



Examiners' report

F1 Accounting in Business

June 2008

General Comments

The pass rate for the June 2008 examination was highly satisfactory, suggesting that candidates were generally well prepared.

Questions testing sections A and B of the syllabus, which cover organisational theory and practice, had particularly high pass rates. Candidates dealt with questions on the accounting function drawn from section C and D quite well, though some questions on accounting systems and fraud caused some problems. Questions drawn from sections E and F of the syllabus, which deal with management theories and human resources management topics, saw slightly lower standards of performance.

Below is a selected sample of questions which were not handled quite as well as other questions by the majority of candidates and are worth discussion in order to help improve performance in these areas for the future.

Sample Questions for Discussion

Question 12:

Northland, Southland, Eastland and Westland are four countries of Asia. The following economic statistics have been produced for the year 2007.

Country	Northland	Southland	Eastland	Westland
Change in GDP(%)	-0.30	+2.51	-0.55	+2.12
Balance of payments				
Current account (%\$m)	+550.83	-350.47	-150.90	+220.39
Change in consumer prices(%)	+27.50	+15.37	+2.25	+2.15
Change in working				
Population employed (%)	-4.76	+3.78	+1.76	-8.76

Which country experienced stagflation in the relevant period?

- A Northland
- B Southland
- C Eastland
- D Westland

The answer is A.

Stagflation is an economic condition in which a country has a very low or negative rate of economic growth, defined by the percentage change in national income in a given period, concurrent with a high level of price inflation. The economic indications most relevant to the question are therefore the percentage change in GDP, which is a measure of economic growth, and the change in consumer prices, which is a measure of price inflation. Of the four countries, Northland and Eastland both experienced negative economic growth. However, Northland had a high level of price inflation, while Eastland was able to contain price inflation at a more modest rate. The higher increase in the rate of unemployment in Northland supports the impression that its economy is experiencing stagnation. Tuition providers and candidates are advised to focus on the general macroeconomic conditions that affect economies and the relationships existing between such factors as inflation, government and consumer expenditure, unemployment, interest rates, taxation and the balance of trade or payments.

Question 20:

Which of the following organisations would reply most heavily on value for money indicators and efficiency rather than information on performance and profitability?

- A A private accountancy college
- B A local authority
- C A small retailer
- D A pension fund

The answer is B.

Value for money indicators and efficiency measures are commonly used in not-for-profit organisations such as local authorities. While local authorities have become more exposed to commercial pressures in recent years, it is difficult to judge their performance by the use of conventional financial and non-financial performance measures. It is therefore necessary for these bodies to consider their results in relation to what they have delivered to the community against the resources consumed. By contrast, the private accountancy college, the retailer and the pension fund rely heavily on performance and profitability measures. Note that the F1 exam does not restrict its questions exclusively to private sector organisations – there can be questions in any section of the syllabus that may ask the candidate to consider business issues from a not for profit, or public sector perspective and tutors need to reflect this in their approach.

Question 35:

Are the following statements true or false?

- 1 Adair's leadership model focuses on what leaders do and not what they are
 - 2 The Ashridge leadership model proposes a democratic approach to leadership
- A Both statements are true
 - B Statement 1 is true; statement 2 is false
 - C Statement 1 is false; statement 2 is true
 - D Both statements are false

The correct answer is B.

Adair's theory is called the functional leadership model, or action-centred leadership model. It is most usually depicted as three interlocking circles representing task, group and individual. Adair's belief is that some leaders have the natural ability to lead, but the leadership skills can also be developed by focusing on the actions necessary to achieve the task, maintain the group and develop the individual. To do this it is necessary to achieve a balance between actions in respect of the three circles. Statement 1 is therefore true.

The Ashridge model develops earlier work by Tannenbaum and Schmidt and Rensis Likert and provides a platform for later, more sophisticated models such as that produced by Hersey and Blanchard. It focuses on leadership styles. The four styles identified by Ashridge are tell, sell, consult and join, representing autocratic, persuasive, participative and democratic styles. Leadership style cannot be static and must often reflect the circumstances in which the leader takes decisions and acts. There is no single 'correct' style, though some writers suggest that 'consult before you decide' works well in many leadership situations. As the Ashridge model is not prescriptive in this respect, statement 2 is therefore false.

Students and tuition providers should try to ensure that they develop a good understanding of the main principles and underlying assumptions associated with the management theories named and referred to within the study guide and how they apply in different contexts.

Conclusion

The F1 syllabus is broad and demands a knowledge and comprehension of concepts relating to organisations and management as well as basic accounting functions and activities. Achieving a pass in F1 requires a broad-based approach, balancing the need to cover all areas of the syllabus without necessarily having to explore individual topics in any great depth. The deeper understanding is tested at the higher levels of the ACCA qualification in papers such as P3. The outcomes from this examination session suggest that candidates had successfully achieved the balance required.

To cover the syllabus, it is necessary to undertake a great deal of reading, though this has to be done alongside regular question practice to reinforce the learning as the candidate progresses through the course of study.

The paper uses several different types of question. The requirements to select a key from four options is the most common question type, but candidates are reminded that such questions will use various styles, including short scenarios. Candidates are advised to read the question based on these scenarios particularly carefully to identify the key words and issues that will help them select the correct answer. Some of these questions had lower success rates, particularly those dealing with legislation and macro-economics, so it is worth ensuring that these areas are focused on more closely for future examination sessions.

Questions offering two or three choices should not be seen as the softer options. As with all question types, it is necessary to read the question carefully before deciding on the correct choice of answer and to avoid guessing unless candidates are really short of time or genuinely cannot make an informed decision based on the information available.