



Examiner's report

F1/FAB Accountant in Business

For CBE and Paper exams covering July to December 2013

General Comments

The examination paper was made up of 50 objective test questions, each worth two marks. Candidates had to attempt all of the questions in two hours. All questions offered a choice of four answers, of which one was correct and the others distracters. There were either eight or nine questions taken from each of the six parts of the syllabus.

The majority of candidates were well prepared for the examination, and the pass rate was satisfactory. Pass rates for the questions normalised around 45-65%, though there were nine questions that presented particular difficulty and seven questions on which candidates performed extremely well.

Part A of the syllabus examines business organisations, stakeholders and the external environment. There were no major difficulties here, and there were good performances on questions relating to SWOT analysis, types of business organisation and the legal environment.

There were few questions calling for knowledge of theories, but candidates dealt with questions relating to Mendelow's stakeholder model and Porter's theories on competitive advantage quite capably. Questions on economics and marketing have caused problems in the past, but on this occasion questions set on these areas were answered well.

Part B of the syllabus relates to organisational structure, functions and governance. It was encouraging to note that questions on decentralisation and committees presented few problems for candidates. By contrast, concepts relating to corporate governance were clearly not well grasped, with candidates unclear on topics such as non-executive directors and the role of board committees.

Part C of the syllabus relates most directly to the work of accountants, so as expected candidates generally performed well on questions drawn from here. However, there were surprisingly poorly answered questions on topics that demanded pure recall of knowledge such as the basic definition of a GAAP, the nature of substantive tests and internal check. Candidates were more confident when dealing with the work of the financial accountant, auditors, internal control and fraud.

Parts D and E of the syllabus are concerned mainly with human resources management, including leading and managing teams, personal effectiveness and communications. Candidates knew several of the theories very well, with questions on Fayol's theory, the Blake and Mouton managerial grid and Tuckman's theory of team development answered correctly.

Candidates found some HRM topics more difficult. These included competence frameworks, communications and performance appraisal. In particular, a question on the nature of the grapevine caused problems, with answers spread evenly across all four possible answers, suggesting that there was some element of guesswork in selecting the answer. There was evidence that candidates were not clear at all on the purposes of performance appraisal.

Part F of the syllabus requires knowledge and understanding of professional ethics. Performance on questions polarised, as some questions had very high pass rates and others had very low pass rates. Concepts included in the IESBA code, ethical threats and corporate codes were dealt with comfortably. However, candidates were less sure of the nature of the public interest. The theoretical concepts were also rather more demanding, as fewer



candidates were able to answer a question on approaches to ethics successfully. It is impossible to do so without knowing terminology such as deontological, teleological and utilitarian.

The majority of candidates completed all 50 questions in the two hours available, which suggests that the paper is not time pressured.

Of the 50 questions, 16 questions were based on short scenarios, typically of 6-8 lines of narrative. Only two of these questions fell into the lowest quartile of pass rates, and six questions were in the highest quartile. Scenario questions take longer to read, and perhaps require more thinking time than shorter questions, but the relatively robust performance on them indicates that candidates are adopting a sensible approach.

Sample questions for discussion

Question 32 related to competence frameworks.

Which of the following is a feature of a competence framework?

- A Detailed learning outcomes setting out minimum occupational standards
- B The required level of academic achievement
- C Anticipated medium to long-term career milestones
- D Personal qualities and attributes of the individual

The correct answer is A.

A competence framework should explain what an individual employee should be able to do and what that individual must know. Many organisations now incorporate competence frameworks in their job descriptions, linking outcomes in relation to primary, secondary and occasional duties to the necessary knowledge and skills required. In addition to the source material included in study materials, students should be aware that the accaglobal.com website has specific information on competence frameworks relevant to ACCA members.

Distracters B and D have marginal relevance to what the employee must know and do, and in some cases may be entirely unrelated to his or her duties. They are more often included in the person specification used in the recruitment and selection process.

Anticipated and future career milestones may form part of the individual's personal development plan, and may be reviewed at an appraisal, but they have little to do with current competence requirements.

Only 29% of candidates selected the correct answer.

Question 40 related to Generally Accepted Accounting Practice, or GAAP.

Which of the following describes a GAAP?

- A A collection of accounting rules assembled from different sources
- B An internationally agreed accounting standard
- C A legally binding protocol governing the preparation of financial statements
- D An advisory document issued by a body responsible for accounting standards

The correct answer is A.

GAAPs are sets of rules that govern accounting and may be based on sources as diverse as national legislation, secondary legislation, accounting standards and listing rules of recognised capital markets.



Internationally agreed accounting standards, legally binding protocols governing the preparation of financial statements and advisory documents issued by bodies responsible for accounting standards may all be elements included in a GAAP but are in themselves single sources.

The question was answered correctly by 21% of candidates.

Question 45 related to the public interest.

Which of the following is the best definition of acting in the public interest?

- A Showing concern for the collective well-being of the stakeholders served by the organisation**
- B Complying with all laws and voluntary codes to which the organisation is committed**
- C Maximising the welfare of all stakeholders at all times**
- D Placing a greater emphasis on external, rather than internal, stakeholders' needs**

The correct answer is A.

The phrase 'collective well-being of the stakeholders' is taken directly from the IESBA Code of Ethics and should therefore have been identified as the key element of the concept.

Compliance with all laws and voluntary codes is certainly important in serving the public interest, but candidates should be aware that this is a very narrow interpretation. An organisation may be fully compliant with all such laws and codes but could still be regarded as failing to serve the public interest.

Organisations cannot maximise the welfare of all stakeholders simultaneously. Stakeholders' claims are diverse and often conflict with one another. For example, an organisation committed to reducing operating costs may decide to make certain positions redundant, thereby potentially enhancing shareholder value, but in doing so will bring immediate disadvantages to those who lose their jobs. Likewise, placing greater emphasis on external rather than internal stakeholder needs may not always serve the public interest.

The question was answered correctly by 34% of candidates.

Conclusions

'Accountant in Business' is a broad-based but relatively shallow paper, requiring some basic knowledge of many topics. In order to achieve pass standard, it is essential to study all of the topics in all six parts of the syllabus. Conversely, hoping to 'question spot' by concentrating on studying only some areas intensively represents a high risk strategy. For all but the most able candidates it is impossible to have a comprehensive knowledge and understanding of every theory, concept, principle or practice encountered. However, by taking a broad approach it increases the probability that even if the candidate is unsure of a correct answer, he or she may be able to narrow down the choices by eliminating answers that are clearly wrong. For this reason, question practice is recommended as an important component of study. It will help to recognise key names, words, phrases and concepts more readily.

Most candidates completed all 50 questions, but those who did not wasted the opportunity to earn those extra few marks that can be crucial. It is strongly recommended that answers be submitted for all questions on the paper.

Performance on this paper dispels the notion that candidates are uncomfortable with management theories and so-called 'soft subjects'. Questions on theories and models as diverse as the product life cycle, the Honey and



Mumford learning styles, Tuckman, the value chain and leadership confirm that these should not be regarded as difficult simply because most of them are not directly applied in everyday work. Generally, candidates coped with these questions very well. However, it is likely that in exploring and learning these thoroughly, due attention may not have been given to simple definitions.

Notably, some of the definitions can be better understood by supplementing general reading of study materials with a look at the IESBA code and the ACCA code. As ACCA members sign up to the latter, it is something with which they should be familiar, as they are bound by the commitments within it.