



# Examiner's report

F1/FAB Accountant in Business

For CBE and Paper exams covering January to June 2014

## General Comments

The purpose of this report is to provide feedback on the performance of candidates in the June 2014 examination. It identifies strengths and weaknesses demonstrated by candidates, and also highlights best practices that those presenting themselves for the examination in the future should consider in order to maximise their prospects of success.

The June examination introduced a new format through which candidates were asked to answer 46 questions, worth 1 or 2 marks each, and 6 further questions worth 4 marks each in 2 hours. All questions were compulsory. Both question types were objective in that the correct answers had to be selected in order to earn marks. It was not possible to award marks when candidates offered more than the required number of answers or answered the same question more than once which often occurred in the paper-based version. The overall standard of scripts was good and the pass rate acceptable, suggesting that the majority of students had prepared well for the examination.

Syllabus topics on which candidates performed very well included the role of a Secretary to a meeting, scalar chain, types of organisation, the theories of Robert Anthony and Frederick Winslow Taylor, leadership, training and time management.

Syllabus topics on which candidates performed poorly included types of unemployment, fraud (specifically teeming and lading), types of selection test, Schein's theory of culture, purposes of corporate governance and performance appraisal.

For questions drawn from part C of the syllabus, which covers matters relating to accounting and financial control, there were no topics that were answered either very well or very badly.

Candidates' performance polarised on micro-economics. There were two questions on this area, and while candidates seemed to know elasticity of demand quite well, the pass rate on a question on theory of the firm (monopoly) was poor.

Likewise, candidates had mixed experiences with questions on ethics. The pass rates on questions such as one concerning confidentiality and giving gifts/hospitality were high, but knowledge of basic ethical concepts such as integrity, fairness, openness, transparency and so on presented particular difficulties for those students that answered this type of question. Candidates generally seemed not to know these definitions and it appears that in many cases they resorted to guesswork.

Surprisingly, a particular question on the marketing mix in the paper based version also presented problems. In several cases candidates selected no correct answers at all, while in others candidates selected more than one answer when only one answer was required. Please note that in the paper based version of the exam candidates should only write out their selected answers in the answer booklet and should not attempt to gain unfair advantage by selecting more options than required in the question statement. In these instances markers have no option but to mark the question as incorrect as the usual policy on 'negative' marking cannot apply in these circumstances in the interest of fairness to other candidates, who only select the correct amount of options in their responses.

A particular problem in the paper-based exam was that far too many candidates wrote out their selections in words instead of indicating the letter (or letters) to represent in their answer as required. In one particular question candidates were required to consider a product described in a scenario and then decide which aspect of a marketing model was applicable. The correct answer was therefore only one option from A, B, C or D. In some cases candidates either selected more than one option (or all available options!) or for some reason wrote quite long essays, which is totally futile for an examination assessed by objective test questions, and specifically for a question worth a single mark. It must be emphasised very strongly to the paper based candidates in particular, that candidates must select answers in the manner required. No credit is offered or given for narrative answers or written justifications of selections made, as the required answers are entirely objective. There is no requirement to write out words, sentences or paragraphs. This paper is not essay-based, and the appearance of new question types should not be taken to imply that candidates have to do any more than select the correct answers by writing down the letter or letters representing their specific choice(s).

While new style questions were new this time, the instructions given on how to answer them were very clear, but many candidates clearly did not take the time to read the instructions given. This is counter-productive, as timespan be wasted by writing out more than is necessary and gaining no credit for such additional time spent. If attempting the examination in paper format, future candidates must be aware that their answers have to be clear and unambiguous. For example, if the candidate changes a choice from B to D or vice versa by writing over the original choice, the marker has to be able to identify which of these letters has actually been chosen because they cannot accept more answers than required in the interest of fairness as explained above. Credit can only be given if the candidates' choices are readable. Again in the paper based exam it was not always clear whether candidates had written C or G, for example. Similarly, at the June 2014 session several candidates offered repeat attempts at questions with different answers. This will always be picked up by markers and only the first attempt will be considered and all subsequent attempts will be ignored, so adopting this practice can only waste valuable time.

While there is little evidence to suggest that the examination is actually time pressured, it is significant that some candidates did not attempt all of the questions, and in some cases this may have been the difference between success and failure. Even if the candidate is not certain of the correct answer, by reading and considering the choices carefully it is often possible to eliminate some of them, enabling an informed decision to be made. There is no good reason for leaving questions unanswered in an examination of this type.

### **Sample questions for discussion**

This section of the report discusses three questions with which candidates experienced difficulties.

#### **Question 2**

Southland is an emerging nation with a healthy economy. However, its government is concerned that unemployment has risen from 3% to 5% of the working population. A recent study by Southland's central bank has revealed that there are many unfilled vacancies in growing industries, but the workers who are making themselves available for work or becoming unemployed have the wrong skills, or are located in the wrong regions, to meet the immediate demand for labour in areas of economic growth.

#### **Which type of unemployment does Southland demonstrate?**

- A** Structural
- B** Cyclical
- C** Seasonal
- D** Frictional



The correct answer is D.

The scenario states that Southland is a healthy economy, yet unemployment has been rising. There is no evidence in the narrative that the unemployment has arisen due to fluctuations in national income, so this should help to rule out cyclical unemployment. The scenario does not give any suggestion that the rise in unemployment can be attributable to seasonal factors. Therefore, candidates should have been drawn to A or D as the most plausible answers.

Structural unemployment is most often caused by a downward shift in demand for the goods and services produced by industries on which an economy heavily depends. When economic conditions are severe, such as during the great depression of the 1930s, this can lead to many thousands of people losing their jobs, with a chronic shortage of vacancies. By contrast, frictional unemployment is typified by unfilled vacancies being available, but with unemployed persons not being in the right place, or immediately possessing the right skills, to take up those vacancies.

Only 39% of candidates selected the correct answer.

**Question 31:**

**Which of the following is an advantage of centralisation in an organisation with a dispersed network of offices?**

- A Decisions are easier to coordinate
- B Greater speed of decision making nearer the point of sale
- C Improved motivation of line managers
- D Reduced workload for senior management

The correct answer is A.

The centralised decision taking model concentrates decision taking at the strategic apex of the organisation. This means that in a dispersed organisation, those operating nearer the point of sale have less discretion, as they are usually required to follow policies and procedures determined at the core of the enterprise. For example, in a credit institution, the centralised approach would normally mean that line managers have less authority to sanction loans to customers, while in the decentralised alternative; they would have mandates to sanction loans without consulting head office or a specialised decision taking unit.

The centralised model places greater onus on senior management to take decisions, so distractor D should be eliminated immediately.

Distractors B and C are more difficult to eliminate. Arguably, with advances in technology, many organisations would encounter few delays in decision taking closer to the point of sale. However, it is most likely that quicker decisions can be taken when the manager nearer the point of sale has more discretion to take decisions. The effect on motivation of managers may depend on the types of managers employed, but mostly managers are more motivated when they have most discretion and authority. Therefore, those who are driven by taking on greater responsibility would almost certainly be more motivated when working in a decentralised environment.

The centralised approach lends itself to greater consistency in decision-taking and should enable those in senior position to coordinate decisions more easily.

The correct answer was selected by 49% of candidates.

**Question 43**

**Data protection legislation should protect which of the following?**

- A All individuals, living and dead
- B All living individuals and private incorporated businesses



C All individuals, living and dead, and all businesses

D All living individuals

The correct answer is D.

Data protection legislation varies widely from jurisdiction to jurisdiction, but a common feature of legislation is the objective to preserve the rights of private individuals. In doing so, legislation minimises the prospect of abuse of civil rights. Just as the rights of the private citizen to their private property should be inviolable, data protection laws regard information relating to individuals as extensions of their private property.

Data protection seldom extends to enterprises. In particular, distractor C should have been eliminated, as some businesses, such as listed companies, are now expected to adopt high degrees of transparency in their operations. Likewise, private businesses cannot usually rely on data protection laws, as disclosure is a *quid pro quo* for the benefits of limited liability.

There is a limit to which data protection laws can extend to deceased persons. Indeed, it may be in the public interest for such data not to be protected in order to preserve the rights of the living, notably the successors to estates.

The question was answered correctly by 21% of candidates. This relatively low percentage pass was surprising in that similar past questions have seen much higher pass rates.

### Summary

The F1/FAB paper is broad-based, requiring a relatively fundamental knowledge of many theories, concepts and practical applications. In order to pass it is not necessary to know any individual topic in great depth, as many of these are tested in greater detail at the Professional level, notably in papers P1 and P3.

The performance of candidates at the June 2014 session was quite encouraging in that the majority of those who attempted the paper were able to make creditable attempts at most of the questions.

Candidates should attempt all questions. While it is recognised that few individuals will be fully prepared to deal with every question, it should be possible to make a reasonable attempt at every requirement. As mentioned above, distractors can often be eliminated by a process of deduction.

As the paper now includes longer requirements, with six questions worth four marks each, it is vitally important that candidates read the questions carefully. Too many candidates in the paper-based exam answered questions by writing narrative answers that were of no benefit, and in particular those attempting the paper in written form wasted valuable time by offering detailed responses when it was only necessary to write down the correct answer, which could be a letter or a specified number of letters.