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OCTOBER 2012

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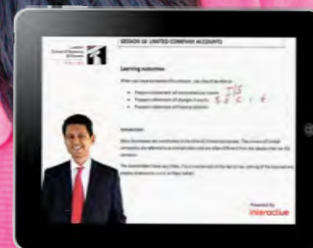


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EDITOR'S CHOICE

Welcome to the latest issue of *Student Accountant Essential Guide*

This issue is focused on exam-related information that you need to support your studies towards Papers F4 to F9.

We include examiner feedback from the Fundamentals level exams taken in June 2012. This advice looks at overall performance and outlines areas where candidates obtained both high and low marks. Reading the examiner feedback together with the past exam questions and answers from the latest exam session can help you identify where students have gone wrong in the past, and how to develop your answers to achieve the best marks possible – it is one of the key resources to use in exam preparation.

As well as examiner feedback, this issue contains the examinable standards and information relevant to Papers F4, F6 (UK), F7 and F8. Use this information to guide your exam preparation and take note of the areas that you could be examined on.



Exam technique and advice is also included to help you prepare. As well as articles on understanding what the examiner wants, we have also included advice from BPP Professional Education and Kaplan Financial on the key aspects of Papers F4 to F9.

The Noticeboard section includes the exam timetable for December 2012, exam rules and regulations that you need to be aware of, and details on entering for exams.

We've produced this magazine to be as helpful to you as possible in the lead up to the December 2012 exams. We have also produced two other tailored magazines for students taking the Foundation level/Papers F1, F2 or F3 exams and the Professional level exams. These can be accessed at www.accaglobal.com/en/students/Accessing-Student-Accountant.html.

I hope that you find this magazine useful in your exam preparation. Email me at studentaccountant@accaglobal.com with your feedback on this issue.

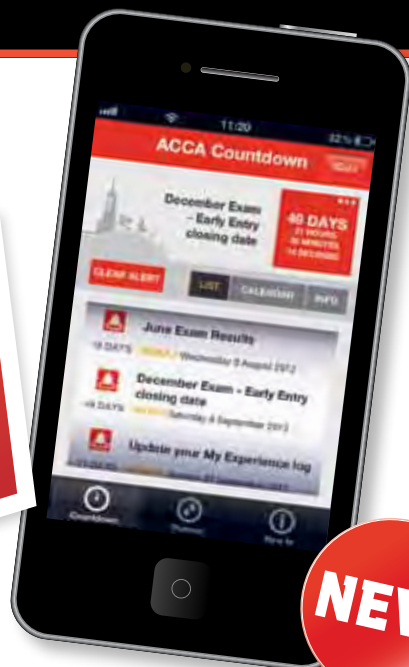
Victoria Morgan
Editor, *Student Accountant* magazine





06

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ESSENTIAL GUIDE

- 06 STEP-BY-STEP APPROACH TO WRITING
- 10 MAKING THE MOST OF READING AND PLANNING TIME
- 14 EXPERT ADVICE FROM BPP PROFESSIONAL EDUCATION AND KAPLAN FINANCIAL
- 18 MAKING THE BEST OPTIONS CHOICES
- 22 EXAM SUPPORT – EXAMINERS' APPROACH AND ANALYSIS INTERVIEWS
- 24 IMPROVE YOUR EXAM PERFORMANCE
- 34 ACCA CALENDAR: PLAN YOUR STUDIES
- 27 EXAMINERS' FEEDBACK
 - 28 Paper F4 (GLO)
 - 30 Paper F5
 - 32 Paper F6 (UK)
 - 38 Paper F7
 - 41 Paper F8
 - 45 Paper F9
- 50 EXAM NOTES: WHAT YOU NEED TO KNOW
- 59 A CLOSE LOOK AT QUESTION VERBS



14



22

WEB RESOURCES

Access the 'How to pass' pages for a range of resources at www.accaglobal.com/en/student/Essentials/pass-exams.html



STUDENT ACCOUNTANT TECHNICAL ARTICLE ARCHIVE

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59

10





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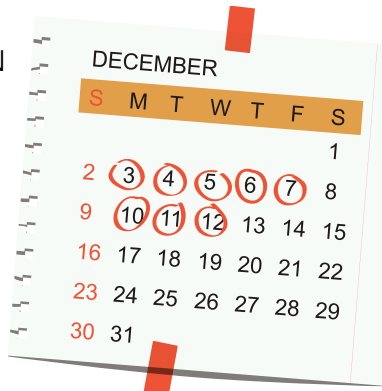
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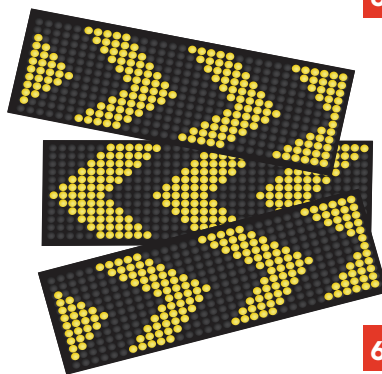
NOTICEBOARD

ESSENTIAL INFORMATION TO HELP
WITH YOUR EXAM ADMINISTRATION

- 60 ACCA Connect contact details
and the latest subscription and
exam fees
- 61 Detailed timetable for the
December 2012 exam session
to help with your diary planning
and information about how we
communicate with you
- 62 Exam rules relevant to
December 2012
- 63 Exam entry – key dates
- 64 Exam day FAQs
- 65 Practical experience
requirement
- 65 OBU degree information
- 66 Approved Learning
Partners – FAQs
- 67 Professional ethics



61



62

PRACTICAL EXPERIENCE

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emagazines, make sure you update your consent levels in
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A STEP-BY-STEP APPROACH TO WRITING



A professional accountant needs both a command of accounting and excellent communication skills to succeed in business. ACCA recognises this and makes writing an important part of the exams – even with largely numeric papers (such as Papers F5 and F9) from the Skills module, up to 50% of the marks may be awarded for the written element. And this only increases when you get to the Professional level exams.

Following a step-by-step approach to writing in the exam will help you improve the clarity and structure of your answer and, ultimately, help you pass.

In this article, we'll look at a structured approach to exam writing that I teach my students and apply it to a typical question from Paper F5, *Performance Management*.

PRACTICE QUESTION

Here is a requirement from the December 2010 Paper F5 exam:

Discuss the particular difficulties encountered when budgeting in public sector organisations compared with budgeting in private sector organisations, drawing comparisons between the two types of organisations. (5 marks)

No surprises here; this is a straightforward question on budgeting and a reasonably prepared student should have been ready for this topic.

We'll use this practice question to go through the steps required to score all five marks.

How much should I write? Follow the rule 1 mark = 1.8 minutes

A common question students have is 'How much should I write?' Use the number of marks, rather than the requirement verb, to guide how much writing you should do. This formula is probably familiar to you: 1 mark = 1.8

minutes. (I like to set aside extra time for a final check of the script towards the end of the exam, so sometimes I make it 1.7 minutes per mark).

PRACTICE QUESTION: TIME MANAGEMENT

For this five-mark requirement, you should give yourself eight or nine minutes to complete a short discussion.

How do I get a mark? 1 mark = 1 idea

Students sometimes have a dangerous assumption that you score a mark for each bullet point or sentence. While this might be true for requirements such as 'list' or 'outline', you'll need to write more than several bullet points in order to pass your exams.

A better approach is to follow this rule: 1 mark = 1 supported idea.

1 mark = 1.8 minutes of writing = 1 supported idea.

PRACTICE QUESTION: NUMBER OF IDEAS

For our practice question, we want to give the marker **five clear ideas**.

Generate your ideas during reading and planning time

Before you start writing, you need ideas to write about. Use the reading and planning time to read the questions

and generate the ideas you will put in your answers.

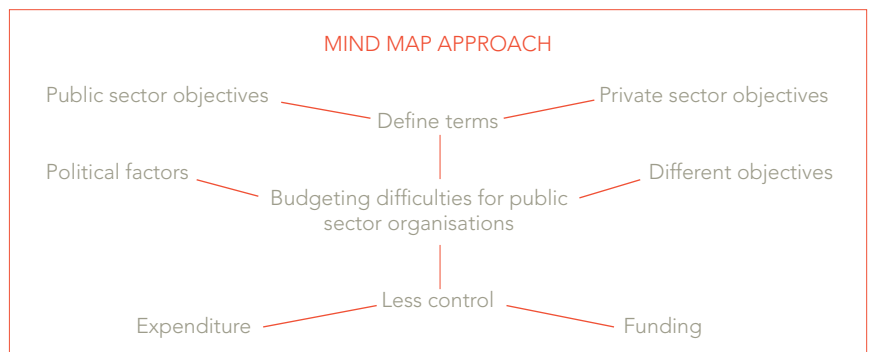
Use a list approach or a mind map to get these on paper. Remember, some of your ideas may be different than what you might see in the model answer – this is not a problem. You should be awarded full marks for 'any reasonable answer', as you will often see in the published marking guides. Use real-world examples from your own experience or the financial press (it is recommended that ACCA students read a financial newspaper), in addition to the examples you learned from your textbook.

PRACTICE QUESTION: READING AND PLANNING TIME

Continuing with our example from above, you might do something like this during your reading and planning time. You'll be taking notes on the exam paper itself. If you don't come up with five ideas immediately, don't worry. Remember, you only need 50% of the marks to pass. Do what you can, start writing, and more ideas will come to mind.

List approach:

- ❑ Define public versus private sector
- ❑ Different objectives
- ❑ Less control over funding
- ❑ Less control over expenditure
- ❑ Political factors



REMEMBER, SOME OF YOUR IDEAS MAY BE DIFFERENT THAN WHAT YOU MIGHT SEE IN THE MODEL ANSWER – THIS IS NOT A PROBLEM. YOU SHOULD BE AWARDED FULL MARKS FOR 'ANY REASONABLE ANSWER', AS YOU WILL OFTEN SEE IN THE PUBLISHED MARKING GUIDES

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START WRITING. STRUCTURE EACH IDEA: POINT – EXPLAIN – EXAMPLE
Now that you have identified your ideas, it's time to begin writing.

Use this writing structure for each of your ideas:

- Point
- Explain
- Example

If you haven't planned every answer during the reading and planning time, don't worry – use more time before you start writing. A short, well-planned answer will get more marks than a long, carelessly written answer.

POINT
This is the key idea you identified during reading and planning time. List it as a word or short phrase. Underline it – this becomes the heading for the short paragraph you are about to write. Using headings and, if possible, numbering them gives your answer a structure and makes it easy for the marker to navigate your script, find your ideas and award you the marks you deserve.

EXPLAIN
Use one or two sentences to explain your idea. Use short sentences; avoid 'academic style' writing. Use a simple, direct, easy-to-read approach instead. Remember, under the time pressure of the exams it's usually impossible to achieve the technically precise writing style and the answer length you sometimes see in the model answers.

EXAMPLE
This is an optional step: end with an example. It's often easier and do not hesitate to make your point with the help of an example.

SAMPLE QUESTION – THE FIRST MARK

FOR EXAMINER'S USE ONLY	<p><u>DIFFERENT</u></p> <p>Public sector organisation usually means a governmental organisation – eg a school, a hospital, or a police station.</p> <p>Private sector usually means a 'for-profit' organisation – eg Vodafone, Lukoil, or Ford (private companies).</p>	<p>Point: the idea and heading of your paragraph. A short word or phrase telling the marker what they are about to read.</p> <p>Explain: your idea here with one or two short, concise sentences.</p> <p>Example: further develop your idea with a real-world example.</p>
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PARALLEL STRUCTURE: EASIER TO READ, EASIER TO MARK

Following 'point – explain – example' means your paragraphs will have headings and follow a similar structure and flow. This will make it easier for your reader: the marker. Also, your answer will be structured around gaining marks. You'll have one short paragraph for each required mark, and two to four short sentences for each paragraph – guidance from a marker in a previous article. You'll also save time when writing: you will get your ideas on paper quickly and efficiently.

AVOID ACADEMIC STYLE

Here is an example of 'academic style' writing:
The term 'public sector' is usually used to describe a governmental organisation whose primary concern is the provision of basic services to the general public and might include entities such as schools, hospitals, or police stations.

This sentence has 36 words. It's unlikely you'll be able to correctly craft sentences this complex without a word processor and extra time for editing.

Look at the complicated structures you can easily simplify: the phrase, 'is usually used to describe' can simply be replaced with 'describes'. The phrase 'might include entities such as' can simply be replaced with 'for example'.

SAMPLE QUESTION: ANSWER FULLY DEVELOPED

Here is the full, five-mark answer developed using the 'point – explain – example' approach.

- I followed time management, keeping my time to eight minutes.
- I followed 1 mark = 1 idea, so there are five short paragraphs.
- I gave each section a heading based on a single idea.
- I used short, simple sentences followed by examples.

- I used some ideas from experience – I included these in my answer and remained confident that they are reasonable. (Even if the marker does not agree with me, I only need 50% to pass, so I don't worry about it.)

DIFFERENCE

'Public sector' means a government organisation – for example, a school, a hospital, or a police station. Private sector means a 'for-profit' organisation – for example, Vodafone, Lukoil, or Ford (private companies).

A SHORT, WELL-PLANNED ANSWER WILL GET MORE MARKS THAN A LONG, CARELESSLY WRITTEN ANSWER

Difficulties in budgeting for the public sector can include:

1. Different objectives
Public sector organisations can have non-financial primary objectives, which can be hard to measure in a budget. For example, 'reduce crime' for a police station. Sales levels and profit are easier to quantify in a company's budget (for-profit).

2. Less control over funding
Funding usually comes from tax revenues, which can be hard to control. For example, funding for a school might be cut in a financial crisis, even if they have increasing student numbers.

Companies (private sector) will have more control because they can change activity levels, raise prices, or go to the bank for a loan.

3. Less control over expenditure
The public sector might have less control over expenditure. For example, social security payments will depend on the number of retired people. This is out of the control of managers.

4. Political pressure
Decision makers in the public sector can be politicians. They can use political factors (for example, the popularity of a programme) instead of economic factors (for example, cost-benefit analysis) to make budgeting decisions.

Steve Willis is head of the ACCA programme at PwC Academy

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READING AND PLANNING TIME

Reading and planning time (RAPT) is a 15-minute time allowance given to all students taking three-hour exam papers.

WHAT CAN YOU DO IN RAPT?

This additional time, to be spent at the beginning of each three-hour exam, allows you to familiarise yourself with, and to navigate around, the exam paper. During RAPT, you can read and understand the questions on the paper and begin to plan your answers before you start writing in your answer books. You can also use calculators to make some preliminary numerical calculations.

RAPT begins when instruction is received from your centre supervisor. You must not open your question paper until advised to do so and, during RAPT, you may only write or make notes on your question paper. You must not write anything in your answer booklets until advised to do so by the supervisor.

HOW CAN YOU MAKE THE BEST USE OF RAPT?

RAPT gives you the opportunity to make sure you are clear about what the examiner is assessing. It also allows you valuable extra time for thinking

and planning. To use this additional 15 minutes most effectively:

- ▣ carefully read and understand all question requirements, making an informed choice about which optional questions to attempt where applicable
- ▣ read through and highlight relevant information and financial data, noting why it is included
- ▣ take note of the marks awarded for each question and the allocation of marks between different requirements within a question
- ▣ start to plan your answers, particularly for discursive questions
- ▣ think about the order in which to attempt questions
- ▣ make preliminary calculations.

READING THE QUESTION REQUIREMENTS

You should use some of the RAPT to carefully read through the main requirements in each question. This is particularly important in exams where you need to decide which questions to answer.

Even where there is no choice of question, it is still important to read the question carefully so that you understand what the examiner is asking you to do. All too often, examiners' reports contain references to students who have

answered questions they wanted to answer rather than the ones the examiner was asking. The best way to avoid this is to use RAPT to ensure that you fully understand the verbs used by examiners. For example, if the examiner has asked you to compare and contrast two theories or techniques, they are not looking for a full description or explanation of each, but an explanation of the similarities or differences.

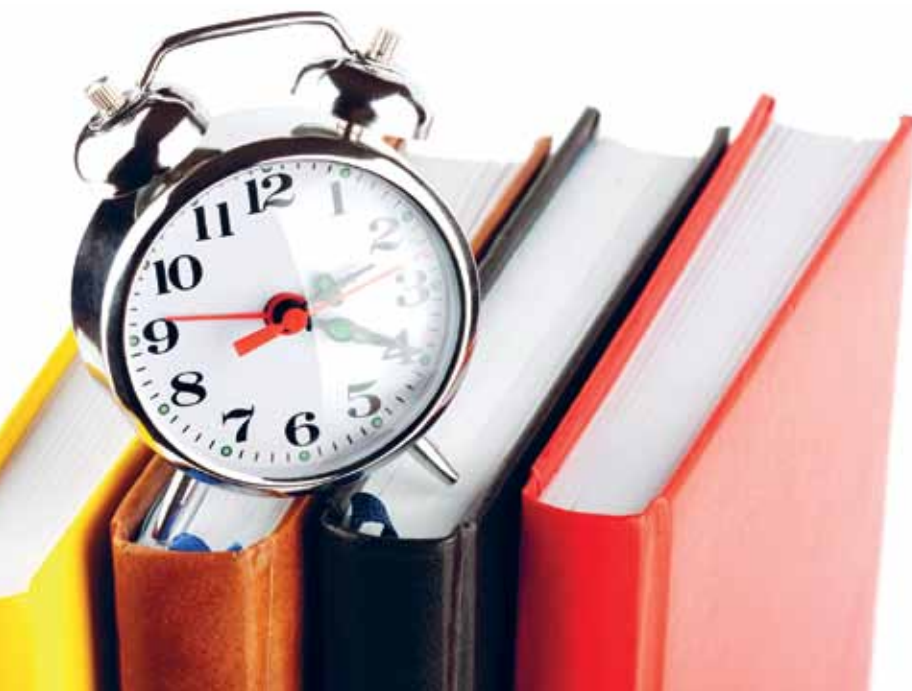
READ AND HIGHLIGHT RELEVANT INFORMATION AND FINANCIAL DATA, NOTING WHY IT IS INCLUDED

RAPT allows you to have a first read through of all the information contained in each question. Having already carefully read the question requirements, you can now highlight any relevant information or data which you feel are of most relevance with reference to each question requirement. You can use calculators during RAPT, which allows you to make quick calculations of key financial or quantitative data contained within the exam paper.

Reading through the paper will allow you to familiarise yourself with – and find your way around – the exam paper. As a result, when you come to writing in your answer book, you will already have a good idea what is relevant information, where it is located, and possibly how to use it.

In case study or scenario questions, RAPT is a particularly good opportunity to familiarise yourself with the facts and data contained within the case study, and to decide what information may be the most relevant. RAPT also allows you to gain an initial understanding of the main facts of a case study. This means that when you come to read it again during the exam, things will become much clearer, and more points will become apparent, as happens when watching a film or reading a book for the second time.

As would be expected, most ACCA exam questions contain financial data and information that must be considered and analysed. During RAPT, it is useful to think about why such information is included, with reference to the question requirements, and to consider which of this information or data is of particular relevance and how it might be needed to answer the questions.



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TAKE NOTE OF THE MARK ALLOCATION BETWEEN DIFFERENT REQUIREMENTS WITHIN QUESTIONS

You should also use RAPT to help you plan your approach to answering the questions. This is particularly important when you are deciding which questions to attempt at the Professional level of the ACCA Qualification.

When you are first reading the question requirements, you should undertake a personal exam SWOT analysis – matching your own strengths and weaknesses to the opportunities available and, thereby, identify any potential threats to your performance within the exam paper.

Where you have a choice, you should identify those question requirements (and their specific parts) which offer you the best opportunity to earn marks. It is particularly important that your choice of questions enables you to give your best performance in the exam. When making your question choices you need to be aware of the mark allocation. A question could look very attractive if you see one or two requirements in areas you have studied and revised. However, if these requirements only attract a few marks – and the main requirement, which attracts the most marks is one which you feel unprepared for – it may be advisable to attempt another question.

By doing this you will make a more informed choice of question, where choice exists. Even where there is no choice, it is still important to assess which parts of which question requirements attract most marks and where you need to focus your attention.

START TO PLAN ANSWERS – PARTICULARLY FOR DISCURSIVE QUESTIONS

If time allows, after reading the paper, it is worth planning answers to certain questions, particularly to longer-form discursive questions. Start by trying to identify the relevant main themes within a question; normally relevant points can be classified under a few broad headings. There is usually insufficient time to identify specific points during RAPT, but it is very useful to identify the main headings under which to put these points.

Identifying these headings or themes also acts as a way for you to structure your answers logically, for which some professional marks are available at the Professional level of the ACCA Qualification. It will also help to remind you about the types of points you should be making under each heading so that you can maximise the marks you can earn. For example, a Paper P1 exam question could contain the following requirement: 'Explain four roles of a non-executive director and how cross-directorships could undermine these roles.'

During RAPT, you could identify the four roles that you would need to explain, and quickly write these down as an aide-memoire. For example, you could identify the following roles:

- ▣ strategy
- ▣ scrutiny
- ▣ risk
- ▣ people.

When you answer this question in the exam you can develop these roles and expand on them before you go on to identify how cross-directorships could undermine these roles.

THINK ABOUT THE ORDER IN WHICH YOU SHOULD ATTEMPT THE QUESTIONS

You can answer questions in the order they are presented in the exam paper, but there may be good reasons why you shouldn't do this. For example:

- ▣ There is a question you believe you can answer well, that you have revised for thoroughly and therefore, by answering it first, you get yourself off to a good, confident start.

- ▣ There is a question which, if you don't answer it first, could worry and distract you during the exam, and may be more difficult to answer later on when you become more tired.
- ▣ You want to tackle the question with the highest mark allocation while you are at your freshest and most disciplined, both to ensure that you perform well and that you leave enough time to attempt all other questions.
- ▣ You prefer to start with a shorter question and leave a longer case study question until you have settled into the exam.
- ▣ There may be other reasons why you might want to tackle a paper in a particular order, so RAPT is the ideal time to make that decision and to decide on your exam strategy.

It is important that you always answer every part of a question before moving on to the next question – clearly labelling all parts of your answer. Ideally, you should answer all parts of a question in order, and there are two main reasons for this. First, there may well be a logical and progressive structure to the requirements of a question, and so answering these in the wrong order could put you at a disadvantage. Second, if your mind is engaged with the information contained within a particular question, and you leave it part way through to move on to another, you will need time to get to grips with that information again when you return to that question later. This is not a good idea.

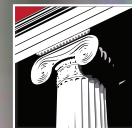
SUMMARY

Making the best use of RAPT, rather than rushing ahead to write down as much as you can in the time allowed, will help you develop a better and more effective exam strategy. It will also help you develop a more relaxed, positive, and controlled approach.



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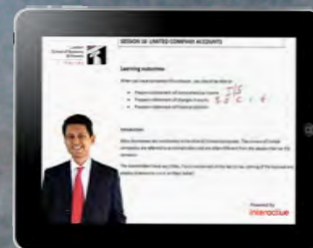


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PAPER F4

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In the Paper F4 exam the markers are not looking for perfection – merely that you are able to demonstrate an awareness of some of the legal principles that an accountant would be expected to know. This approach means that you should familiarise yourself with past papers as the format is very consistent. The focus is on knowledge, though some basic application is required in the last three questions. As such, knowledge retention is the key to success. An excellent way to learn legal principles is to create mind maps for each topic. Once created, keep re-drawing them until a single word prompts you to be able to recite the whole diagram accurately. At this point you are then ready to attempt past exam questions in this area and then move on to the next topic.



KAPLAN FINANCIAL

This paper consists of an extensive and detailed syllabus and the key objective with this paper is to ensure you have breadth of knowledge. You really cannot afford to question guess with this paper. You do need to ensure that on each syllabus objective you are able to explain the main principles and use case law to back up your answer where it applies.

It is definitely worth learning definitions as these will score the easy marks in the exam.

This may be the first written paper you attempt within the ACCA Qualification and this may pose challenges. You must be comfortable with writing, and that means writing that is both legible and understandable.

Time management is crucial, especially as this paper has 10 questions. You should only spend 18 minutes on each question and then move on. Spending longer on one question is unlikely to get you any more marks than if you move on to the next question and start scoring marks very quickly.

Question practice is vital. With this paper many of the knowledge questions will be similar to those set in the past, so practising questions will be very beneficial.

You will have 15 minutes of reading and planning time at the start of the exam. Use this time wisely. The best use of this time is reading through the paper and focusing on the three scenario questions. Try to identify the issues within the scenario questions and formulate your plan. The scenario questions tend to be the most difficult, but if you adopt the ISAC approach you will have a focus on how to answer the questions. The ISAC approach is:

- ▣ Identify the legal issues involved
- ▣ State the law
- ▣ Apply the law to the scenario given
- ▣ Conclude, based on your application.

Finally, keep your answers concise and to the point. Make it easy for the marker to see the point you are making and give you the marks.

PAPER F5

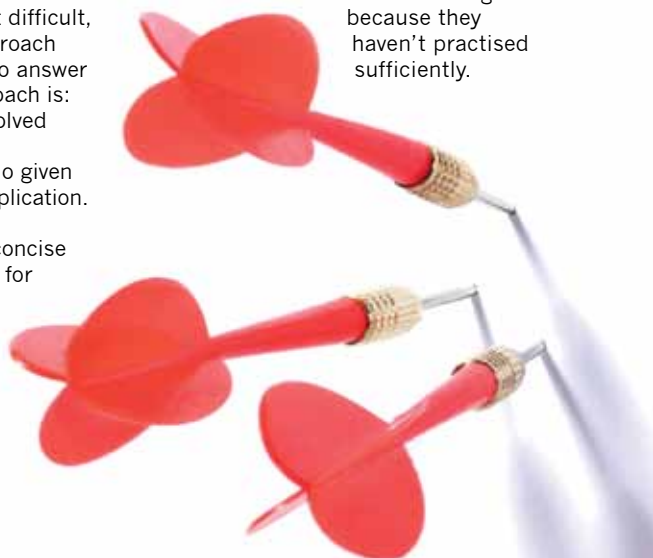
BPP PROFESSIONAL EDUCATION

Paper F5 provides students with an opportunity to take the basic management accounting techniques introduced in Paper F2/FMA and develop them further, while being introduced to new concepts in management accounting. There is an emphasis on application as well as knowledge in this paper, which contains approximately 50% discussion and 50% calculation across five compulsory questions. Students are advised to learn broadly from the syllabus areas, as it is impossible to predict what could be tested.

KAPLAN FINANCIAL

Students often underestimate Paper F5, so unfortunately it has a low pass rate. The main problem is that it is often perceived as a similar paper to Paper F2, which admittedly covers some similar topics. However, the style of the Paper F5 exam is very different, comprising a fairly equal mix of calculations and writing. Many students focus exclusively on the calculations and then struggle with the writing because they haven't practised sufficiently.

KEEP YOUR ANSWERS CONCISE AND TO THE POINT. MAKE IT EASY FOR THE MARKER TO SEE THE POINT YOU ARE MAKING AND GIVE YOU THE MARKS





In order to give yourself the best chance of passing Paper F5, focus on the following three points:

- ▣ Practise the calculations. Many of the calculations will be familiar from previous studies (eg absorption of overheads, variances). However, in many areas, the Paper F5 syllabus builds on previous knowledge and extends it. For example, in addition to the basic variances covered in Paper F2, Paper F5 brings in mix/yield variances and planning/operational variances.
- ▣ Don't neglect the discussion points. As well as testing the calculations, the exam questions will often ask you to explain your calculations, or to interpret them. It is, therefore, vital that you understand the syllabus topics and can explain them. It is not sufficient merely to rote learn points – your discussion must relate to the specific circumstances in the question. Practising plenty of past exam questions will ensure that you become familiar with the types of discussion points that are commonly tested.
- ▣ Read articles in *Student Accountant*, regardless of when it has been written and who has written it.

PAPER F6 (UK)

BPP PROFESSIONAL EDUCATION

In Paper F6 (UK) you need to demonstrate a solid knowledge of the basics of taxation in the UK. You will be introduced to taxes that affect both individuals and companies, and you will be required to answer a series of scenario-based questions that test the whole syllabus. This paper is mainly numerical and is fairly time-pressured. As a result, the key to passing the exam is simply to do as much question practice as you can. The paper always follows the same format, and can be passed comfortably by focusing on the basics and not getting bogged down in the trickier parts of the questions.

TO ACHIEVE SUCCESS IN TAXATION EXAMS, ATTENTION TO DETAIL AND FOLLOWING PROFORMAS AND METHODS OF APPROACH ARE VERY IMPORTANT

KAPLAN FINANCIAL

The Paper F6 exam is the first time many students come across studying taxation – some students find they love the subject, while others do not.

It is important to appreciate from the outset that to achieve success in taxation exams, attention to detail and following proformas and methods of approach are very important.

However, you not only need to know the detail of the tax rules well, you also need to be able to apply them quickly as the exam can be time pressured.

Here are some key points to help you to achieve success in Paper F6.

Learn the basic rules and proformas layouts and approaches for each tax inside out – the facts need to be at your fingertips.

Remember that Questions 1, 2 and 3 always cover income tax, corporation tax and chargeable gains respectively. The remaining questions can be on any remaining topic, so you cannot afford to leave out any areas in your studies, although there are topics covered more often than others.

There will always be between 10 to 15 marks on VAT, NICs will normally appear for approximately two to five marks and self assessment is a very common topic that is usually tested in every exam. These topics are not particularly difficult but there is a lot of fact learning involved. The questions usually require a written response, and there is less computation and less exam technique required. For this reason, these topics are too frequently neglected but can make the crucial difference between a pass and a fail.

Make sure that your tax knowledge is up to date and that you know what rules have changed in the year you are sitting the exams. The exam includes

rules that are topical and have changed recently, although you are only expected to know about changes introduced up to and including Finance Act 2011 for the exams in 2012.

Read the examiner's articles in *Student Accountant*. The examiner has written articles on many of the popular exam scenarios, and updates these every year to reflect the most recent tax rules. These articles give exam technique advice on layout, for example, as well as an indication of the importance the examiner places on certain areas.

Most importantly, though, make sure you invest the time to learn the (many) rules and practise as many questions as you can in timed conditions beforehand. The best way to learn tax is to work questions, get them wrong, find out why you got them wrong and try to not do it again the next time.

Before the exam, however, your preparation should involve a mixture of question practice and learning of rules; question practice alone is not enough. Pay attention to the detail of the rules and the exception to the rules – they are all really important in taxation exams.

In the exam, use the 15 minutes of reading time to thoroughly review the exam. Note the number of marks available and pick the order in which you approach the questions. Question 1 or 2 will be 30 marks, which can be daunting, even though they are broken down into smaller parts. Consider starting with a preferred smaller tax first to build your confidence for the large questions, but be sure to leave enough time for all questions.

Always answer the question set; don't just write everything you know about that particular area of tax and be



succinct in your answers, particularly written answers. Three marks for a written question will normally mean that you need to make three key points in your answer. Bullet point presentation is fine as long as full sentences are written.

Manage your time carefully, keep moving, don't get bogged down and remember that you need 50% to pass.

PAPER F7

BPP PROFESSIONAL EDUCATION

In Paper F7, there are certain areas that you need to do well, as 75% of the paper covers these areas. They are group accounting, financial statement preparation and interpretation of financial statements (including statements of cash flows). Having a method to follow and plenty of practice is essential on these areas. Questions on these and the other areas examined focus on the application of the syllabus topics rather than rote learning. The syllabus is big and a good knowledge of the syllabus topics is necessary to be able to apply them. The conceptual framework, and particularly its application to accounting

standards, also often features prominently in this exam.

KAPLAN FINANCIAL

Paper F7 can sometimes be time pressured and technically challenging for candidates. However, with focused preparation, your chances of achieving that all-important pass can be greatly improved. The following points should be applied in your approach to the exam:

- ▣ All five questions are compulsory and you should ensure that you have a broad knowledge of the topics on the syllabus. In order to obtain the required knowledge, you should:
 - Revise the underpinning elements of Paper F3 in preparation for Paper F7, as knowledge gained in this earlier paper is considered to be assumed (the preparation of

basic financial statements from a trial balance, preparation of a statement of cash flows and the assumed knowledge of certain IASs/IFRSs). By revising these topics prior to your actual Paper F7 studies, you will be able to apply them to scenarios more easily.

- Become familiar with the examinable accounting standards. You do not need to know absolutely everything about each of these standards, but you must be able to define, explain and apply the basic accounting treatment set out in each one.
- ▣ Become familiar with the overall theme of the paper – for example, Question 1 will always require the preparation of consolidated financial statements, Question 2 will always require the preparation of financial statements for a single entity and Question 3 will require some form of performance appraisal that may (or may not) include the preparation of a statement of cash flows or ratio calculations. Practise as many exam standard questions as possible to apply knowledge gained throughout your studies. This will give you a solid foundation to achieve that desired pass.
- ▣ Poor time management is a common theme among unsuccessful candidates, so it is vital that your exam preparation includes question practice under timed, exam conditions. By approaching your revision questions in this manner, mistakes will be made that you can learn from and you will not panic on exam day.
- ▣ Finally, remember it is fine to leave a question uncompleted in the exam. If you have already spent the allocated time, say, on a consolidated statement of financial position but you have not finished all of the adjustments, simply move on to the next question – more marks are earned in the early part of each question.

PAPER F8

BPP PROFESSIONAL EDUCATION

Paper F8 is very much an application paper. There is obviously some technical

OPEN YOUR EYES A LITTLE. READ THE NEWSPAPERS, EVEN WATCH THE ODD DOCUMENTARY AND SEE HOW REAL LIFE COMPANIES TACKLE THE ISSUES CONTAINED IN PAPER F9



information that you will study and need to learn, but the key to passing Paper F8 lies in your ability to apply your knowledge to the scenario given in the exam question. This is particularly relevant to questions relating to audit risk where you need to spot the prompts in the scenario and apply them to think about what the risks to the financial statements/audit might be.

When you are trying to unlock the keys to passing the exam, there is also a lot of help available from the examiner's reports. After each exam sitting the examiner writes a report highlighting where candidates gained and lost marks and also the particular weaknesses that existed in candidates' answers to particular questions. The latest examiners' reports are on page 27. You can download past exam reports from www.accaglobal.com/en/student/qualification-resources/acca-qualification/acca-exams/f8-exams/exams-f82.html.

It is also important to read the question requirements properly so you know what she is asking you to do and so you can work out how many points to include in your answer. Regular question practice is vital. You should also get in the habit of getting your answers reviewed and asking for feedback because, often, candidates are along the right lines in their answers to questions but what they have written will only score half a mark per point. Usually, a few minor adjustments to the way these answers are worded will allow you to score a full mark per point and therefore pass each question and the exam. This is particularly relevant to questions on audit procedures (substantive procedures and tests of control) and questions where you need to make a recommendation/provide practical advice.

KAPLAN FINANCIAL

In order to pass Paper F8, you must follow three basic rules:

- ▣ Ensure you have good breadth of knowledge across the syllabus. Paper F8 examines a mixture of technical knowledge and practical application of knowledge. You do not need to learn the precise wording of the examinable ISAs and other rules and regulations, but you must be familiar with all of the key concepts and principles. Although there is only one 'knowledge' question on the paper, any of the questions (including the case study) could contain a 'knowledge' requirement.
- ▣ Practise lots of exam standard questions, to time, in exam conditions.

You will not be able to pass the paper without applying theory to the audit situations presented in questions; knowledge itself is not sufficient. There is one case study question and three scenario-based questions in the exam. This will also require you to have a good understanding of the accounting knowledge learned in Paper F3; the auditor is, of course, providing an opinion on whether the financial statements conform in all material respects with the financial reporting framework.

- ▣ Develop good exam technique, by taking note of the format, style and length of the examiner's answers for past papers. Not writing enough or writing too much, and not managing time effectively are common reasons for failure.

Before you attempt a question, take note of all of the elements within the requirement and ensure that you answer all parts. Briefly plan your answer and make sure you include enough detail – it is much easier to pass by writing 50 points worth one mark each than 100 points worth half a mark each.

PAPER F9

BPP PROFESSIONAL EDUCATION

This is an exciting introduction to financial management; the paper is built around the concept of maximising shareholder wealth. It considers which investments should be undertaken and what financing to achieve this and whether a dividend should be paid. Areas that need to be understood well include evaluating a proposed investment using discounted investment appraisal, calculating the WACC, and being able to discuss which source of finance would be best.

KAPLAN FINANCIAL

The five keys to success in Paper F9 are:

- ▣ Refresh your maths skills. Remind yourself of some of the basics, such as re-arranging equations and percentages and decimals. If you don't already have one, invest in a scientific calculator and learn how to use it. Your calculator should become your new best friend, so don't be put off by the formulae sheet; just learn which buttons you need to press, and in which order, to ensure the right answer is displayed.

- ▣ Study the entire syllabus. Don't try to focus on a small number of key areas as this approach will mean you fail to understand the bigger picture and cannot see how the topics inter-relate.
- ▣ Be familiar with your accounting ratios. While much of the Paper F9 syllabus will focus on new concepts and ideas, an old favourite is visited time and time again: accounting ratios. Accounting ratios can be drawn into virtually every area of the syllabus but it is not enough to just know how to calculate them. Understanding their meaning and how they inter-relate is also important.
- ▣ Start to develop your exam technique now. The earlier you start practising questions, the better. Many marks are lost by students misreading questions or failing to identify and target the easier marks first. This results in them getting bogged down in a difficult area of the syllabus and running out of time. You can avoid these traps by attempting lots of past questions and carefully reviewing the examiner's answers and marking schemes.
- ▣ Embrace the subject. Once students have a basic appreciation of Paper F9 they tend to find it a genuinely interesting subject. Financial management is all around us; it is a key part in the world of business, not just specific to accountancy. Pick up any daily newspaper and you're likely to find an article that relates to something covered in Paper F9. So go on – open your eyes a little. Read the newspapers, even watch the odd documentary and see how real life companies tackle the issues contained in Paper F9.



MAKING THE BEST OPTIONS CHOICES

The Options papers are the final exam hurdle before you can become an ACCA member. Peter Redfern, ACCA qualifications manager, explains how choosing Options papers which you are most comfortable with will, hopefully, improve your chances of success.

To complete the ACCA Qualification exams at the Professional level you must complete three Essentials papers (P1, P2 and P3) and then complete two from four Options papers (P4, P5, P6 and P7).

THE FUNDAMENTALS

Our research proves that if you do well in the underpinning Fundamentals paper, you will have a better chance of passing the Options paper. This is backed up by what students, tutors and examiners tell us.

It is important to remember that the Options papers take the subjects covered in the Fundamental papers to a more advanced level. This is set out below:

- Paper F9, *Financial Management* → Paper P4, *Advanced Financial Management*
- Paper F5, *Performance Management* → Paper P5, *Advanced Performance Management*
- Paper F6, *Taxation* → Paper P6, *Advanced Taxation*
- Paper F8, *Audit and Assurance* → Paper P7, *Advanced Audit and Assurance*

When you choose which Options papers to take, think about how well you did in the Fundamentals level papers. If there was a subject you excelled at or felt most comfortable with, then that would be a good choice to take as your option.

In the tables on pages 19 and 20 we have identified the key areas of the Fundamentals level paper syllabuses that relate directly to each Options paper. Looking at this will help you see which areas of the Fundamentals level paper you need to have grasped to be successful in the Options papers. It will also show you that there may be some areas of the Fundamental papers that you are not required to demonstrate in the Options paper exam. It is also worth noting that, along with the Fundamentals level papers, some of the areas covered in Paper P3 underpin Paper P5. Likewise, some areas of Paper P2 underpin Paper P7.

APPLYING YOUR EXPERIENCE

The ACCA exams are designed to be achievable even if you have no relevant experience. That said, one of the things most students, tutors and examiners say about the Options papers is that you may perform better if you have gained work experience relevant to the Options papers you are taking.

If you are currently working, remember to look at ACCA's practical experience requirements. You need to complete these requirements to gain the benefits of ACCA membership. They may also help you focus on gaining experience relevant to your Options papers. Part of the requirements is that you need to achieve 13 from 20 performance objectives. Like the ACCA Qualification exams, there are some performance objectives you need to take – known as the Essentials performance objectives – and there are others where you get a choice of which ones to do – known as the Options performance objectives. These cover some of the same areas as the Options papers (see Table 1).

One of the benefits of matching the experience performance requirements to the Options papers you are taking is that it may assist your workplace mentor or supervisor in giving you the experience to help your studies. It may also help your workplace mentor or supervisor answer questions you have about particular areas of the Options paper syllabuses that you are struggling with.

It is a great idea to be thinking about how your studies can be applied to your future career prospects. However, be careful. If there is an Options paper subject you find particularly hard, but you feel it would be better for your career prospects, you may be wiser to choose a different Options paper subject that better suits your ability. Remember, you

can take the Options papers after you have qualified as part of continuing professional development (CPD).

Whether you have gained relevant experience or not, wider reading will also help you relate your studies to real-life situations. The case studies used in the exams are often based on situations that have been in the news. Reading both the financial press, the wider press and the corporate reports of multinational companies, and relating the stories to your studies, is a good way to prepare for the exams. It will help you understand the challenges real businesses face, such as ethical issues, environmental issues, strategic decisions, risk management and investment decisions.

There are a number of ways the ACCA Qualification can be studied, such as via a taught course or by self-study. Our research has found that if you study with one of our ALPs, you will stand a better chance of passing the Options papers. You can find out more about our ALPs via the ACCA website, which includes a searchable tuition provider directory. If there are no ALPs in your area, you may wish to consider distance learning using the materials from an Approved Learning Partner – content (ALP–c).

CONCLUSION

It is important you make the right choice of which two Options papers to take. You will have a greater chance of success if you choose the Options papers based on what you feel most comfortable with, whether that is because you did well in the underpinning Fundamentals paper or you took the underpinning Fundamentals paper recently, or because you have gained most work experience in that area. Lastly, you should consider studying with an ALP–st to give yourself the best chance of passing the Options papers.

TABLE 1: THE OPTIONS PERFORMANCE OBJECTIVES

OPTIONS PAPER	RELEVANT OPTIONS PERFORMANCE OBJECTIVES
Paper P4	POs 15 and 16 on finance and financial management
Paper P5	POs 12, 13 and 14 on performance measurement and management accounting
Paper P6	POs 19 and 20 on taxation
Paper P7	POs 17 and 18 on audit and assurance and underpinned by POs 10 and 11 for financial reporting

ESSENTIAL UNDERPINNING FOR OPTIONS PAPERS

PAPER P4

Paper F9 to Paper P4 –
essential knowledge

D Investment appraisal

All subheadings

E Business finance

- 1 Sources of, and raising, short-term finance
- 2 Sources of, and raising, long-term finance
- 4 Internal sources of finance and dividend policy
- 5 Gearing and capital structure considerations

F Cost of capital

All subheadings

G Business valuations

- 2 Models for the valuation of shares
- 3 The valuation of debt and other financial assets
- 4 Efficient market hypothesis (EMH) and practical considerations in the valuation of shares

H Risk management

All subheadings

Paper P3 to Paper P4 –
essential knowledge

G Financial analysis

- 2 Finance decisions to formulate and support business strategy
- 4 Financial implications of making strategic choices and of implementing strategic actions

PAPER P5

Paper F5 to Paper P5 –
essential knowledge

A Specialist cost and management accounting techniques

All subheadings

B Decision-making techniques

- 6 Dealing with risk and uncertainty in decision making

C Budgeting

- 2 Budgetary systems
- 3 Types of budget
- 5 Behavioural aspects of budgeting

D Standard costing and variances analysis

All subheadings excluding:

- 2 Basic variances and operating statements

E Performance measurement and control

All subheadings

Paper P3 to Paper P5 –
essential knowledge

B Strategic position

- 2 Environmental issues affecting the strategic position of an organisation
- 3 Competitive forces affecting an organisation
- 4 Marketing and the value of goods and services
- 6 The expectations of stakeholders and the influence of ethics and culture

B Strategic choices

- 1 The influence of corporate strategy on an organisation
- 3 Alternative directions and methods of development

C Strategic action

- 1 Organising and enabling success

G Financial analysis

- 3 The role of cost and management accounting in strategic planning and implementation

Paper P1 to Paper P5 –
essential knowledge

B Internal control and review

- 1 Management control systems in corporate governance

C Identifying and assessing risk

- 1 Risk and the risk management process
- 2 Categories of risk
- 3 Identification, assessment and measurement of risk

D Controlling risk

- 3 Risk avoidance, retention and modelling

PAPER P6

Paper F6 (UK) to Paper P6 (UK) –
essential knowledge

B Income tax liabilities

- 2 Income from employment
 - h) Compute the amount of benefits assessable
- 3 Income from self-employment
 - e) Compute assessable profits on commencement and cessation
 - h) Relief for trading losses
- 5 The comprehensive computation of taxable income and income tax liability
 - b) Calculate the amount of personal allowance available generally, and for people aged 65 and above
 - c) Compute the amount of income tax payable
- 6 The use of exemptions and reliefs in deferring and minimising income tax liabilities
 - a) Explain and compute the relief given for contributions to personal pension schemes, using the rules applicable from 6 April 2011

C Corporation tax liabilities

- 2 Taxable total profits
 - e) Explain the treatment of interest paid and received under the loan relationship rules
 - g) Understand how trading losses can be carried forward
 - h) Understand how trade losses can be claimed against income of the current or previous accounting periods
 - i) Recognise the factors that will influence the choice of loss relief claim
 - k) Explain how relief for a property business loss is given
- 3 The comprehensive computation of corporation tax liability
 - a) Compute the corporation tax liability and apply marginal relief
- 4 The effect of a group corporate structure for corporation tax purposes
 - a) Define an associated company and recognise the effect of being an associated company for corporation tax purposes
 - b) Define a 75% group, and recognise the reliefs that are available to members of such a group

THE ACCA EXAMS ARE DESIGNED TO BE ACHIEVABLE
EVEN IF YOU HAVE NO RELEVANT EXPERIENCE AT ALL

IT IS IMPORTANT YOU MAKE THE RIGHT CHOICE OF WHICH TWO OPTIONS PAPERS TO TAKE. YOU WILL HAVE A GREATER CHANCE OF SUCCESS IF YOU CHOOSE THE OPTIONS PAPERS BASED ON WHAT YOU FEEL MOST COMFORTABLE WITH

- c) Define a 75% capital gains group, and recognise the reliefs that are available to members of such a group
- d) Compare the UK tax treatment of an overseas branch to an overseas subsidiary
- e) Calculate double taxation relief

D Chargeable gains

- 1 The scope of the taxation of capital gains
 - b) Explain how the residence and ordinary residence of an individual is determined
- 2 The basic principles of computing gains and losses
 - a) Compute capital gains for both individuals and companies
- 3 Gains and losses on the disposal of movable and immovable property
 - d) Compute the exemption where a principal private residence is disposed of
- 5 The computation of capital gains tax payable by individuals
 - a) Compute the amount of capital gains tax payable
- 6 The use of exemptions and reliefs in deferring and minimising the tax liabilities arising on the disposal of capital assets
 - a) Explain and apply entrepreneurs' relief as it applies to individuals
 - b) Explain and apply rollover relief as it applies to individuals and companies
 - c) Explain and apply holdover relief for the gift of business assets
 - d) Explain and apply the incorporation relief that is available upon the transfer of a business to a company

E Inheritance tax

- 2 The basic principles of computing transfers of value
 - a) State, explain and apply the meaning of transfer of value, chargeable transfer and potentially exempt transfer

- b) Demonstrate the diminution in value principle
 - c) Demonstrate the seven-year accumulation principle taking into account changes in the level of the nil rate band
- 3 The liabilities arising on chargeable lifetime transfers and on the death of an individual
 - a) Understand the tax implications of chargeable lifetime transfers and compute the relevant liabilities
 - b) Understand the tax implications of transfers within seven years of death and compute the relevant liabilities
 - c) Compute the tax liability on a death estate

G Value added tax

- 2 The VAT registration requirements
 - a) Recognise the circumstances in which a person must register for VAT
 - b) Explain the advantages of voluntary VAT registration
 - d) Explain how and when a person can deregister for VAT
 - e) Explain the conditions that must be met for two or more companies to be treated as a group for VAT purposes, and the consequences of being so treated
- 3 The computation of VAT liabilities
 - h) Explain the treatment of imports, exports and trade within the European Union
- 4 The effect of special schemes
 - a) Describe the cash accounting scheme, and recognise when it will be advantageous to use the scheme
 - b) Describe the annual accounting scheme, and recognise when it will be advantageous to use the scheme
 - c) Describe the flat rate scheme, and recognise when it will be advantageous to use the scheme

PAPER P7

Paper F8 to Paper P7 – essential knowledge

A Audit framework and regulation

- 4 Professional ethics and ACCA's Code of Ethics and Conduct

B Internal audit

- 3 The scope of the internal audit function

C Planning and risk assessment

- 2 Assessing the risks of material misstatement
- 3 Understanding the entity and its environment
- 4 Materiality, fraud, laws and regulations
- 5 Analytical procedures
- 6 Planning an audit

D Internal control

- 6 Communication on internal control

E Audit evidence

- 2 Audit procedures
- 3 The audit of specific items
- 6 The work of others

F Review

- 1 Subsequent events
- 2 Going concern
- 4 Audit finalisation and the final review

G Reporting

- 1 Audit reports

Paper P2 to Paper P7 – essential knowledge

C Reporting the financial performance of entities

- All subheadings excluding:
- 11 Reporting requirements of small and medium-sized entities (SMEs)

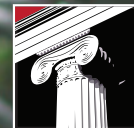
D Financial statements of groups of entities

All subheadings

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ACHIEVE MORE. BECOME MORE.

EXAM SUPPORT

EXAMINERS' APPROACH AND EXAMINERS' ANALYSIS INTERVIEWS

ACCA is committed to providing support to all its students. As part of this support, a range of materials – in a variety of media to reach as many students as possible – is available specifically to address the ACCA Qualification exams. Information from ACCA's examiners – including examiner reports, examiner interviews and a wide variety of technical articles – are available in a range of different media on the ACCA website.

The two sets of examiner interviews are available on www.accaglobal.com and are extremely valuable resources. Each set of interviews can help you prepare for your exams in different ways and, when used in conjunction with the paper resources available, they can make a big difference to your studies.

EXAMINERS' APPROACH INTERVIEWS

The examiners' approach interviews are very useful when you are undertaking a particular paper for the first time, giving you a real insight into what examiners are looking for in terms of exam performance. They cover the main themes of each paper and give information on the style of the exams and how they are structured. They also advise on exam technique, with tips on how to succeed and potential pitfalls to avoid.

The examiners' approach interviews complement the examiners' approach articles, which were written to give guidance on how to tackle each exam paper. These resources contain similar information, but the difference in delivery method can be a useful advantage when studying and may give you a better chance of absorbing the examiners' advice. The examiners' approach interviews also contain useful links to other relevant resources for your exam.

ACCESS EXAMINER GUIDANCE FOR YOUR PAPER(S) AT:

- ▣ **Paper F4** www.accaglobal.com/en/student/qualification-resources/acca-qualification/acca-exams/f4-exams/exams-f43.html
- ▣ **Paper F5** www.accaglobal.com/en/student/qualification-resources/acca-qualification/acca-exams/f5-exams/exams-f53.html
- ▣ **Paper F6** www.accaglobal.com/en/student/qualification-resources/acca-qualification/acca-exams/f6-exams/exams-f63.html
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- ▣ **Paper F8** www.accaglobal.com/en/student/qualification-resources/acca-qualification/acca-exams/f8-exams/exams-f83.html
- ▣ **Paper F9** www.accaglobal.com/en/student/qualification-resources/acca-qualification/acca-exams/f9-exams/exams-f93.html

EXAMINERS' ANALYSIS INTERVIEWS

The examiners' analysis interviews build on the examiners' approach interviews. They highlight where students are performing well, where students are performing less well, and give advice on how students can improve performance in problem areas.

It's never too soon to start listening to the examiners' analysis interviews, but they would probably be most useful once you have covered the syllabus and are starting to think about the detail of a paper and how to apply what you have learned in the exam.

They are designed to give guidance around which areas of the syllabus students have been struggling with in recent exam sittings and how students can tackle the difficulties others have been having. The analysis interviews are closely related to the examiners' reports, which are published after each exam session. They bring together the examiners' reports from the first three sessions of the ACCA Qualification, illustrating that some mistakes are being repeated consistently and highlighting critical areas of the syllabus to focus on. Remember, this does not mean one of those areas will

necessarily be examinable in the next session.

The ACCA website features examiner interviews recorded at the 2011 Learning Providers' Conference. It is still very important to make use of the individual examiners' reports available in this issue of the *Essential Guide* and on the ACCA website, as well as listening to the analysis interviews. After you have worked through a practice question, refer to the relevant examiner's report and you will find an analysis of that question, what the examiner is looking for in a good answer, typical answers given by students, why they might not be relevant, and so on.

EACH SET OF EXAMINER INTERVIEWS CAN HELP YOU PREPARE FOR YOUR EXAMS IN DIFFERENT WAYS AND, WHEN USED IN CONJUNCTION WITH THE PAPER RESOURCES AVAILABLE, THEY CAN MAKE A BIG DIFFERENCE TO YOUR STUDIES





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IMPROVE YOUR PERFORMANCE

Our twice-yearly examiner reports include not only technical guidance on how to answer specific questions, but also a wealth of advice on exam preparation and technique. Summarised here, this advice can be used to help improve your performance in future exam sessions.

USING RESOURCES

It is very important to only **use the most up to date study materials**. Older materials, perhaps borrowed from a friend or bought second hand, often refer to old rules, or to rates which are no longer examinable. This is particularly relevant to papers dealing with taxation, financial reporting, law and auditing.

Revise the entire syllabus, using the *Study Guide* to help you monitor progress. Don't focus your revision on favourite subjects, or 'core' topics, as this strategy rarely gives you the chance to earn enough marks to pass. By covering the entire syllabus, not only are you fully prepared for the exam, but you are also taking a mature approach, worthy of a professional accountant.

Practise using as many past papers as possible. For papers where legislation and standards are regularly updated, it is important to purchase revision or exam kits produced by the Approved Learning Partners – content who will have updated the original ACCA questions and answers for all such changes. Also review suggested answers, absorb examiner's comments in the examiners' reports on previous candidates' performances, available for each past paper, and read related articles in *Student Accountant*. In particular, look at the *Pilot Paper*, which is the best guide to question style and shows the split between numerical and non-numerical questions.

REVISION STRATEGIES

Don't question spot by analysing past papers. In a previous session, for example, many candidates clearly assumed a specific theory wouldn't come up because it had been examined the session before. This assumption was wrong, and so those candidates lost the opportunity to gain marks.

When reviewing past papers, **don't memorise model answers** in the hope of using them in the exam. As every paper is different, repeating old answers can never be appropriate – and markers will quickly spot when they are being used.

Don't question guess. Some candidates consider the technical articles in *Student Accountant*, and the examiner's reports, as a guide to the questions that will appear in the next exam session. They are not. Technical articles do cover future exam topics, but also deal with subjects less well covered in approved study texts, or provide an update to study material in the light of recent events.

Practise multiple-choice as well as longer questions. The examiner has put just as much careful thought into multiple-choice questions as into longer questions, and especially into the distractors – which provide plausible, but incorrect, alternatives likely to be selected by less well-prepared candidates.

Success **requires extensive study and practice**. Question spotting and short, intensive revision sessions are unlikely to be successful.

Don't rely on numerical ability alone, especially in the more advanced papers. At this level candidates must always demonstrate analytical and evaluative skills, shown by linking their theoretical learning to a specific case study.

EXAM TECHNIQUE – GENERAL ADVICE

In the exam centre, good technique can make a difference between a marginal pass and fail. Use past papers to practise your exam technique, as well as your technical skills, and pay particular attention to the **appropriate exam style for each paper**. For example, where a question is worth four marks, brief succinct answers are all that are required.

Good time management is crucial, so use the mark scheme to guide your timing. Apportion the time you have available to the mark allocation for each section, each question, and each question part. This will give you a minute by minute breakdown of your ideal exam progress.

Good time management is especially important when scenarios are rich in detail. Such scenarios always include more points which could be made than the marks on offer, so a careful review of material is required, tailored to the mark allocation, along with a disciplined approach to time management.

Don't rely on guesswork when answering multiple-choice questions (MCQs). This is a risky strategy and usually leads to a wrong answer. You need a sound knowledge of all syllabus areas to answer an MCQ section successfully. However, **don't leave MCQs unanswered** – if you can't answer an MCQ based on the knowledge you have – or are running out of time – then make an educated guess. You then at least have a chance of gaining a mark, whereas an unanswered question will definitely gain no marks.

Don't answer more questions than the paper asks you to – this is a waste of time and does not gain any more marks.

In discursive papers, be prepared to **explain and discuss**. Unless specifically asked for, simple statements in a list, for example, will rarely be enough to gain full marks.

Don't use the points raised by one question to answer another. It's very unlikely that separate exam questions are linked, but candidates often repeat points across questions as if there were a deliberate connection.

REVISE THE ENTIRE SYLLABUS, USING THE *STUDY GUIDE* TO HELP YOU MONITOR PROGRESS. BY COVERING THE ENTIRE SYLLABUS, YOU ARE FULLY PREPARED FOR THE EXAM, AND TAKING A MATURE APPROACH, WORTHY OF A PROFESSIONAL ACCOUNTANT

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PRESENTATION

When writing in your answer booklet, **put the relevant question number at the top of each page** used to write the answer. Although candidates may answer exam questions in any order on the answer booklet they are strongly recommended to complete each part of a question in order and to keep all answers to parts of questions together in the booklet. This makes marking more manageable and reduces the scope for error or omission.

Don't use the same page in the answer booklet to answer several different questions – start the answer to each new question on a fresh page. Different parts to the same question can be continued on the same page.

Although possibly a sign of poor planning, **it is acceptable to start a question, move on to another, and then return to the first question later** – just make sure that each answer is clearly labelled and starts on a new page.

Illegible handwriting can result in missed marks if a correct answer cannot be understood. As handwriting is rarely used now in business, you need to practise this skill so that your answers remain legible throughout the exam.

Don't write out the question at the start of your answer; this wastes valuable time and gains no marks. Likewise, **do not restate the scenario or facts from the question**.

When writing an answer, **avoid using elaborate headings** (in different colours or text styles, for example), which take time to create. **Clear headings are important**, but simple underlining is enough.

Take care with the **presentation of short as well as long answers**, paying attention to use of language and general structure.

QUESTION BY QUESTION

Read the question carefully and think before you write. Questions are often answered poorly or incorrectly because key words or instructions are ignored or misunderstood. For example, don't provide general lists when specific examples, perhaps related to a case study, are required. Always apply your knowledge to the facts by reference to the requirement.

Answer the question on the paper, not the one you want to see – this can often happen with questions on subjects which appear regularly, and which candidates have practised many times before.

Read the whole question before you begin your answer. Many candidates answer one part before realising that some of the points made were more relevant to other question parts. This results in wasted time, as information is repeated.

Questions are worded very carefully, so note the **command words or verbs used, the precise issues to be addressed, and guidance on the answer approach**. By paying attention to all these aspects, you have a much better chance of giving the right information in your answer, in the correct format, and written in the appropriate style. **Don't focus on one word**; pay attention to the wider requirements and make sure your answer reflects these.

When asked to provide a specific number of points, **don't make similar points just to reach the target number**. Rephrasing an earlier answer (such as writing both 'an inability to make profits' and 'making of losses') will only gain one mark.

ADDITIONAL ADVICE FOR RE-SIT CANDIDATES

- ▣ Identify those **areas of the syllabus where you were weakest** – work to improve your knowledge of these areas.
- ▣ **Review your time management** and see if it can be improved.

Don't provide general explanations or long introductions – these are a waste of time.

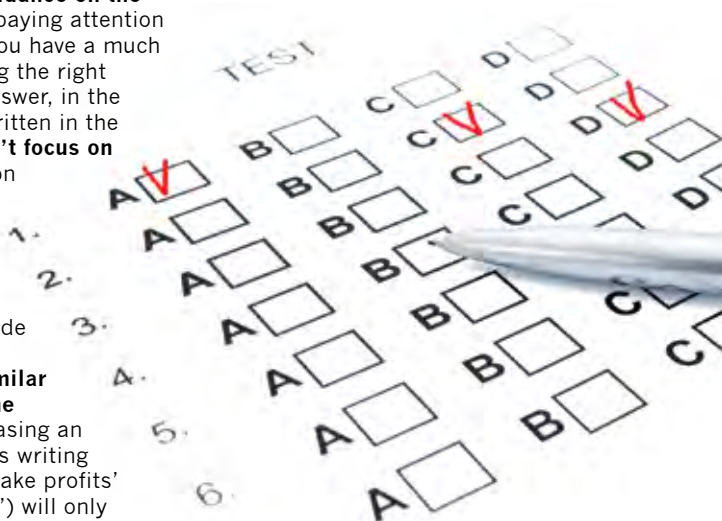
Think carefully when asked to 'criticise' – you are being asked to show your knowledge of expectation or best practice (against which to measure the given example) and show that you have carefully analysed the case study or scenario used.

Pause before preparing calculations: consider any advice given in the question, review the requirement, and think about how to solve the problem before putting pen to paper.

When performing calculations, judge carefully when to detail workings.

For minor calculations, pages of unhelpful workings are time consuming to produce and difficult to mark. More complex calculations do require referenced workings, however, and marks can be lost if an incorrect figure is provided but no method shown, as a correct method can earn partial credit.

Read from page 27 for specific exam feedback from examiners.



FEEDBACK

EXAMINER FEEDBACK

FROM THE JUNE 2012 EXAM SESSION

Examiners' feedback provides guidance on past ACCA exam performance and suggests ways in which students can achieve higher exam results

28 PAPER F4 (GLO), CORPORATE AND BUSINESS LAW

38 PAPER F7, FINANCIAL REPORTING

30 PAPER F5, PERFORMANCE MANAGEMENT

41 PAPER F8, AUDIT AND ASSURANCE

32 PAPER F6 (UK), TAXATION

45 PAPER F9, FINANCIAL MANAGEMENT

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EXAM FEEDBACK

PAPER F4 (GLO) PASS RATE: 54% CORPORATE AND BUSINESS LAW

The overall performance in this exam session continued the recently established pattern of improvement. While many candidates performed well, it still has to be recognised that a significant number of candidates were less well prepared and unfortunately did not meet the required standard to pass the exam. As has been stated repeatedly, it is an unfortunate fact that reports such as this one tend to focus on what went wrong, but a substantial number of candidates performed exceptionally well.

The structure of the exam paper, as usual, consisted of 10 compulsory questions, each carrying 10 marks. As in recent sittings, the questions tended to be subdivided into smaller subsections and it is thought that this helps candidates to structure their answers. Although this structure may have had the consequence that candidates wrote more than necessary to gain the marks available, it is felt, nonetheless, that the structure was advantageous on the whole. The first seven questions were essentially knowledge-based, while the latter three were problem-based scenarios requiring both legal analysis and application of the appropriate law. The fact that the scenario questions potentially covered a lot of material emphasised the need for candidates to analyse the situation presented, rather than merely to regurgitate all they knew about general legal topics.

The number of candidates who did not attempt all of the questions remains lower than when the current syllabus and structure were initially introduced. Where candidates failed to attempt all of the questions, this appeared to be as a result of a general lack of knowledge in relation to particular questions, rather than based on any time pressure or structural difficulties in the questions. This would appear to support the conclusion that candidates and teaching providers are coming to terms with the breadth of the syllabus. Unfortunately, it is still a fact that the last three problem-based scenario questions continue to provide grounds for concern. Too many candidates were let down by their performance in these questions, which continues to suggest a general lack of analysis and application skills if not general knowledge.

It still remains the case that some, although a reduced number of candidates, are still engaging in question spotting and, as a result,

produce prepared – but inappropriate – answers to some questions. It has to be said that this recurring failure was less of a problem in this exam, perhaps as a result of the structure of the paper, in that it was more apparent what questions were about, or rather what questions could not possibly be about.

What follows will consider the individual questions and candidates' responses to the individual questions in the paper.

SPECIFIC COMMENTS QUESTION 1

This was a legal system question on the doctrine of judicial precedent. The question was divided into two parts. The first part required a consideration of the importance of the doctrine in common law jurisdictions and was worth six marks. The second part required a similar consideration in relation to either a civil law or a Sharia law jurisdiction. In Part (b), putting 'ONE' and 'OR' in bold seems to have worked, as very few candidates attempted both elements.

The most common mistake was to confuse civil/common with civil/criminal. The worst type of answer dealt with Part (a) as if it referred to criminal law and then Part (b) as civil.

A significant number of candidates scored high marks in Part (a). It was generally answered well with most candidates providing a detailed description of the court structure and hierarchy, together with an explanation of the effect of that structure in relation to precedent. Weaker answers tended to simply describe the structure and made little reference to essential context, the doctrine of precedent. There was some diversion into legislation and statutory interpretation.

Some reasonable answers were produced for Part (b), which demonstrated a sound knowledge of the alternative jurisdictions.

QUESTION 2

This question was based on the UN Convention on the International Sale of Goods (UNCISG), specifically acceptance and counter offer. It was divided into two parts, each carrying five

marks. Answers tended to be proficient enough on both parts, but there were few maximum scores on either part, especially in relation to Part (a).

Part (a) on the topic of acceptance was, on the whole, rather disappointing. A lot of time was wasted in this question by candidates providing a detailed explanation of the concept of offer. This was not required and candidates wasted their time. Candidates need to answer the question set.

Part (b) related to a counter-offer, a continuation of acceptance, and was answered much better than Part (a).

QUESTION 3

This question related to 'letters of credit' in the context of international business transactions. This was the best answered question on the paper. Many candidates answered this well and gained full marks, though, in an apparent contradiction, it was also the most common question to leave out. A handful of candidates wrote about bills of lading or bills of exchange.

QUESTION 4

This question asked candidates to explain the three terms that might be found at the end of the names of different business forms. It was done well generally, with the majority of candidates gaining at least some marks, with a large majority gaining maximum marks.

Part (a) required an explanation of the term LLP. The great majority of candidates were able to provide a detailed answer, and although some were not as detailed they nonetheless knew sufficient information about LLPs to gain satisfactory marks. However, a minority of candidates confused limited liability partnership with limited partnership.

Part (b) required an explanation of the term Ltd. Once again, the majority of candidates had very little difficulty in dealing with the question and gained reasonable marks. That being said, some candidates did confuse private limited company form with either limited partnership or public limited company.

Part (c) required an explanation of the term plc and, again, the majority

IT STILL REMAINS THE CASE THAT SOME, ALTHOUGH A REDUCED NUMBER OF CANDIDATES, ARE STILL ENGAGING IN QUESTION SPOTTING AND, AS A RESULT, PRODUCE PREPARED – BUT INAPPROPRIATE – ANSWERS TO SOME QUESTIONS

of candidates had very little difficulty in explaining the meaning of the abbreviation and detailing the legal rules appropriate to such forms. Unfortunately, little could be done for those candidates who confused the private and public forms of the company.

QUESTION 5

This was a company law question relating specifically to the various investment mechanisms available to investors in companies. Again, it was done well and it would appear that the breakdown of the question into three distinct sub-questions was advantageous to candidates generally.

In Part (a), ordinary shares were very well explained and many candidates cited the definition in *Borland's Trustees v Steel* before going on to consider the distinct element of that definition in some detail. The great majority referred to voting and dividend rights.

Some candidates went into too much detail about nominal value of shares, share premium accounts and the use of the share premium account for dividends. While this is relevant to accounting, the question specifically stated the context was in relation to company law, so answers should have followed that requirement more closely.

In Part (b), preference shares tended not to be explained as well as ordinary shares, as there was an almost general assumption that they hold no voting rights under any circumstances. However, sufficient other points could be made to gain full marks, even if this point was not fully explained.

Also, similar to the approach in Part (a), some candidates answered this in the context of accounting and there were many examples of how much interest would be attributable based on the percentage and value of the share.

In Part (c), debentures tended to be answered very thoroughly. There were many points that could be made, so the majority of well-prepared candidates had little difficulty in picking up the full four marks available.

QUESTION 6

This question concerned voting procedure and, once again, it would appear that the subdivided structure of the question benefited candidates.

Part (a) related to ordinary resolutions and most candidates were able to pick up the two marks available by explaining the required majority and an instance of when such a resolution was required.

Part (b) referred to special resolutions and again proved to be of little difficulty to the well-prepared candidate, who could gain the full three marks available by citing the appropriate majority and instance when such a vote would be required.

However, there was some confusion relating to the length of notice required for such resolutions, as indeed there was in relation to ordinary resolutions.

Part (c) referred to written resolutions. While once again well-prepared candidates scored highly, it has to be said that this part of the question was less well done than the other two parts. A number of candidates started their answer by stating that they only applied to private companies, but went on to claim that they were passed at a meeting of the company. A significant number of candidates also claimed that the written resolution could be used to remove directors and/or auditors, thus reversing the actual legislative provision. Finally, a significant number of answers interpreted a written resolution as being either an agenda or minutes of the meeting.

QUESTION 7

This question in two parts, each carrying five marks, dealt with the issue of the compulsory winding up of companies. Once again, the overall single topic was divided into the two distinct parts in an endeavour to structure the answers provided by candidates. There was a tendency for candidates to write everything they knew about winding up and administration, rather than focus on the actual question asked.

Part (a) focused on, and requires an explanation of, the grounds under which compulsory liquidation may be instituted. This was answered well and many candidates could cite the full grounds for the granting of an award of compulsory winding up. Even where candidates did not provide a consideration of all the grounds they were usually capable of citing the main grounds for compulsory winding up, namely, insolvency and the just and equitable ground.

Part (b) was divided into two discrete aspects relating to the procedures and the consequences following a court order for the compulsory winding up of a company. Some candidates managed to deal with both aspects of the question, others tended to focus on one aspect and that tended to be the procedure rather than the consequences.

Although a number of candidates endeavoured to shoehorn administration

into their answers, it has to be said that the performance in this question was satisfactory.

QUESTION 8

This was a question on a UNCISG contract scenario. The question was divided into two parts. Part (a) was worth six marks and required an explanation of damages and the duty to mitigate losses in relation to breach of contract. Part (b) was further subdivided and the correct answer depended on the scope of the application of the UNCISG to the two categories of contract presented. It was intended that each of these elements of the question should stand alone and be answered independently. Unfortunately, many candidates mixed Parts (a) and (b) together, which led to confusion, if not inaccuracy in the answers provided.

Part (a) was very thinly answered. Some candidates included everything they knew about CISG. Some candidates were awarded little, if anything, on Part (a). Only a small number of candidates picked up the application points about both ships and services, but scored marks by applying the convention on the basis of their interpretation of Part (a).

QUESTION 9

This was a problem-based scenario requiring the application of the UNCITRAL Model Law on International Arbitration. It was divided into two parts, each worth five marks. Part (a) referred to the rights to enforce an arbitration agreement and Part (b) to the right to challenge the membership of any such panel.

The fact that arbitration appeared as a problem-based scenario question did have the benefit of structuring answers and, as a result, far fewer candidates dealt with arbitration generally. Quite a few answered Part (a) by listing all the advantages that Du could explain to Ez to persuade him to honour the agreement. Most candidates got the basics right but few scored high marks. More focus on this part of the question was required, as a lot of what was written was superfluous.

Part (b) was better answered. Perhaps the narrower structure of the question required candidates to produce more focused answers. In any event, a good number of candidates were very familiar with the procedure for challenge and made sound use of such knowledge to gain high, if not full, marks.

QUESTION 10

This was a problem-based scenario question on directors.

This was, by far and away, the least well-answered question on the exam paper. Candidates appear to have been confused by what was in effect a relatively simple question, especially as regards Part (a). Many candidates dealt with Part (b) in Part (a) and vice versa.

In Part (a), candidates described directors' duties in a lot of detail, without identifying which of the people in the question were actually directors.

Quite a few were confused by the fact that Ham and Ive were inexperienced and consequently invented a new category of director – the sleeping director. There seemed a lot of uncertainty with Ham and Ive – sometimes candidates would say that they weren't directors in Part (a), and then would go and make them liable in Part (b) by virtue of the fact that they were directors.

Relatively few candidates dealt well with Part (a) by identifying that Ger was a shadow director and Kim was a de facto director by virtue of apparent authority.

Answers in Part (b) were quite varied and very few gained satisfactory marks. A number of candidates applied the law relating to money laundering and directors' duties to no purpose.

Given that the question scenario stated that the company was set up to continue Ger's previous fraudulent activity, almost all answers made reference to fraudulent trading, whether with good effect or content is another matter.

PAPER F5 **PASS RATE: 42%** **PERFORMANCE MANAGEMENT**

The structure of the paper remained the same as in previous sittings – five questions each taken from the five main syllabus areas worth 20 marks each. The proportion of narrative to computational requirements was 52% to 48%. This does vary slightly from sitting to sitting. The pass rate on this paper was slightly higher than in recent sittings. This may be due to the fact that some requirements had plenty of straightforward marks that well-prepared candidates could earn. It was really good to see that many candidates followed my previous advice about answering the questions in the order of their best questions first, and then also made sure to score the easy marks available on each question first too.

AS HAS BEEN SAID MANY TIMES BEFORE, DON'T TRY AND QUESTION SPOT IN THIS EXAM. IT'S A DANGEROUS APPROACH AND UNLIKELY TO WORK

SPECIFIC COMMENTS**QUESTION 1**

This question tested relevant costing within a 'make or buy' context. Part (a) asked candidates to advise whether the company in question should manufacture its own components for its burglar alarms or whether it should outsource their supply to Burgistan. It was pleasing to see many candidates making a decent attempt at it. In the suggested solution, the \$4k and \$6k machine costs are treated as specific fixed costs and are therefore included in the relevant cost of manufacturing in-house, together with the depreciation. However, it is acceptable to assume these costs to be general fixed costs and therefore exclude them for their manufacture cost together with the depreciation. Part (b) was more challenging and required candidates to work out the incremental saving per unit from making the two components and then, using key factor analysis, calculate how many of which product should be bought in rather than made in order to increase production. This produced weaker answers but many candidates were at least able to work out the shortage of hours and the number of units that needed to be bought in (without going through the process of ranking the two components), for which they could earn nearly half of the total marks available.

Part (c) was a straightforward knowledge requirement about the non-financial factors to be considered when outsourcing. The majority of candidates answered very well and scored full marks, although a significant number of candidates brought financial factors into their answers despite the requirement asking for non-financial factors.

Good points that were raised included consideration of the following:

- ▣ Reliability and skills of the suppliers – can they sustain quality standards?
- ▣ What if there are any future changes/models – would the suppliers be able to cope?
- ▣ Ability of the suppliers to deliver on time – if late, how will this affect customer relations and goodwill?
- ▣ Will the suppliers maintain confidentiality? The designs are IPR – intellectual property rights – which, if copied, will affect Robber Company's market share.

- ▣ What about government pressure/power/policies? The decision to outsource could result in a number of redundancies, which might make the government bring sanctions against Robber Company.
- ▣ Loss of the rationale of Robber's existence – if they outsource, is this the start of the decline of the manufacturing business?
- ▣ Exchange rate risks and losses for Robber Company.

QUESTION 2

This question covered target costing in a service sector context and was purely written. Most candidates appeared to be unprepared for this type of problem. Target costing is equally as important as any of the other four costing areas in the Paper F5 syllabus and can be tested in either manufacturing or service industry context. Both Parts (a) and (b), which were worth 10 marks in total, were pure knowledge marks. Part (a) asked for the steps involved in developing a target costing manufacturing company and Part (b) asked for four key characteristics that distinguish services from manufacturing. Both these requirements were generally well answered, with many candidates scoring full marks.

Where there were weaker answers for Part (b), it was where candidates had simply said that 'manufacturing companies make things and service companies provide services'. This wasn't enough to gain credit. Similarly, a number of candidates were mistaken in thinking that all service companies are non-profit seeking organisations. This is simply not the case. Candidates should be aware that the service industry has become huge and includes many profit-making companies. Part (c) was more demanding as it required to derive target costs for different services. A number of candidates made the mistake of discussing how the trust could try to 'achieve' the target cost rather than 'derive' it. It was difficult to find marks in such answers. Good answers addressed the requirement and reflected the fact that, in Part (i), the target cost might simply be the pre-set tariff, and in Part (ii), it could simply be the price that has historically been charged. There were numerous suggestions that could be made for potential transfer prices and all reasonable ones were awarded marks.

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Part (d), on the difficulties the trust might find in using target costing, attracted some really good, common sense answers and many candidates scored full marks. Answers included:

- ▣ What about the effect of government control on wage rates or medicines? The UK has standard prescription charges, for example.
- ▣ If following target costing and attempting to cut costs, how to cease medical procedures without adverse effects on patient care, especially when there are medical regulations dictating how such procedures should take place.
- ▣ Cutting back on costs can hinder the aims and objectives (in addition to the preservation of life).
- ▣ It is not possible to change the minimum number of nurses and doctors required, so attempting to cut costs will be difficult.
- ▣ Difficulty in trying to cut costs as there is a limited market from where to source medical equipment given the specialist nature of heart transplants, for example.
- ▣ How to reduce the length of patient stay – this is something that is difficult to control.
- ▣ Level of income is subject to variability given their dependency on the government. What will happen if they change the income percentage levels after an operation has already taken place?

QUESTION 3

Part (a) tested time series and asked candidates to forecast sales of Sauce Company for the last two quarters of 2012.

This was poorly answered by many candidates, who assumed that this would not be examined in a Paper F5 exam. The syllabus clearly reads 'predict a value from time series data using both additive and proportional data'. It is in the syllabus and it is therefore examinable.

Part (b) seemed to compensate for Part (a), asking for a discussion of the impact of the top-down budgeting style being used. Many candidates scored full marks and some really good points were made, such as:

- ▣ using inaccurate sales budgets means that the company could miss out on other lucrative opportunities as they fail to respond and act on them
- ▣ inaccurate financial information being presented/reported and investors making incorrect financial decisions.

QUESTION 4

Part (a) covered variances and was generally well answered. Not all candidates were able to calculate the market share and market size variances, however, so some work needs to be done on this. Part (b) asked for a discussion of whether standard costing would still be appropriate if TQM was introduced. Most candidates failed to realise the changes that TQM will bring and how it will affect standard costing. Others just wrote everything they knew about standard costing and TQM and didn't really answer the question.

QUESTION 5

This was a straightforward performance measurement question in a divisional context. This type of question is just as core as, for example, the traditional performance measurement question (A T Company) in the December 2010 paper, or the transfer pricing question (Bath Company) in the December 2011 paper. ROI and RI was examined in the June 2011 paper too and so this should not have posed problems.

The question required candidates to calculate 'annualised' return on investment and residual income for two divisions. The annualisation caused a problem for many candidates. All candidates were required to do in order to annualise the ROI and RI was multiply the monthly net profit figure by 12, to reflect the fact that there are 12 months in a year. Many candidates didn't do this, though they still managed to score the majority of marks available, since they are only ever penalised once for an error.

In Part (c), stronger candidates realised that, in order to discuss the performance of the divisions well, they needed to recalculate the ROI and/or RI using controllable profit. Where candidates did this, they generally accompanied it with some good discussion and scored full marks. Weaker answers performed other calculations on the two divisions and gave some general commentary, even though the question asked for a discussion 'using both ROI and RI'.

In Part (e), candidates were supposed to identify the fact that changing the basis for calculating ROI and using this for performance measurement without changing the target ROI would cause managers to be demotivated. Many candidates answered this well, although some simply discussed the general problems encountered when using ROI, which were relevant to a degree but shouldn't have been the sole answer.

CONCLUSION

Paper F5 is a challenging paper for several reasons. First, it is a 'skills' rather than a 'knowledge' paper, which means that it is going to be necessary to think a bit rather than just regurgitate information. Second, there is a misconception that this is a costing paper, and it is not. As the title suggests, performance management covers a lot more than just costing; costing is only one of the five key areas examined. Third, the syllabus for Paper F5 is fairly wide. There is quite a bit of assumed knowledge from Paper F2 and, in order to test that assumed knowledge without a question simply being a repetition of Paper F2, the level of difficulty must be higher. However, it is worth noting that everything that was tested in this paper was explicitly included in the Paper F5 syllabus. There was actually nothing in the exam that came under the umbrella heading of 'assumed knowledge'.

It is also dangerous to question spot. With a syllabus as wide as Paper F5, there is no way to predict the exam questions each time and it wouldn't be advisable if this was the case. Please don't leave out areas of the syllabus in your studies.

PAPER F6 (UK) PASS RATE: 45% TAXATION

The exam consisted of five compulsory questions. Question 1 for 30 marks, Question 2 for 25 marks, and three further questions of 15 marks each.

The vast majority of candidates attempted all five questions, and there was little evidence of time pressure. Where questions were left unanswered by candidates, this appeared to be due to a lack of knowledge or poor exam technique, as opposed to time pressure.

Question 4 was the most difficult of the three 15-mark questions, so it was a sensible strategy to leave this question until last. If time was running out, it would have been much easier and quicker to score marks on Question 5.

Candidates performed particularly well on Questions 1(a), 1(b), 1(d), 2(a), 3(a), 3(b), 3(c), 4(a), 5(a) and 5(b). The questions candidates found most challenging were Questions 1(c), 1(d), 1(dii), 2(b), 3(c), 4(b) and 5(c) – approximately one-third of the paper. This is mainly due to candidates not covering the entire syllabus as part of their studies.

A number of common issues arose in candidates' answers:

- ▣ Failing to read the question requirement clearly. For example, calculating the

income tax in Question 1(a) despite being told that only the taxable income figure was required.

- ▣ Poor time management. For example, the one-mark questions should have been answered with a brief sentence rather than a long paragraph.
- ▣ Not learning lessons from earlier examiner's reports and, hence, making the same mistakes. For example, the necessity of learning basic rules (such as where there is a long corporation tax period of account) has previously been highlighted several times.
- ▣ Poor layout of answers. For example, the two sections of Question 2 were sometimes combined into one long very confusing answer. It was the same with Question 3(b), where it was often not clear which of the two sections was being answered.

SPECIFIC COMMENTS

QUESTION 1

This 30-mark question was based on Flick Pick, who was employed throughout 2011–12 as a film critic, but also commenced in partnership on 1 January 2012 running a small cinema. The question also included property income and National Insurance contributions (NIC), together with the valued added tax (VAT) marks for this paper.

Part (a), for 12 marks, required candidates to calculate Flick's taxable income for 2011–12.

There were many very good answers to this section. The aspects that caused problems were not appreciating that:

- ▣ when calculating Flick's share of the partnership profits, the capital allowances had to be deducted before allocating the profit
- ▣ when calculating the property business profit, no deduction is given for the cost of replacement furniture when the wear and tear allowance is claimed.

Part (b), for four marks, required candidates to state what classes of NIC would be paid in respect of Flick's income for 2011–12 and, in each case, who would be responsible for paying them. No actual calculations were required.

There were many very good answers to this section, but some candidates missed some very easy marks by explaining NIC in detail, but not actually answering the requirements of the question.

Part (c), for four marks, required a list of the advantages and disadvantages for the partnership of choosing 30 April as its accounting date rather than 5 April.

Quite a few candidates appreciated that an accounting date of 30 April would result in overlap profits and that the basis period rules would be more complicated. Very few knew that the interval between earning profits and paying the related tax liability would be longer or that it would be easier to implement tax planning.

Part (d), for a total of 10 marks, dealt with various VAT issues. The first requirement for three marks required an explanation as to whether or not it would have been beneficial for the partnership to have used the VAT flat rate scheme for the quarter ended 31 March 2012. The second requirement for three marks required an explanation as to whether or not it would have been financially beneficial for the partnership to have voluntarily registered for VAT from 1 January 2012. The final requirement for four marks required advice as to when the partnership should be accounting for output VAT on the renting out of private boxes in its cinema.

Although it was disappointing to see a number of candidates deduct inputs when calculating VAT using the flat rate basis, the first requirement was otherwise generally answered very well. The second requirement caused a lot of confusion, with quite a few candidates discussing VAT registration – the correct answer was simply that voluntary VAT registration reduced the partnership's profits by the amount of VAT payable calculated in the first requirement. For the final requirement, quite a few candidates just explained the time of supply rules, without relating them to the information given in the question. It was clearly stated that an invoice was issued on the date of a film being screened – so the 14-day rule for issuing an invoice was irrelevant.

QUESTION 2

This 25-mark corporation tax question involved two companies, Heavy Ltd and Soft Ltd, with Heavy Ltd having acquired 100% of the ordinary share capital of Soft Ltd on 1 September 2010. Heavy Ltd prepared accounts for the year ended 31 December 2011, while Soft Ltd prepared accounts for the 16-month period ended 31 December 2011 so as to make its accounting date coterminous with that of Heavy Ltd.

Part (a) for 18 marks required a calculation of Heavy Ltd's corporation tax liability for the year ended 31 December 2011. This involved the calculation of the deduction for a lease premium, a detailed capital allowances computation, an appreciation of which dividends are included as franked investment income, and the ability to calculate a corporation tax liability where an accounting period spans 31 March and there has been a change in the rates of tax.

There were many very good answers to this section. The aspects that caused problems were not appreciating that:

- ▣ there was no chargeable gain on a disposal of an office building to Soft Ltd because of the 75% group relationship
- ▣ as the accounting period spanned 31 March 2011, it was necessary to apportion the taxable total profits between the financial years 2010 and 2011
- ▣ the balance on main capital allowances pool could be fully written off as it was less than £1,000
- ▣ there was no balancing allowance on the special rate pool despite all the items included having been sold.

Part (b), for seven marks, required a calculation of Soft Ltd's corporation tax liabilities in respect of the 16-month period ended 31 December 2011. This required an appreciation that the long period of account was split on a 12 month – four month basis, and again involved an accounting period spanning 31 March with a change in the rates of tax.

This section was often not well answered, with the main problem being that candidates simply did not know the long period of account rules. This lack of a basic piece of knowledge cost many candidates several very easy marks. Even those candidates who knew the rules often deducted the capital loss in the second period, when it should have simply been carried forward.

WHERE QUESTIONS WERE LEFT UNANSWERED BY CANDIDATES, THIS APPEARED TO BE DUE TO A LACK OF KNOWLEDGE OR POOR EXAM TECHNIQUE, AS OPPOSED TO TIME PRESSURE

ACCA PLANNER

USE THIS CALENDAR TO INSERT YOUR STUDY MILESTONES, PLAN YOUR REVISION, AND FACTOR IN SOME RELAXATION TIME

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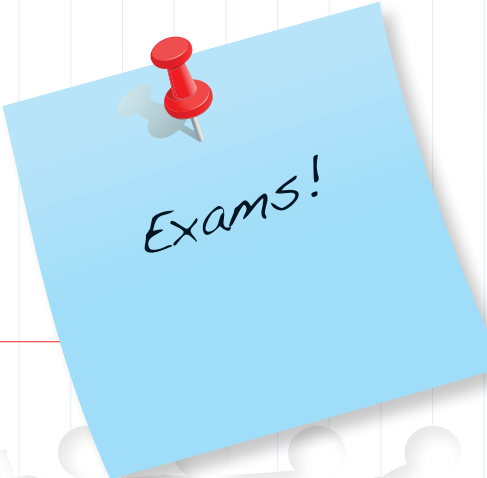
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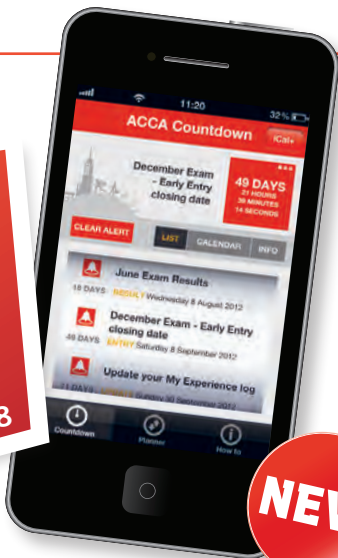


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