
RELEVANT TO ACCA QUALIFICATION PAPER P6 (UK)

Guidance on approach to questions in Section A of Paper P6 (UK)

The two questions in Section A of the Paper P6 (UK) exam are important because they represent 60% of the marks on the paper. Question 1 will be for 35 marks and will include four professional marks. Question 2 will be for 25 marks and, since there will be no professional marks, answers for this question will not be required to be in a specific format.

These questions usually contain quite a lot of information and tend to involve a number of requirements and a combination of taxes, such that they could appear to be somewhat overwhelming. In order to be successful in the exam it is important to have a structured approach to these questions and to have practised as many of them as possible.

This guidance is likely to be similar to that provided by lecturers on revision courses and so is particularly aimed at those of you who are unable or have chosen not to attend such a course.

This article is about exam technique as opposed to technical knowledge. However, it must be emphasised that you will not be able to pass the exam on the basis of good exam technique alone; strong technical knowledge, across the whole of the syllabus, is the vital foundation on which to build your exam success.

Initial reading time

You have 15 minutes of reading time available at the start of the exam; you should have a clear idea before you go into the exam as to how you intend to use this time. There is guidance on the ACCA website and your tutors will also have ideas for you.

It would certainly seem to make sense to use the time to review the three Section B questions and determine which ones you intend to do. You could then use the remaining time to read through the first question that you intend to answer; this will depend on whether you intend to start with Section A or Section B.

Time management

There are 108 minutes available in the exam to answer the Section A questions. The management of this significant period of time is likely to be crucial to your exam success or failure.

Time management in the exam is more than simply moving on to the next question when the time allowed for the current question has elapsed. It is

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about getting to the end of each question in the correct amount of time. This requires you to manage your time throughout the question and not just at the end; to be aware of how much time has elapsed and how much time remains for each particular part of each question and to tailor your answers accordingly.

If you start the 35-mark question with the thought that it needs to be finished in just over an hour you are in danger of being too expansive at the start of the question (when there is a whole hour to go) such that you may find yourself rushing the final parts of the question or missing them out entirely. In order to avoid this potential problem, you need to identify the tasks that need to be performed, the time available for each task and then manage the time to ensure that all of the tasks are carried out.

You should approach the first task in a question with the aim of finishing it in the appropriate amount of time before moving on to the next task and so on. This can only be achieved if you monitor the time continually throughout the question while recognising what still needs to be done in order to complete the particular task. This monitoring should prevent you from spending too long on a particular point, thus ensuring that all of the tasks are carried out in the time available.

However, this is not easy to do. Accordingly, you should practise this approach such that, by the time you come to sit the exam, you are confident in your ability to start and finish a question in the correct amount of time.

The requirements

Marks are awarded in the exam for satisfying the requirements and not for other information (regardless of how interesting or technically accurate it may be). Accordingly, it is vital to identify and then address the particular requirements in the correct amount of time.

The formal requirements of a Section A question may be presented in one of two different ways. They can either be given in full at the end of the question or a brief overview can be provided at the end of the question together with a reference to the detailed requirements in the body of the question. In the latter situation the formal requirements are still important as they indicate the number of marks available (and, thus, the time available) for each of the broad areas of the question.

The detailed requirements should be seen as a list of tasks, all of which need to be performed. You may find it useful to number these tasks so that you can ensure that you address all of them. Where there are a number of tasks within a particular area of the question, some initial thought will be required to determine the time available for each task. This requires you to identify the

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relative size of each of the tasks by thinking about what needs to be done to carry them out.

When planning what needs to be done to carry out a task you should take into account:

- any guidance provided by ‘the manager’ in the question and
- the verb(s) used in the requirement.

The guidance from the manager may suggest a particular approach to take, a good place to start or simply point out matters that do not need to be addressed. This guidance is intended to help you carry out the tasks within the time available.

The verb(s) used in the requirement have been carefully chosen. They provide an indication of the level of detail required. For example, ‘state’ requires no explanatory detail, ‘outline’ is asking for something brief, whereas ‘describe in detail’ expects, not unsurprisingly, a detailed description. ‘Calculate’ requires calculations in order to arrive at a figure; it does not require explanations unless they are asked for separately. The verb used in the requirement is another way of providing you with guidance to help you complete the answer in the time available.

Before starting to answer part of a question, you should have determined the amount of time available for that part and an approximate split of that time between the various tasks.

Illustration – Question 1(i) from the June 2010 exam

- There are 11 marks available. Bearing in mind that you would have had to spend some time reading the question you are likely to have had around 17 minutes to complete this requirement.
- The detailed requirement is in the email from Maya: ‘Please let me know the budgeted total corporation tax liability for the three subsidiaries.’
- There is detailed guidance in the email from the manager: ‘When calculating the total corporation tax liability of the three subsidiaries as requested by Maya, I want you to ...’ followed by two tasks.
- The verb in the first task is ‘calculate’.
- The verb in the second task is ‘explain’.
- You are also told to ‘take advantage of any opportunities available to reduce the total corporation tax liability of the companies’.
- The split of the requirement into two tasks is important. The first task is intended to establish the position prior to the recognition of the additional expenditure. The second task requires an explanation of the effect of the additional expenditure. Many candidates did not score as many marks as they could have done because they treated the two tasks

as one and simply calculated the tax liability, having already taken the additional expenditure into account.

- The first task required a number of corporation tax computations. This is not a difficult task at this level but there was also the need to identify any group planning opportunities available to reduce the total liability. Accordingly, some thought was needed before preparing the calculations. By practising questions you should have a good idea as to how long this task should take, probably no more than 10 minutes – ie slightly over half of the time available.
- The second task required explanations of two issues; the relief available in respect of research and development costs and expenditure on manufacturing equipment.
- In order to complete both tasks in the time available it would have been necessary to:
 - think before starting the calculations so that group planning opportunities were identified
 - perform the first task briskly and accurately in about half of the total time available
 - spend the remaining time on the second task recognising that there were two aspects to it and carrying out both of them.

Suggested approach to a Section A question

The following is a suggested series of steps to carry out in order to complete a Section A question in the correct amount of time, such that you will maximise the number of marks obtained. You should practise questions and adapt this approach until you find a series of steps that works for you.

1. Use the total number of marks to determine the number of minutes available and write down the time at which you must have completed your answer to the question.
2. Read the formal requirements at the end of the question. The formal requirements may include information that you will find useful when you come to read the question relating to the nature of the documents to be prepared and the taxes involved.
3. Read the question from the beginning. Make a note (ideally only one or two words) in the margin by each paragraph to remind you of what the paragraph is about and highlight key figures and dates. This will help you find the information you need in the question when you come to write your answer.
4. Once you have read the question, calculate how much time you have remaining. This will enable you to determine how much time to spend on each part of the question. For example, if the question is for 35 marks (63 minutes) and seven minutes have elapsed so far, then you have 56 minutes to complete your answer. This equates to 1.6 (56/35) minutes per mark.

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5. So, if Part (a) is for 11 marks, it will need to be completed in 17.6 minutes. Think about how you will carry out the tasks in Part (a) in that time. Identify the relative size of the tasks, split the time between them and get them done in the time. Keep looking at your watch to push yourself along.
6. Repeat step 5 for the remaining parts of the question such that you finish it in the time.

Calculations

Section A questions usually require a combination of explanations and calculations. Calculations are time consuming, so it is important that you do not waste time performing any that turn out to be unnecessary. Think before you start; identify the calculations that you will need to perform and the most efficient way of carrying them out.

Brief explanations of some of the techniques that you may find useful in the exam are set out below.

Working at the margin

The question may tell you (or provide you with the information to work out) the taxpayer's marginal rate of tax. The marginal rate of tax enables the tax saved or payable in respect of different strategies to be calculated by simply applying the rate to the change in the level of income without the need to prepare full tax computations. Accordingly, if you know the marginal rate of tax it is important that you use it as it will save you time.

Examples of this type of question include Question 2(a) from the December 2009 exam and Question 2(i) from the June 2010 exam.

Calculating a person's cash position

Taxpayers are often more interested in their final cash position as opposed to their tax liability and the questions in the exam may reflect this. Calculating a person's cash position requires calculations of cash receipts and cash payments (one or more of which will be tax). A person's tax liability may be affected by non-cash items – for example, the original cost of an asset sold or benefits from employment; these items must be taken into account when calculating the person's tax payable but excluded from the calculations of the person's cash position.

Examples of this type of question include Question 2(a) from the December 2009 exam and Question 2(i) from the June 2010 exam.

Finding a missing figure

Rather than requiring you to calculate tax or cash, a question may require you to find a missing figure – for example, the number of shares that should be

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sold or the minimum fee that should be charged in order to achieve a particular objective. In order to do this you will need to understand the relevant tax principles involved and then identify a method to solve the problem.

Example 1

Problem – How much group relief can be surrendered to a particular company without wasting double tax relief?

Tax principle – Double tax relief is the lower of the UK tax and the overseas tax on the overseas income. In order not to waste double tax relief, the UK tax on the overseas income must equal the overseas tax.

Solution – The amount of overseas income that must remain subject to UK tax is the overseas tax divided by the UK tax rate. For example, if the overseas tax is £15,000 and the UK tax rate is 26%, the amount of overseas income that must remain subject to UK tax is £57,692 ($£15,000/26\%$). The amount of group relief to surrender to the company is its taxable total profits less £57,692. The group relief will relieve all of the company's UK income and gains together with an amount of its overseas income, such that its taxable total profits equal £57,692, all of which is overseas income.

See Question 5 from the June 2011 exam for an example of this type of question.

Example 2

Problem – How many shares should the taxpayer sell in order to realise a capital gain of a particular amount (for example, an amount equal to the annual exemption)?

Tax principles – The capital gain will equal sales proceeds less acquisition costs and costs of disposal. It may be necessary to consider gift relief or incorporation relief when the shares were acquired in order to determine the base cost of the shares. There may also be capital losses to take into account.

Solution – Calculate the gain that would arise on the sale of a single share. The number of shares to be sold is the total gain that the taxpayer wishes to realise divided by the gain in respect of a single share. An alternative approach would be to calculate the gain on the sale of all of the shares. The proportion of that gain that the taxpayer wishes to realise will provide the proportion of the shareholding and, therefore, the number of shares that need to be sold.

The importance of question practice

The more questions you practise, the more confident you will be that you have an approach that works for you and the better you will perform in the exam.

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You will also become more familiar with the way in which the information is presented and the sort of tasks you will be expected to perform.

When practising questions:

- work them to time and
- do not look at the answer until you have finished the whole question.

It is very tempting to have a quick look at the answer while doing a question, just to check that you are progressing in the right direction. However, if you do, you will never obtain full confidence in your own abilities; you will be reliant on that 'quick look' to give you the encouragement you need to keep going. The problem is, of course, once you are in the exam, that encouragement will not be available.

Once you have finished the question, ask yourself the following questions before you look at the answer:

- Did you manage your time successfully?
- Did you focus on the verb(s) in each requirement and follow any specific advice that was given?
- Were there any particular technical areas where your knowledge let you down?

When you come to review the answer, don't be too hard on yourself. You will be awarded marks for everything you do that is correct, provided it relates to the requirement, even if you have made mistakes prior to that point. So start by recognising where your answer is correct or where it would be were it not for earlier mistakes. Then make a note of the mistakes that you made and the areas where your knowledge was weak and study those technical areas to improve your performance.

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