence frameworks, time management, conflict and counselling. The questions with the lowest pass rates related to micro-economics, macro-economics, corporate governance, sustainability, money laundering, types of data, personal development plans and ethical principles. In some of these questions, responses were very evenly spread across the four choices, which suggests that candidates guessed their answers.

Part A of the syllabus deals with business organisations, stakeholders and the external environment. In general, candidates appeared to have prepared well for questions on the relevant topics. However, a relatively simple question on SWOT had a disappointing pass rate, perhaps due to confusion between strengths and opportunities. Some candidates also clearly struggled to apply the principles underpinning the scalar chain and span of control. There were three economics questions on the paper, none of which proved to be straightforward. In particular, candidates did not understand the deflationary gap.

Part B of the syllabus includes business organisation structure, functions and governance. While candidates dealt with questions on marketing and specific functions within an organisation quite well, they found questions on governance more difficult. The exception to this was a question on non-executive directors, which was answered well. There was a very low pass rate on a question concerning the role of the chairman of a company. This is discussed in more detail below.

In general, candidates performed very well on questions drawn from part C of the syllabus, which requires knowledge and understanding of accounting and reporting systems, controls and compliance. Questions on the role of the management accountant, internal controls and financial statements all had high pass rates. Candidates fared quite badly on a money laundering question.

Part D of the syllabus relates to managing and leading individuals and teams. Some of the management theories that were tested in this paper were not understood by candidates, with questions on leadership theorists and the work of Mintzberg having a very low pass rate.

Part E of the syllabus requires candidates to study personal effectiveness and communication in business. A time management question was answered correctly by most who attempted it, but candidates found difficulty with some questions on communications, and surprisingly, personal development plans.

Part F of the syllabus relates to professional ethics. None of the questions drawn from this area had high pass rates. Candidates clearly found questions on branches of ethics and corporate codes of ethics very difficult. Pass rates on questions dealing with the ACCA *Code of Ethics*, transparency and independence were better, but barely half the candidates attempting these questions selected the correct answer.



The paper included 15 scenario-based questions, which would have taken up more time than the shorter questions, and probably greater thought. There was no evidence to suggest that these questions created any greater difficulty than shorter questions.

Sample questions for discussion

Question 26 related to ethical theories and was taken from part F of the syllabus.

Which of the following describes a pluralist approach to ethical decision taking?

- A The decision taker will seek to satisfy some of the demands of all those affected**
- B Actions will be determined by the personal preferences of the decision taker**
- C Decisions will be taken in order to satisfy all the needs and desires of the majority of those affected**
- D The decision will optimise the demands of the majority and the minority of those affected**

The correct answer is A.

To answer this question correctly, candidates had to know about ethics based on consequences (or teleological ethics).

The pluralist seeks to satisfy all of the stakeholders affected by a decision to some extent, while accepting that it will usually be impossible to optimise the outcome for all (which confirms that distracters C and D must also be incorrect). By contrast, distracter B refers to egoism, another approach through which the decision taker considers his or own preference as a priority.

Only 13% of candidates selected the correct answer.

Candidates preparing for this paper should note that there is a technical article on the ACCA website that deals with basic ethical concepts and explains the terminology they will encounter in this section of the course.

Question 32 related to the role of the chairman of a company.

Which of the following is a role of the Chairman of a company?

- A To issue the agenda in advance of board meetings**
- B To manage the operations of the company**
- C To lead the executive team**
- D To sign the minutes of board meetings**

The correct answer is D.

The role of a chairman can be studied in general terms, when considering how committees are used in business, or specifically in relation to corporate governance. Even if candidates had not studied the corporate governance section of the syllabus, they should have known from considering how committees operate that the chairman's duties include signing the minutes of board meetings. This is in fact usually one of the first tasks at a board meeting – the board takes apologies for absence, discusses any matters arising from the minutes of the last meeting and then signs them once the directors have agreed they are a true and accurate account of proceedings. It is the chairman who presides over this process.



In the context of the question, distracter A describes a role of the company Secretary. Prior to issuing the agenda, the Secretary will almost certainly consult the chairman, but the chairman will not issue the agenda. Distracters B and C are roles of the chief executive officer, who has operational responsibility for the day-to-day operations of the company.

The question was answered correctly by 20% of candidates.

Question 40 was a short scenario relating to corporate social responsibility, and tested the meaning of the term 'sustainability'.

As part of its commitment to corporate social responsibility, TTC Company has decided to pursue a policy of sustainability in relation to its purchasing policies in order to maximise the welfare of stakeholders.

What does the term 'sustainability' mean in this context?

- A Maintaining long-term relationships with suppliers**
- B Ensuring that prices paid for raw materials enable the company to maintain appropriate margins**
- C Minimising the prospect of depleting future supplies of natural resources**
- D Eliminating any detrimental effects of procurement decisions on the physical environment**

The correct answer is C.

The question clearly refers to its policy of sustainability in relation to the company's corporate social responsibility (CSR) objectives. Distracter A is unrelated to sustainability in the context of the question. Distracter B is concerned with economic (or financial) sustainability, and this may in certain cases actually be detrimental to the CSR objectives. For example, many large retailers have been accused in recent times of driving down their suppliers' margins in pursuit of greater profitability. Distracter D would be a noble objective for any business concerned with CSR, but in reality it is impossible to eliminate any detrimental effects of procurement decisions on the physical environment.

Only 22% of candidates answered this question correctly.

Conclusions

Only the best prepared candidates can have a comprehensive knowledge of every subject tested in this paper, as the syllabus is broad. The paper introduces business concepts, but it is not expected that candidates will study any specific area in depth. In this sense, 'Accountant in Business' is a gateway paper, enabling candidates to study many of the topics in greater depth in papers they sit subsequently from a position of strength.

It must be emphasised that in common with all ACCA examination papers, it is almost impossible to achieve pass standard without formal study. None of the questions can be answered by common sense alone.

Candidates are encouraged to know the various theories they encounter. The results from this paper provide evidence that many candidates know this, but it can be observed from empirical data that some theories pose greater difficulty than others. Surprisingly, it is not always the theories with more detail in them that create problems. For example, in this paper a question on Belbin's theory of team roles, which has nine typologies to remember, has a better pass rate than a question on leadership.



There was no evidence of time pressure in the examination, though some candidates did not answer all questions. As all questions have one correct answer to select from four options, the candidate should have a go at them all, especially as some distractors can be discounted by a process of elimination.

Candidates are encouraged to learn the technical or academic jargon used in various areas of the syllabus. Most notably, part F of the syllabus (business ethics) is jargon-laden, but the words and phrases used are probably more difficult than the concepts to which they refer. One of the best ways of achieving this is to practice questions from a good quality revision text as well as the pilot paper. By going over these questions, candidates will become more familiar and therefore comfortable in using them.