



# Examiner's report

## F1 Accounting in Business

December 2009

### **General Comments**

The pass rate was lower in December 2009 than in the previous examination. Nevertheless, over half the candidates achieved a pass. In common with other examinations that are based on objective test questions, it is difficult to identify the specific reasons why unsuccessful candidates do not reach the desired standard. However, the syllabus is broad and it is inevitable that some will find some subject areas more difficult than others. Some conclusions drawn from the performance of candidates in December 2009 may be useful in addressing this for future candidates.

Generally, the standard of performance on section A of the syllabus has improved steadily since the paper was introduced. Candidates seem much better able to deal with questions on organisational structures and culture, as well as the theoretical concepts such as span of control. In common with earlier examinations, candidates are better prepared for dealing with questions drawn from sections B and C of the syllabus than those drawn from sections E and F. As sections B and C are more directly related to accounting work, this is quite understandable.

The December 2009 paper included less than ten scenario-based questions. There is evidence to suggest that questions of this type do not present any greater obstacle than more direct questions. Of the scenario questions this time, only two questions saw less than half the candidates attempting them select the correct answer. For two of the scenario questions, more than 70% of candidates selected the correct answers.

There was a stronger than usual performance on single mark questions at this sitting than for previous papers.

Inexplicably, several candidates select answer C or D for questions that only have two choices, or select answer D when there are only three choices. This suggests that they are hurriedly guessing answers at the end of the examination. It is also notable that some candidates do not attempt all of the questions on the paper, despite there being no suggestion that the paper is time-pressured.

### **Areas where candidates performed well:**

Some theoretical concepts seem to pose little difficulty, including the theories of Michael Porter and Charles Handy.

The strongest performance was on questions relating to the accounting function and the roles and positions within it. For example, over 80% of candidates correctly answered a question on the purchase ledger and over 70% of candidates understood some of the duties of the treasury function and the management accountant.

Questions relating to the legal environment, the PEST factors in general and marketing were handled well.

Questions relating to personal development plans, time management and appraisal were dealt with competently.

**Areas where candidates performed badly:**

The most significant deterioration in performance in comparison with previous examination sessions was on two questions concerning the macro-economic environment. In the past this area of the syllabus has not caused quite so many problems, but the spread of responses suggests much guesswork on this occasion.

Candidates struggled with some theories, including those of Belbin, Heifetz, Kolb and Tuckman.

Curiously, although performance appraisal did not cause great difficulty, a question on rewards was answered less well.

In the accounting areas of the syllabus, the least impressive performances were on questions concerning the role of the Audit Committee, substantive tests and segregation of duties.

**Sample questions taken from the paper:**

This section of the report includes three questions taken from the paper.

Question 6 was a scenario relating to team roles and required knowledge of Meredith Belbin's theory.

Janet is a member of a project group. She is highly knowledgeable and considered by her colleagues to be rather intellectual and strategic in her approach. Janet demonstrates great intuition when dealing with problems, sometimes adopting unorthodox but effective methods. However, some of the team regards her as detached and uncommunicative, and she can sometimes disregard practical details without explanation.

**According to Belbin's team roles theory, Janet is an example of which of the following?**

- A** Monitor-evaluator
- B** Plant
- C** Shaper
- D** Resource investigator

The correct answer is B.

Only 39% of candidates selected the correct answer. Most knew that Janet did not portray the attributes of the resource investigator, but unsuccessful candidates were almost equally divided between the monitor-evaluator and the shaper. The attributes of Belbin's team roles are described thoroughly in the official study materials, but it is perhaps understandable that candidates will not necessarily be able to recall all of them in the examination room.

Question 15 tested the candidates' understanding of the importance of segregating the duties of directors and officers.

**In order to promote proper and complete dialogue between the company registration body and a company, and to ensure that essential administrative requirements laid down by the company registration body come to the attention of the board, which of the following positions should be segregated?**

- A** Company Secretary and Chief Executive Officer
- B** Chief Executive Officer and Chairman
- C** Company Secretary and Chairman
- D** Director and Company Secretary

The correct answer is C.

The Secretary is the officer responsible for liaison between the company and the registration body. The Chairman is the director responsible for ensuring the proper functioning of the board of directors. It is therefore essential that these roles be segregated. Only 20% of candidates identified this as the key.

Nearly 40% of candidates selected B as the correct answer. Whilst this is a principle underpinning sound corporate governance, combining the roles of Chairman and Chief Executive Officer would not impact on the flow of information between the registration body and the company.

Options A and D are clearly incorrect, as the company Secretary is often also a director, and in many companies the Chief Executive Officer is also the company Secretary.

Question 26 required an understanding of the purpose or substantive tests.

**Which of the following is an example of a substantive test?**

- A** Asking the procurement manager to confirm the underlying purpose of a purchase of raw materials
- B** Asking a senior manager for evidence that an account receivable is collectible to ensure that the stated valuation of the account is correct
- C** Checking that the technical quality of inventory is consistent with the order specification
- D** Confirming that an order for goods placed by the production manager is consistent with the manager's authorisation limit

The correct answer is B.

Only 38% of candidates answered this question correctly. This is in contrast to the performance of candidates on questions relating to this subject in previous examinations. Most candidates eliminated option A, but 55% of candidates chose either C or D. Candidates generally missed the point that substantive tests are concerned with confirming the accuracy of the figures.

**Guidelines for future candidates:**

As the syllabus is broad, the main issue facing both tuition providers and students is time management and apportioning an adequate but not excessive amount of time to each topic within the study guide. Therefore, the most appropriate approach is to spend roughly the same amount of the total study time available to the six syllabus areas. Essentially, success comes from having a broad knowledge and understanding of the material without having to go into great depth on any individual area.

Candidates should read the questions very carefully not only with a view to identifying the correct answer but also to eliminate distractors. For objective test questions, arriving at the correct answer by ruling out incorrect answers is a perfectly valid technique.

Given that some candidates select options C and D for single mark questions when there is only a choice of A or B, this suggests that if guesswork is to be used it should at least be in the context of the question. It would also appear futile to leave questions entirely unanswered.