

Examiner's report

F1 Accounting in Business

June 2011



General Comments

The candidates were generally well prepared and most questions had pass rates in excess of 50%. Only seven questions had pass rate lower than this.

The areas on which candidates performed exceptionally well included Macgregor's Theory X and Y, roles within the accounting department, computerised v. manual systems and remuneration systems.

Questions with lower pass rates included those on the differences between a team and a group, SWOT analysis, PEST (environmental) factors, Kolb's theory of learning, non-executive directors, team briefing, and the role of external auditors in reducing the risks of fraud. It was surprising that candidates performed relatively poorly on SWOT and PEST analyses, as such questions had caused less difficulty in the past. Likewise, only just over half the candidates selected the correct answers for questions on IFAC and the ACCA *Code of Ethics*.

Candidates continued to do well on questions relating to the accounting function, which has been a common observation since inception of the paper. There was a good awareness of the role of internal auditors, the role of external auditors, the purposes of an aged receivables listing and the roles of the managers of specific areas of accounting within a company's finance department. This did not apply across the whole paper, however, as over 40% of candidates chose incorrect answers for questions on the role of an audit committee, management of working capital and recording transactions.

It was encouraging to note that there seems no longer to be major problems with questions on human resources management or management theories in general. In particular, the pass rates on questions relating to Tuckman's theory of team development, the separation of management and ownership, certain aspects of corporate governance and organisational culture were very satisfactory.

Both economics and marketing featured less prominently on this paper than in previous examination sessions, but the pass rates on these questions were reasonable.

Marginal candidates may have compromised their results by failing to answer the required number of questions. Even if the candidate has little grasp of a topic, it is worth making some attempt at the question when there is a 25%, 33% or 50% probability of getting the question right.

Candidates performed quite well on scenario questions, suggesting that even if these take longer to answer, they are no more difficult than briefer questions, if considered carefully.

Of the 10 single mark questions on the paper, only two of these saw very high pass rates, which seems to indicate that candidates do not find them easier than two mark questions.

Sample Questions for Discussion

Question 2 required an understanding of how the characteristics of a team differ from those of a group.

Which of the following is a characteristic of a team but not of a group?

- A** The sense of identity brought about by common objectives
- B** The bonding and loyalty of the members to one another
- C** The emergence of one particular individual as a leader
- D** The organisation of work through strictly formal processes

This topic is covered quite well in approved teaching materials, but only 34% of candidates selected the correct answer.



The correct answer is D.

A sense of identity can be brought about by common objectives in both a team and a group. Likewise, bonding and loyalty can apply to both. Distractor C is more tricky, in that a working team usually has an appointed leader, but it is not impossible for leaders to emerge, especially when working groups are loosely configured.

Example 2:

Question 28 required knowledge of Kolb's theory of learning. This is one of two theories that candidates need to learn, the other being that of Honey and Mumford.

Kolb's learning cycle comprises active experimentation, experience, observation and reflection, and which other element?

- A Assimilation
- B Application
- C Abstract conceptualisation
- D Positive reinforcement

The correct answer is C. Only 34% of candidates selected the correct answer.

The question is a good example of the necessity to remember stages of the various models encountered in the course of study for paper F1. To some extent, tackling this type of question is dependent on a good memory, as it is quite clearly impossible to remember every stage of every model studied for the paper. The best way to deal with such theoretical models is to look at their practical significance by using real examples to demonstrate how to apply them.

Example 3:

Question 38 required an knowledge of the PEST (or PESTEL) factors that must be considered by those responsible for strategic planning in an organisation.

Eatkleen is a pressure group that seeks to encourage food producers to eliminate harmful preservatives from food and make the public aware of the potential dangers of these additives. Frustrated with the government's explicit policy not to act on this in the near future, Eatkleen is campaigning for consumers to boycott certain products.

What combination of environmental factors is Eatkleen bringing to bear on food producers?

- A Political and social
- B Social and economic
- C Political and technological
- D Economic and technological

The correct answer is B, which was selected by 38% of candidates.

Making the public more aware of the potential dangers of additives is an attempt to affect social trends. A boycott of certain products, if effective, will lead to lower sales revenues and therefore lower profits, bringing pressure to bear on the companies concerned. This is clearly an economic influence.

Distractors C and D should have been ruled out quite quickly, as there was nothing in the question to suggest that technological factors were relevant.

**Conclusions:**

The performance in June 2011 continues the trend suggesting that candidates have been taking an appropriately broad approach to their studies. None of the individual sections of the syllabus caused significantly greater difficulty than others, though perhaps understandably there are higher pass rates on questions directly relating to accounting and finance.

Theories applicable to 'softer' management and human resources topics are often more difficult to grasp, but this reflects in pass rates for only certain questions. Generally, theories that are more easily remembered due to the words used (for example, Tuckman's theory includes forming, storming, performing and so on) are more straightforward, and candidates can remember the words used, the order in which they appear in the theory, and apply them to scenarios. By contrast, the theories of writers such as Belbin and Kolb often present greater difficulty, the former because there are nine typologies to remember and the latter because the terminology is difficult. This suggests that perhaps a little more time should be spent on these in order to make the concepts clearer.

Scenario questions take longer because there are more words to read, and it is sometimes necessary to read the scenario several times in order to understand the issues involved. As mentioned above, however, these questions seem not to prove any more difficult to candidates, demonstrating that most candidates are reading them thoroughly before selecting their answers. By contrast, some single mark questions have lower pass rates than expected, and this may be because candidates afford them too little time. It should be noted that the F1 syllabus has been amended and is a shared syllabus with FAB as part of the Foundations in Accounting suite of papers with effect from December 2011. The structure of the paper has also changed slightly as single marks questions will not appear on at least the next two papers.

This examination session produced some surprises, in that this was the first examination in which questions on environmental factors and SWOT analysis created any significant difficulties for some candidates. It is therefore important to assume that these subjects will not always yield 'easy' marks. There was no evidence that the examination was time pressured.