

ACCA F1-F9 — Practice Study Guide (Sampler)

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Part I — Essay-Style Drills & Model Answers (20)

Essay 1: F1/BT — Corporate Governance

Explain the purpose of non-executive directors (NEDs) on a company board and two ways they strengthen governance.

Model answer: NEDs provide independent oversight, challenge executive decisions, and protect stakeholder interests. They strengthen governance by chairing audit/remuneration committees and by scrutinizing risk management and internal controls.

Essay 2: F1/BT — Ethics in Business

A sales manager pressures staff to recognize revenue early to meet a quarterly target. Identify the ethical threats and appropriate responses.

Model answer: Threats: self-interest (bonus), intimidation, management override. Responses: follow code of ethics, escalate to finance leadership/audit committee, insist on revenue recognition per policy/IFRS, document concerns; whistleblow if necessary.

Essay 3: F2/MA — Cost Classification

Differentiate product vs. period costs and explain why the distinction matters for decision-making.

Model answer: Product costs attach to inventory (e.g., direct materials, direct labour, manufacturing overhead); period costs (e.g., admin, selling) are expensed as incurred. Accurate classification affects reported profit, pricing, and CVP analysis.

Essay 4: F2/MA — Overhead Absorption

A factory applies overhead using a machine-hour rate. Outline steps to set the rate and a risk if capacity falls.

Model answer: Steps: estimate total overhead; estimate machine hours; rate=OH/hrs. If capacity falls, under-absorption increases unit cost, distorting pricing and performance; consider flexing or ABC.

Essay 5: F3/FA — Trial Balance & Errors

A suspense account appears after trial balance extraction. Explain two error types it can and cannot reveal.

Model answer: Can reveal single-sided entries and transposition errors affecting balance. Cannot reveal compensating errors or errors of principle where totals still balance.

Essay 6: F3/FA — Depreciation Policy

Explain straight-line vs. reducing balance depreciation and when each may be more appropriate.

Model answer: Straight-line charges equal annual expense, suitable for assets with uniform benefit. Reducing balance yields higher early charges, suitable when benefits decline or maintenance rises with age.

Essay 7: F4/LW — Contracts

List essential elements of a valid simple contract and give one example of breach remedy.

Model answer: Offer, acceptance, consideration, intention to create legal relations, capacity, legality. Remedies include damages (expectation loss), rescission, or specific performance (subject to jurisdiction).

Essay 8: F4/LW — Agency

How can an agent bind a principal and what controls should businesses use?

Model answer: Actual/apparent authority allows agents to bind principals. Controls: clear delegations, approval limits, oversight, and revocation/notification of agency changes.

Essay 9: F5/PM — Variance Analysis

Material price variance is adverse but usage variance is favourable. Provide two possible operational explanations.

Model answer: Cheaper bulk buying failed (price up) while better-quality material/efficient processing reduced usage; or market price rose while process improvements reduced waste.

Essay 10: F5/PM — Performance Measures

Balanced Scorecard: name the four classic perspectives and one KPI in each for a service firm.

Model answer: Financial (operating margin), Customer (NPS), Internal Process (first-contact resolution), Learning & Growth (training hours per FTE).

Essay 11: F6/TX — Tax Concepts (Generic)

Distinguish tax avoidance from tax evasion and give one control to reduce evasion risk in SMEs.

Model answer: Avoidance uses legal structuring within the law; evasion is illegal misreporting/concealment. Control: segregation of duties and documented evidence for all deductions/revenues with periodic independent reviews.

Essay 12: F6/TX — VAT/GST Basics (Generic)

Explain input vs. output tax and one common compliance pitfall for growing businesses.

Model answer: Output tax is charged on sales; input tax is recoverable VAT/GST on purchases. Pitfall: exceeding registration thresholds without timely registration, causing penalties and unrecoverable tax.

Essay 13: F7/FR — Revenue Recognition (IFRS 15)

Describe the five-step model and one example of variable consideration.

Model answer: Identify contract, performance obligations, transaction price, allocate to obligations, recognize revenue when satisfied. Variable consideration: rebates, discounts, or performance bonuses constrained to avoid significant reversal.

Essay 14: F7/FR — Lease Accounting (IFRS 16)

For a lessee, summarize initial recognition and subsequent measurement of a lease.

Model answer: Recognize right-of-use asset and lease liability at present value of payments; subsequently depreciate the asset and unwind interest on liability; remeasure on certain changes.

Essay 15: F8/AA — Audit Assertions

For inventory, explain the assertions 'existence' and 'valuation' and a test for each.

Model answer: Existence: items recorded actually exist—perform physical count observation. Valuation: items stated at lower of cost and NRV—test unit costs, compare to selling price less costs to complete/sell.

Essay 16: F8/AA — Internal Control

State two limitations of internal control systems and why auditors still rely on them.

Model answer: Limitations: human error, collusion/management override. Auditors rely because effective controls reduce risk and determine nature/timing/extent of substantive testing.

Essay 17: F9/FM — Time Value of Money

Explain NPV vs. IRR and one circumstance where they might give different rankings.

Model answer: NPV discounts cash flows at a chosen rate to give added value; IRR is the rate making NPV zero. With mutually exclusive projects and non-conventional cash flows, rankings can differ due to scale/timing and multiple IRRs.

Essay 18: F9/FM — Working Capital Policy

Contrast aggressive vs. conservative working capital financing policies and one risk of each.

Model answer: Aggressive: finance current assets with short-term debt—risk of refinancing and interest rate spikes. Conservative: more long-term funding—lower risk but higher carrying cost and lower ROE.

Essay 19: Integrated — Ethics & Performance

You discover KPI targets are encouraging channel stuffing at year-end. Recommend two governance/performance management fixes.

Model answer: Revise KPIs to focus on sustainable cash collections and customer returns; implement independent sales cut-off controls and link bonuses to quality/retention, not just volume.

Essay 20: Integrated — Data & Analytics for Finance

How can data analytics improve audit and management accounting decision-making?

Model answer: Continuous controls testing, full-population anomaly detection, trend/variance heatmaps, and predictive models for demand/cash—improving assurance and planning.

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Part II — Multiple-Choice Questions with Explanations (20)

MCQ 1. F1/BT: Which is a board audit committee responsibility?

- | |
|---|
| A) Set product prices |
| B) Oversee external audit and financial reporting integrity |
| C) Approve every sales invoice |
| D) Run daily operations |

Explanation: Audit committees oversee financial reporting, external audit, and internal controls.

MCQ 2. F2/MA: Contribution equals:

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|--|
| A) Sales - variable cost |
| B) Sales - fixed cost |
| C) Sales - (fixed + variable) |
| D) Profit + fixed cost - variable cost |

Explanation: Contribution is sales less variable cost; profit = contribution - fixed costs.

MCQ 3. F2/MA: If fixed costs are \$120,000 and contribution per unit is \$30, break-even units are:

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|----------|
| A) 2,000 |
| B) 3,000 |
| C) 4,000 |
| D) 6,000 |

Explanation: $120,000 / 30 = 4,000$ units.

MCQ 4. F3/FA: Which error will not be revealed by a trial balance?

- | |
|------------------------------------|
| A) Single-sided entry |
| B) Transposition error |
| C) Error of omission on both sides |
| D) Casting error in a ledger |

Explanation: If both debit and credit are omitted, trial balance still agrees.

MCQ 5. F3/FA: Straight-line depreciation formula is:

A) (Cost - residual)/useful life
B) (Cost x rate) each year
C) Units of production x hours
D) Carrying amount x tax rate

Explanation: SL charges equal amounts based on depreciable amount over life.

MCQ 6. F4/LW: Apparent authority allows an agent to bind the principal when:

A) Agent has no title
B) Third party reasonably believes agent has authority
C) Principal is a minor
D) Contract is illegal

Explanation: Apparent authority arises from principal's representation to third parties.

MCQ 7. F5/PM: A favourable labour efficiency variance suggests:

A) Worked more hours than standard for output
B) Worked fewer hours than standard for output
C) Paid higher wage rate
D) Produced below standard

Explanation: Efficiency variance compares actual hours to standard hours for actual output.

MCQ 8. F5/PM: ROI is improved by:

A) Lowering margins and asset turnover
B) Raising margin or asset turnover
C) Increasing assets without profit
D) Cutting profitable lines

Explanation: ROI = margin x turnover.

MCQ 9. F6/TX: Output VAT is charged on:

A) Purchases
B) Sales
C) Employee wages
D) Fixed asset depreciation

Explanation: Output VAT applies to taxable sales.

MCQ 10. F6/TX: A common risk when expanding internationally is:

- | |
|---|
| A) Lower need for documentation |
| B) Inconsistent indirect tax rules and thresholds |
| C) No customs compliance |
| D) Guaranteed VAT refunds |

Explanation: Rules/thresholds vary by jurisdiction; documentation burden rises.

MCQ 11. F7/FR: Under IFRS 15, revenue is recognized when:

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|--|
| A) Cash is received |
| B) Performance obligations are satisfied |
| C) Contract is signed |
| D) Invoice is issued |

Explanation: Recognize control transfer when obligations are satisfied.

MCQ 12. F7/FR: Inventory should be carried at:

- | |
|---|
| A) Selling price |
| B) Cost |
| C) Lower of cost and net realisable value |
| D) Revalued amount annually |

Explanation: IAS 2 requires lower of cost and NRV.

MCQ 13. F8/AA: Which procedure best tests existence of inventory?

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|------------------------------------|
| A) Trace GRNs to purchase ledger |
| B) Observe year-end physical count |
| C) Recalculate FIFO costs |
| D) Review sales cut-off only |

Explanation: Attendance at stock counts provides evidence of existence.

MCQ 14. F8/AA: Independence is threatened by:

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|-------------------------|
| A) Rotation of partners |
|-------------------------|

- | |
|-------------------------------------|
| B) Fees contingent on audit opinion |
| C) Separate audit and tax teams |
| D) Audit committee oversight |

Explanation: Contingent fees impair independence.

MCQ 15. F9/FM: NPV decision rule is:

- | |
|---|
| A) Accept if $NPV > 0$ |
| B) Accept if $IRR < \text{cost of capital}$ |
| C) Accept if payback is longest |
| D) Reject all positive NPV |

Explanation: Positive NPV adds value at the discount rate used.

MCQ 16. F9/FM: A higher working capital investment typically:

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|--|
| A) Reduces liquidity |
| B) Improves liquidity but may reduce returns |
| C) Always increases returns |
| D) Eliminates stockouts and costs |

Explanation: More WC raises liquidity but ties up capital, lowering returns.

MCQ 17. F2/MA: In CVP, if selling price rises and all else constant, break-even units:

- | |
|--------------------|
| A) Increase |
| B) Decrease |
| C) Stay the same |
| D) Become negative |

Explanation: Higher contribution per unit lowers BEP units.

MCQ 18. F5/PM: A learning curve effect means:

- | |
|--|
| A) Average time per unit increases as output doubles |
| B) Average time per unit decreases at a constant rate as cumulative output doubles |
| C) Costs are fixed |
| D) No planning needed |

Explanation: Learning reduces time per unit by a constant % with each doubling.

MCQ 19. F7/FR: A lease with transfer of control over time for a service:

- | |
|-----------------------------------|
| A) Recognize revenue at inception |
| B) Recognize revenue over time |
| C) Never recognize revenue |
| D) Recognize only on cash |

Explanation: For services, revenue is recognized over time as performed.

MCQ 20. F8/AA: Sampling risk is:

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|--|
| A) Risk of fraud occurring |
| B) Risk auditor's conclusion differs from population reality due to sampling |
| C) Business risk of client failure |
| D) Interest rate risk |

Explanation: Sampling risk arises from testing less than 100%.

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About This Study Guide

This sampler mirrors the full ACCA F1-F9 pack: essay-style drills and MCQs with clear, step-by-step rationales across business technology, management accounting, financial accounting, law, performance management, tax concepts (generic), financial reporting, audit & assurance, and financial management.

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