



# Examiner's report

## F1 Accounting in Business

### June 2009

#### **General Comments**

Although the pass rate for F1 has gradually fallen since the inception of the paper, the general performance of candidates remains acceptable. As a broad-based introduction to management and accounting subjects, it is inevitable that some areas of the syllabus will pose greater challenges than others, and the areas of difficulty are not common to all candidates.

Of the five areas of the syllabus, candidates are understandably most comfortable with areas C and D, which relate most specifically to accounting functions and control. Only one questions from these areas featured in the six questions with the lowest overall pass rates. This suggests that candidates are preparing well for the relevant topics. Two questions on accounting functions saw pass rates of 65%, 75% and 77%, which is highly satisfactory.

Evidence gathered from an analysis of performance also indicates an improvement in certain other areas. These include recruitment, selection (and specifically interviews), basic principles of corporate governance and the Anthony hierarchy.

Candidates continue to encounter difficulties with certain subjects. Only 20% of candidates were able to select the correct answer for a general question on health and safety, while less than 35% of candidates were successful on questions concerning communication, Belbin's theory and Handy's model of organisational culture.

#### **Sample questions for discussion:**

##### **Question 6:**

The preparation and filing of accounts by limited companies each year is required by which of the following?

- A Codes of corporate governance
- B National legislation
- C International Accounting Standards

The answer is B. National legislation places a requirement on companies in respect of mandatory reports to government and shareholders (and usually both). This is to ensure that limited companies adhere to certain minimum standards. In many countries an underlying purpose of this is to protect prospective and existing investors in the company, and to minimise the possibility of tax evasion.

Codes of corporate governance are now used extensively in countries that adopt a principles-based approach to corporate governance. Such codes are not underpinned by legislation and are voluntary in nature. Companies and other organisations are expected to comply with the provisions of the codes, or to explain to shareholders why they are not doing so.

International Accounting Standards seek to achieve consistency in reporting across international frontiers. They affect the content and presentation of the company accounts, but it is up to governments and their agents to decide on the requirements for preparation and filing of accounts.

Only 36% of candidates selected the correct answer for this question.

##### **Question 23:**

Grant is a member of a project team. His colleagues in the team rely on him to read and check complex project documentation. Grant has a keen eye for detail and often identifies minor details in documents that others miss but may be of significance. Despite this diligent approach, Grant always meets his deadlines. However, Some of

Grant's colleagues feel frustrated when he refuses to involve others. He can hold up progress as he will not agree to the team signing off project documents until all of his concerns are fully discussed.

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

- A Implementer
- B Completer-finisher
- C Monitor-evaluator
- D Shaper

The correct answer is B. 33% of candidates selected this answer.

Meredith Belbin's theory suggests that team effectiveness is maximised when team members fulfil a balanced mix of roles. His theory identifies nine team roles and sets out the characteristics of each. The indicators in the prompt that confirm Grant as a completer-finisher include the phrases 'keen eye for detail', 'identifies minor details in documents that others miss', 'always meets his deadlines' and 'reluctant to involve others'. These are consistent with Belbin's descriptions of the contributions that the completer-finisher can make, as well as possible weaknesses.

Like the completer-finisher, the implementer (or company worker) is disciplined and reliable but is typified by being prepared to take concepts and ideas and then put them into practical effect. The monitor-evaluator considers all alternatives and often displays good judgement, but may lack personal drive. The shaper is good under pressure and challenges the team to achieve its goals.

**Question 47:**

What is the latest stage at which a new recruit to a company should first be issued with a copy of the company's health and safety policy statement?

- A On accepting the position with the company
- B As early as possible after employment
- C After the first few weeks of employment
- D During the final selection interview

The correct answer is B. This answer was chosen by only 20% of the candidates who attempted the question.

Distractor A is plausible, but in many companies the acceptance of the position by the applicant is followed by taking up references, and sometimes other enquiries that cannot be carried out until the company knows that the applicant is prepared to take the job. Only then will the company and the applicant know that a contract will come into effect. Also, even when the applicant accepts the position, there is no certainty that a labour contract will actually be signed.

Distractors C and D are weaker. If the company waits until a few weeks after the actual starting date, both the new employee and his or her colleagues may be exposed to risk if the former is unaware of the health and safety policies. Most companies rightly give high priority to health and safety issues, so this would be totally unacceptable. Distractor D fails for the same reason as distractor A. There is no certainty that the job will be offered or accepted.

## **Conclusions:**

Candidates are urged to study all areas of the syllabus in order to obtain at least a rudimentary knowledge of each learning outcome. The best resource for monitoring progress is the ACCA study guide, which lists outcomes for all six syllabus areas and gives an indication of the level at which they are tested. The syllabus is very broad, but candidates are assured that they are not expected to explore each individual topic in depth. The examination introduces the subjects, but does not require candidates to be experts on each area.

There are no trick questions on the paper, but it is necessary to read every word of each question thoroughly before committing to an answer. The questions have little or no redundant information, so candidates must assume that if a fact is given in the question, it is relevant to their selection of the correct answer.

It may be significant that of the six questions on which candidates performed least well, four questions tested concepts relating to human resource management theories or practice (Belbin, Handy, health and safety policy statement and communication). Of these questions, only two were set in the context of scenarios.

It appears that candidates are better prepared for some areas that have caused difficulties in the past, notably the role of auditors, economics and marketing. Candidates continue to perform strongly on questions relating to PEST/SWOT analyses, stakeholders and most of the accounting topics. Questions on leadership and motivation were answered well.

Previous observations that questions with two or three possible answers are no easier than questions with four possible answers are supported by performance in the June 2009 session.

Several candidates selected answers that are not possible. For example, a question with three alternative answers cannot have option D as a correct answer. Presumably this is last minute guesswork on the part of the candidates concerned, so it is essential that candidates take greater care when guessing, to ensure that the options selected exist for the questions guessed at.

In an objective test examination it is futile to omit questions altogether, but many candidates did not attempt every question on the paper.