

RELEVANT TO ACCA QUALIFICATION PAPER P4

## **Examiner's approach to Paper P4 – update**

### **Relevant to papers from June 2013**

Paper P4, *Advanced Financial Management* is one of the four papers in the Options module at the Professional level of the ACCA Qualification. This article highlights the overall aims of, and main capabilities required, for the paper; it explains the new structure and layout of the exam paper from June 2013 onwards; and it recommends the study approach that candidates should adopt (and the bad habits to avoid) when preparing for the Paper P4 exam to increase their chances of success.

### **Aim and capabilities**

The aim of Paper P4 is to enable candidates to demonstrate application of relevant knowledge, techniques and skills, and to exercise professional judgment, in recommending or taking decisions relating to the financial management of a business. The overarching aim of such recommendations and decisions is to add value to a business, paying due regard to the impact on the reputation of the business; and to ethical, environmental and stakeholder concerns.

The exercise of professional judgment in making sound decisions requires the need for careful weighing up of evidence that is often partial and incomplete. The right decision must often be made without the help of a simple algorithm, and in the face of an array of criteria – some technical and some ethical – which may be in conflict and not entirely clear cut. As such, candidates are required to display analytical and evaluative skills, skills of judgment where alternatives are considered, and discuss the limitations of techniques used. Presentation skills are also important and answers should be clear and well structured.

Analytical techniques and discussion should be applied in relation to the context of the scenario in the question and related to the real world where applicable. It is not sufficient to apply techniques or to conduct discussions without considering whether or not these apply to the question asked. It is also important that candidates are up-to-date in their knowledge and understanding of the current global economic and financial environment.

The principles underpinning Paper P4 are introduced and developed in Paper F9, *Financial Management*. In Paper F9, the following essential areas are introduced and developed: financial environment; investment appraisal; cost of capital; alternative ideas of, and impact of changes to, the capital structure; sources of finance; dividend policy; working capital management; risk management and business valuation.

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Paper P4 explores these same areas, but at a more advanced level, and considers problems and issues (many derived from real situations) relevant to the highest-level financial management of an organisation. New areas specific to Paper P4 include responsibility towards stakeholders, acquisitions and mergers, corporate reconstruction and re-organisation, the international business environment and multinational organisations, and emerging issues. Finance managers need more than a battery of theories and techniques to succeed – they also need a deep understanding of the context in which they work. As a consequence, candidates will be expected to demonstrate up-to-date understanding of the international macroeconomic environment and the operation of those international institutions that govern both trade and the operation of the financial markets. This is especially important in the current global economic climate of uncertainty.

To be successful at this level, candidates must be able to demonstrate an integrated understanding of the subject. Therefore, it is essential that candidates are able to draw upon the knowledge, techniques and skills gained in Paper F9, and apply these to Paper P4. Also knowledge gained from the other Fundamentals level papers and from Papers P1, P2 and P3 will be useful in helping candidates demonstrate an integrated approach.

**Paper P4 syllabus**

The relational diagram, *Syllabus* and *Study Guide* give a comprehensive detail of the Paper P4 syllabus. The intention is to test the entire range of the Paper P4 syllabus topic areas. It is important that candidates have a sound knowledge of all the parts of the *Syllabus* and *Study Guide*, and are able to apply the knowledge to a variety of different business situations. It is also important that candidates bring forward their knowledge of Paper F9 and understand how the Paper P4 syllabus develops these areas.

All the questions in the exam paper may require candidates to draw on knowledge and techniques from different parts of the syllabus. It is unlikely that questions will relate to only one part of the syllabus.

On the other hand, it is likely that exams will continue to contain questions which are substantive and analytically complex. The scenarios in questions are likely to be detailed and require in-depth analysis, evaluation and discussion. Candidates' ability to relate their answers to the actual question scenario is vitally important.

For the Paper P4 exams from June 2013, the changes made to the *Syllabus* and the *Study Guide* are summarised at the end of that document. Please study these carefully. In the main, the *Syllabus* and *Study Guide* areas are clarified, with sections being added as necessary. For example, Islamic finance has been included as a topic area in parts C and G of the syllabus. Some areas have

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been deleted such as portfolio theory calculations (although the discussion of portfolio theory and the impact on risk diversification will continue to be examinable), and money market products in part F of the syllabus.

Please refer to the relational diagram, *Syllabus* and *Study Guide* for the further detail on topic areas.

**Structure and layout of the Paper P4 exam from June 2013**

***From June 2013 the structure and layout of will change significantly.***

*Currently*, the marks allocated to Section A are between 50 marks and 70 marks in total, with the two Section A questions containing between 25 marks and 40 marks each. Both questions in Section A are compulsory questions. This section also contains between four and six professional marks. The total marks allocated to Section B are between 30 marks and 50 marks, with each question containing between 15 marks and 25 marks. There are three questions contained in Section B and candidates are required to choose two out of the three questions. Question 5 is the discursive written question.

*From June 2013 session onwards*, Section A will contain **one compulsory 50-mark question**. This question will be scenario-based and the requirements will come from different areas of the syllabus. The question will normally require candidates to perform complex computations, evaluate and analyse information, discuss and assess various options, and make judgments, possibly based on explained and justified assumptions. The question will be substantive and analytically complex. It will require candidates to structure at least part of the answer in a formal context for which four professional marks will be allocated. These professional marks will be awarded on the basis of the clarity and structure of the answer. They may also be awarded for answers that are presented in the required format. So, for example, if a report is required, in order to gain the professional marks, the answer should be in a report format and consist of a title, an introduction, other features as appropriate, a conclusion, and make appropriate use of appendices.

Section B will consist of **three 25-mark questions** and candidates will be required to choose two out of three questions as before. Although these questions and the requirements will not be as substantive as the 50-mark question in Section A, it is nevertheless possible for the requirements of the questions to come from different parts of the syllabus. Unlike previous exams, there will **not** necessarily be a wholly written question. Instead all questions in Section B may require candidates to perform computations, interpret and analyse information, discuss and assess various options, make judgments and explain assumptions, and provide reasoned recommendations, to varying degrees. It is possible for questions to range from being highly computational to wholly written. It is also possible for candidates to be provided with incomplete or incorrect data and information, for which they need to provide

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further computations and amendments, and then provide analysis and assessments. Additionally it is also possible that candidates are provided with numerical data and information, which they need to analyse and provide recommendations. It is likely that Section B questions will be scenario-based as well.

Given that candidates will be asked to consider information-intensive scenario-based questions in both sections, it is imperative that they use their reading time at the start of the paper effectively.

A [Pilot Paper in the new format](#) has been published.

### **Recommendations when preparing for and doing the Paper P4 exam: forming good habits**

The Paper P4 exam is challenging. Adopting these recommendations and good habits will give you a good chance of being successful in the examination.

- Develop a sound knowledge of the entire Paper P4 syllabus. Augment studying the manuals with wider reading of the financial press, finance textbooks, articles in *Student Accountant* and financial journals.
- You should expect and be prepared for questions from a range of syllabus areas and it is likely that more than one area will be tested in a single question. Be prepared for questions that require you to consider a number of areas of the syllabus within one question.
- Use the 15 minutes of reading time at the beginning of the paper effectively. It is likely that the questions will contain a substantial amount of information that you will need to sort out and apply properly. The reading time should also help you decide which optional questions to select.
- It is very important that the optional questions in Section B are chosen with care. Ask yourself questions such as: Can you answer all the parts of the question? Are you able to attempt the whole question in the time allocated for it? Starting a question and then deciding you would like to do another wastes time needlessly.
- In your exams, good time management techniques and habits are essential in ensuring success. Make sure that you are able to answer all parts of each question and manage your time effectively so that you make a reasonable attempt at each part of each question. Good time management skills are essential.
- Often parts of a requirement may ask for more than one aspect. Make sure that you can answer, and do answer, everything each part of each requirement is asking for.
- Make sure you answer the requirements correctly. For example if the question asks you to explain, it is not enough just to list. If the question asks you to assess, it is not enough just to explain.

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- For the written parts of any question, remember it is generally a mark for each relevant point. Repeating a point does not get you any extra marks and it wastes time. Avoid repetition.
- Your answer must relate to the scenario in question. Context is very important for higher-level papers. General answers will gain fewer or even no marks.
- The presentation of your answers is critical. It is very important to pay regard to neatness, organisation and structure of your answers. Professional exams are extremely time-pressured but giving your answers a structure will help you organise your thoughts and work more effectively. Make sure that your answers are legible because markers cannot award marks for something that they cannot read.
- Work through the past exam questions under exam conditions and to time. Doing past questions will help you build efficiency in answering questions and help you build knowledge of how to make your answer relevant to the scenario in the question.

### **Three things to avoid: do not form bad habits**

- Don't use past exam questions to try to pick topic areas from the syllabus or rely on certain areas coming up, for three reasons: first, you may get it wrong; second, the question may be an option but a really difficult one; finally, the topic you picked is part of a question but the rest of the question relates to a topic you decided not to study. Trying to question/topic spot is not recommended.
- Don't disregard what you learnt in Paper F9 and other papers. You will probably need the knowledge (and techniques) from the other stages.
- Don't use incomplete sentences when making a point. Marks are awarded for complete points made in full sentences. However, you can use bullet points and numbered paragraphs, and headings when appropriate, to structure an answer to a question. But points made should be in complete sentences.

### **In the future**

The *Syllabus* and *Study Guide* will continue to be reviewed, updated and changed periodically, and major changes will be explained in articles in *Student Accountant*.

In summary, applying correct techniques and knowledge to differing and complex scenarios, adopting an integrative approach, demonstrating sound evaluative skills, displaying good presentation skills, and making considered judgments and decisions, are the factors that will lead to success in the Paper P4 exam.

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