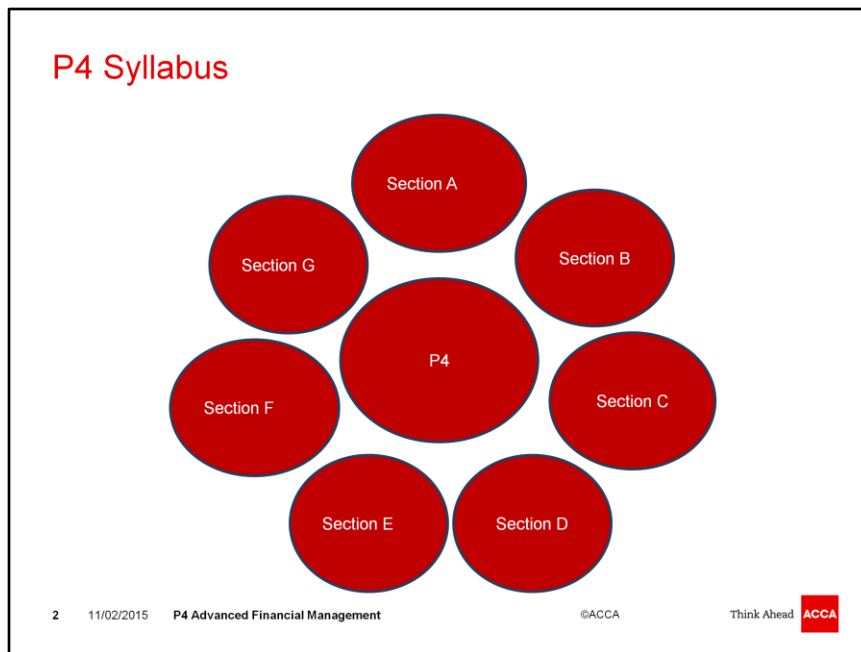




This presentation reviews the examination sessions from June 2013 to December 2014 inclusive, for the P4 paper: Advanced Financial Management.

It highlights the main areas of the P4 paper syllabus, the general pass rates, the areas where the candidates performed well, the areas where the performance of candidates was not adequate, possible reasons behind poor performance and what the learning providers can do to help improve future performance.

At the end of the presentation, there will be an opportunity to ask questions related to areas of the syllabus and on the presentation.



The P4 paper's syllabus is divided into seven sections. Please refer to the detailed syllabus and study guide for the details of each section. The structure of the syllabus is as follows:

Section A considers the role of the senior financial executive/advisor, formulation of financial strategy, responsibility to stakeholder, and ethical and environmental issues.

Section B considers the multi-national environment and conducting business in an international environment.

Section C considers advanced investment appraisal and develops the ideas introduced in paper F9, Financial Management. A sound knowledge of paper F9 is therefore a pre-requisite for paper P4.

Section D considers the area of acquisitions and mergers (M&A), including M&A strategy, valuation, regulatory framework and financing.

Section E considers corporate reconstruction and re-organisation

Section F considers the area of treasury and advanced risk management

techniques

Section G considers emerging issues in finance and financial management

## Exam Structure

- Four exams per year from 2016.
- Sept exam in 2015
- Section A: one compulsory 50-mark question, based on a large scenario, testing a range of syllabus areas.
- Section B: 50 marks in total. Three 25-mark questions. Students choose 2 out of 3. Can test more than one area but smaller and less complex

Section A: Mixture of written and computational elements in the question. 4 professional marks, will require a formal structure and presentation to a part of the question. A range of syllabus areas will be tested but the question will largely be based on one main syllabus area.

Section B questions: Normally mixture of computational and written elements in each question. Sometimes can be wholly written, based on knowledge and its application e.g. June 2014, Q4 on options, or analytical/evaluative based on data that is already provided.

## Review of Past Exams

	<b>June 2013</b>	<b>December 2013</b>	<b>June 2014</b>	<b>December 2014</b>
Number of candidates	9,716	9,885	10,024	10,657
% pass rates	34%	42%	35%	33%

The number of candidates taking the P4 examination is increasing every sitting.

The overall pass rates have ranged between 33% and 42% since June 2013.

## Good Practice

Thorough sustained study to gain adequate knowledge

Application of the knowledge

Strategy to approach the exam: using reading time

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11/02/2015 P4 Advanced Financial Management

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### Point 1

Thorough and sustained preparation to gain adequate knowledge. Augmented with wider reading of financial articles and books, and a good understanding of the underlying knowledge gained from the F9 paper.

All papers, June 2013, Dec 2013, June 2014 and Dec 2014, test a range of syllabus areas and often more than one area of the syllabus, especially in question one. For example, June 2013, Q1 tested valuation, impact of project on valuation, debt value and ethical issues; Dec 2013, Q1 tested the international environment, a global company and real options. Better prepared candidates would have acquired the knowledge to answer the range of areas tested through sustained study.

### Point 2

Ability to apply knowledge to the requirements of each question.

For example: In June 2013, Q2, the better answers linked synergy benefits to the question. In the December 2013 exam, Q3 required a discussion of the financing a possible acquisition, stronger answers related their discussion on

the range of financing options to the company in the question and not as abstract concepts. In June 2014, it was pleasing to see many answers provide an in-depth discussion of APVs versus NPV for Q2. In the Dec 2014 paper, many responses to Q3b) which asked students to compare the results of NPV, IRR, MIRR and value at risk were good.

### **Point 3**

In every P4 paper, students faced time pressure in the exam. And a well-crafted strategy aimed at maximising marks would go a long way to achieving a pass. For example, in Dec 2014, candidates who did the relatively easier section B first were more likely to pass. It is recommended that reading time should be used to plan how the paper will be tackled.

## Good Practice

Adopt an organised and systematic approach to answering the question

Answering all parts (and sub-parts) of the question fully. Read & understand the question.

A good structure and presentation of the answer.  
Neat, tidy, non-crowded

Good time management

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P4 Advanced Financial Management

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### Point 1

Adopt a systematic approach, for example, in December 2014, better responses dealt with each part of question 1 in turn and putting the numerical results in a table for analysis. In the same paper, in Q4c), the better answers presented ratios and trends separately and then provided a holistic discussion based on these, instead of analysing each ratio in turn and in isolation, and thus missing the broader corporate strategy.

### Point 2

Answering all parts of the question fully. Many responses, for example, in questions related to risk management, calculate the results of hedging strategies and then analyse and interpret the results. Allocating and spending time in answering each part and sub-part of a requirement is more likely to yield a pass.

### Point 3

An organised approach and a good structure to the answer. Well presented answers, even where there are no professional marks allocated to the question, gives the marker confidence that the student understands the



requirements of the question. In this case, even if the answer contains small mistakes, it will gain the majority of the marks.

**Point 4**

Good time management allows an effective attempt to be made for each part of each question. Most of the P4 papers require a substantial amount in each question and the well prepared candidates demonstrate their ability to manage their time between questions and parts of questions so that they are able to make a good attempt at all the parts and sub-parts of all the questions.

### Pitfalls to avoid

Over reliance placed on past papers and intensive study programmes

Making basic errors in calculations

Not understanding the context of the question.  
Not answering the question asked and/or relating it to the scenario

#### Point 1

Over reliance placed on past papers and intensive study programmes. Too much reliance was sometimes put on past papers as an indicator to future questions. Questions are unlikely to be the same as past questions. Sometimes candidates placed too much reliance on intensive study programmes but to succeed at P4 requires thorough preparation over a longer period of time so that adequate knowledge and understanding can be gained.

For example, in the December 2013, in Q3c), many candidates suggested using Islamic finance to fund an acquisition. Here it appeared that candidates were trying make their knowledge fit to a question. This is a symptom of an intensive and last-minute, but ultimately flawed, study programme/strategy.

#### Point 2

Making basic errors in calculations,  
For example, in Q1 of he December 2014, many candidates made an error in the timing of the offer from Lumi Co because they had not read the question carefully.

**Point 3**

Not understanding the context of the question or not answering the question,  
For example, trying to use the Black-Scholes Option Pricing model, instead of probabilities in the Dec 2014 paper for Q1, even though the standard deviation was not given.

### Pitfalls to avoid

Not carrying forward knowledge of F9 and other ACCA papers

Unclear structure and poor presentation

Inadequate knowledge and understanding or inability to apply knowledge to the question

#### Point 1

Candidates need to have a good knowledge of the F9, financial management, paper and other ACCA papers. And carry this knowledge forward into P4. For example, the December 2014 paper contained a question (Q4) on ratios.

#### Point 2:

**Unclear structure and poor presentation.** It is vital that candidates present their answers in a clear structure and neatly. Many candidates still do not know how to construct an answer in the correct format and thereby do not gain the valuable professional marks. Furthermore, answers to questions not containing professional marks should also be presented well, for two reasons, firstly it gives confidence to the marker that the candidate understands the subject and secondly a clear structure and a well presented answer will enable candidates to manage their time properly. Good handwriting is important. A notable minority of candidates present answers poorly, putting in lots of calculations in a jumbled manner on one page.

**Point 3: Inadequate knowledge and inability to apply the knowledge, for example:**

From each paper: December 2014, Salam contracts definition/explanation was given in the question. It wanted students to use their knowledge of futures contracts to compare and contrast.

## Pitfalls to avoid

Not answering all the parts of the question

Poor time management

**Point 1: Not answering all the parts of the question, for example:** In the Dec 2014 paper many candidates' marks were in the 40s, which they could have increased to a pass by answering all sub-parts of Q1a) and maximising their professional marks through well-presented answers in a report format.

### **Point 2: Poor time management**

Sometimes markers see the comment 'sorry ran out of time' with regularity (writing such a statement itself wastes time). Sometimes the question or requirement is repeated in the answer, which also wastes time.

The ability to manage time effectively on each question gives a student the best possible chance of passing, as long as they have adequate knowledge and understanding. Good exam technique is as important as knowledge and understanding.

For example: In Dec 2014 paper, Q4: Lots of comments saying simple things like the P/E ratio has decreased, without any further analysis or implications. Thereby gaining no marks and wasting time

## Where can tuition providers help?

Emphasise the importance of background knowledge especially F9 knowledge but also other ACCA papers

Emphasise the need for sustained study for knowledge and understanding. Question spotting is not a good idea, intensive courses on their own are not a good idea

Encourage students to read Student Accountant articles and articles from the financial press

It is important to ensure that candidates do not forget their learning from studying for the F9 paper, and general knowledge gained from studying for other papers is also helpful. Revision sessions covering key areas of F9 would probably be useful. In any case it is likely that deeper knowledge and understanding of P4 will need a good knowledge of F9 as a pre-requisite.

Emphasise the need for sustained and varied study to ensure a thorough knowledge base and deep understanding. Variety comes from studying text books, financial press articles and scholarly articles, and articles in Student Accountant. This is a better approach compared to trying to spot questions and/or offering short intensive courses as the only form of study.

## Where can tuition providers help?

Use past papers effectively – efficiency, time management, building structure and presentation skills, recognising requirements

Demonstrate approach by working through questions fully

Practice questions to time

Emphasise presentation and structure not just for the question(s) containing the professional marks

Doing past questions and papers properly (to time and probably without access to model answers initially) is an effective learning and skill development tool.

Question practice helps candidates develop skills leading to an efficient approach especially when there are intense time restrictions.

Question practice helps candidates develop skills on how to structure and present their answers. If this is done for all questions then candidates will develop a habit of developing skills which will help them structure and present to their answers well.

Effective dissection of the requirements in a question will show candidates the level and amount of information that is needed to product a good answer.

Tutors working through some questions may help candidates see how they may need to think in an exam situation when deciding on the approach and/or addressing the requirements of the question.

Show candidates how a report may be structured and what essential features a report should contain. Do the same for a briefing note, memorandum, letter, speech, etc.



### What's new?

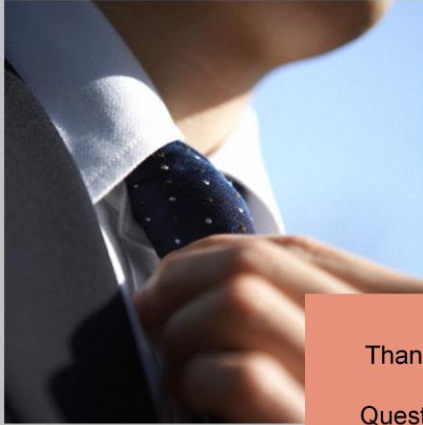
For exams from September 2015 to June 2016 the syllabus is unchanged.

For periods beyond this there is an extensive review of the syllabus being undertaken.

Results will be communicated once the review has been completed.

The syllabus for exams from September 2015 to June 2016 is unchanged, there was just one clarification of what was included.

For exams beyond June 2016 there is an extensive review of the syllabus being undertaken, the results of which will be communicated at a later date.



Thank you  
Questions?