



Think Ahead **ACCA**

20 April 2015

F6(ROM)

Examiner Meeting

Agenda

- Examiner's approach to F6 (ROM)
- F6 (ROM) syllabus
- Examinable legislation
- New exam format – from June 2015
- Section A - MCQ's
- Section B – 10 mark and 15 mark questions
- Useful tips

Hello!

The aim of this presentation is to give you an overview of the main things that will help you prepare candidates for success at F6 (ROM).

Firstly, I will present the examiner's approach to F6 (ROM), continuing with an overview of the syllabus and examinable documents. I will then move on to the most important part of this presentation: the new exam format for June 2015. It is highly important for candidates to prepare for the new types of questions and I will show you why.

I will also give you some guidance on how you can adapt past exam questions under the old format to the new format.

Last, I will present some useful tips for tutors and candidates, including the importance of focussing on syllabus knowledge, using up-to-date materials, exam technique, lessons from past exams, time management and layout of answers.

I will first give the presentation and then open the floor for questions. However, should you feel the need to ask a specific question during the presentation, please do not hesitate to ask it.

So, let's start with the presentation!

Examiner's approach to F6 (ROM)

Place within ACCA Qualification	Aim of F6 (ROM)
Fundamentals Knowledge	To develop knowledge and skills relating to the Romanian tax system as applicable to individuals and companies.
Fundamentals Skills	
• F6 (ROM)	
Professional Essentials	
Professional Options	

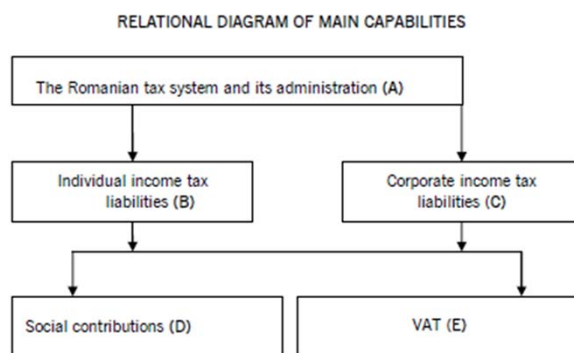
F6 (ROM) is part of the Skills module subjects of the Fundamentals level of ACCA Qualification.

Skills module subjects comprehensively cover the main technical areas that any accountant, regardless of their future career aspirations, is expected to have mastered. The level of tax knowledge expected by the paper is that of a professional accountant who must necessarily understand the financial impact that tax will have on a business. Thus, candidates are expected to possess a solid knowledge of the major technical areas that affect individuals and companies, such as income tax on both employment and self-employment income; the corporate income tax liability of companies; the social security, health care and unemployment contribution liabilities of employed and self-employed persons; and VAT liabilities of businesses.

This expectation of candidates' knowledge is seen in the manner in which questions are drafted – a candidate who misses a specific technical detail (for example, the type of penalty cost which is deductible or not) will most likely only miss a mark or half a mark, but a candidate who fails to demonstrate an understanding of a fundamental concept (for example, the taxation of permanent establishments) is unlikely to pass the question.

Let's move on now to consider the detail of the syllabus!

F6 (ROM) syllabus



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The above image gives an overview of the taxes covered in the F6 (ROM) syllabus.

The syllabus may be found on ACCA's web page and here is a link to F6 (ROM) syllabus - <http://www.accaglobal.com/content/dam/acca/global/PDF-students/acca/f6/studyguides/f6-rom-sg-2015.pdf>

Syllabus section A is now an amalgamation of the previous syllabus areas A and F. Thus, now Syllabus section A introduces candidates to the Romanian tax system and examines the obligations of taxpayers and/or their agents and this includes procedural aspects for all of the main taxes covered in the F6 (ROM) syllabus.

Candidates should understand the purpose of taxation in a modern economy. Also they will need to know the difference between indirect and direct taxes and be able to classify taxes accordingly. Candidates should be able to explain the tax regulatory framework and make the distinction between tax avoidance and tax evasion. Lastly it is important that candidates have knowledge of the important administrative aspects of the main taxes – including things such as deadlines for submission of tax returns and payment of tax.

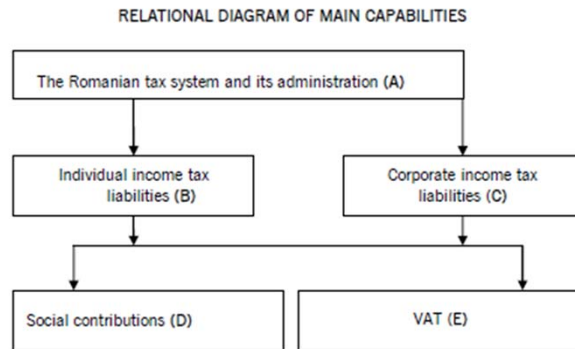
Syllabus Section B considers personal income tax. Firstly, candidates should be able to identify which sources of income of an individual are taxed and understand which incomes are taxed with a final tax and which are taxed using prepayments during the fiscal year. Candidates should be able to compute the income tax on employment income, income from self-employment, income from property, income from investment, income from pensions, income from prizes and gambling and other income. Candidates should also be able to calculate the tax due for an individual who receives more than one type of income. Also, candidates are expected to have some knowledge of the taxation of foreign income.

Syllabus Section C considers corporate income tax. Firstly, candidates should be able to identify who pays corporate income tax and should be able to distinguish taxpayers who apply the special scheme for very small companies. Secondly, candidates should be able to compute the profits chargeable to corporate income tax and prepare the comprehensive computation of tax liability. This may include dealing with international aspects, such as tax credits, permanent establishments and foreign dividends. As regards the special scheme for very small companies, candidates should know the conditions that must be fulfilled for a company to apply the special scheme and should know when a company should stop applying the special scheme. Also, this area of the syllabus includes the taxation of foreign income.

Syllabus Section D considers all the contributions paid by the employer, employee and other persons, with an emphasis on the main three contributions: the social security contribution, the health care contribution and the unemployment contribution. The key areas for candidates to focus on include the computation of the contributions due by the employer, employee and self-employed persons.

Syllabus Section E considers value added tax (VAT). Candidates should thoroughly understand when a person is required to register for VAT in Romania. The emphasis should be placed on the definition of VAT as a tax on consumption. Candidates should know how to compute VAT on local, intra-community and international supplies of goods and on the supply of services. They may also be required to explain concepts such as self-supplies, transfers, non-transfers, adjustment of input VAT, reverse charge system, commission structure as well as their VAT consequences. Candidates should be aware of the documentation requirements and compliance rules.

F6 (ROM) syllabus



Excluded from the syllabus

From the above diagram it can be seen that a number of taxes are **not** examined within the F6 (ROM) syllabus. These include –

- Local taxes
- Excise duty
- Custom duty

Next, we shall discuss the examinable legislation and cut-off date

Examinable legislation – Cut off date

CUT-OFF DATE:

30 September 2014
for
June & December 2015
sittings

The June and December examinations will be based on legislation passed before the previous 30 September.

Laws passed **after** 30 September in a year shall **not** be examined in the following exam year.

Always apply the tax rates given in the examinable documents (at the front of the exam)

It is important to emphasize that the legislative cut-off-date is 30 September of the previous year for June and December examinations. Thus, when answering questions in the June and December 2015 sittings, candidates may be tested on legislation passed before 30 September 2014, even if it enters into force at a later date. Candidates are advised to use this legislation, no matter the year which a question refers to. Usually, questions in F6 (ROM) will refer to the current year and later years. However, even if an earlier year is tested, candidates should apply the same legislation.

As a general rule, candidates are not penalized for applying the most up-to-date legislation in their answers. However, starting from June 2015, the exam will include MCQ's. Therefore, it is essential to apply the correct rates and legislation to arrive at exactly the correct answer. The approach to MCQs will be discussed more later on.

Examinable legislation – Tax rates and allowances

CUT-OFF DATE:

30 September 2014

for

June & December 2015
sittings

The June and December examinations will be based on legislation passed before the previous 30 September.

Laws passed **after** 30 September in a year shall **not** be examined in the following exam year.

Always apply the tax rates given in the examinable documents (at the front of the exam)

The tax rates and allowances, which should be used in the exam, are published on the ACCA global website once a year. The 2015 tax rates and allowances table for F6 (ROM) are published at the following link <http://www.accaglobal.com/gb/en/student/acca-qual-student-journey/qual-resource/acca-qualification/f6/examinable-documents/romania.html>.

As this information will be produced at the front of each exam paper, candidates are advised to use these when practising questions, so as to ensure they are familiar with the information. These tax rates will apply in both the June and December 2015 exams. As noted above, these tax rates and allowances should always be used in answering questions in the exam, no matter the year presented.

Only when a specific question gives different information, should this be used instead of that given in the tax rates and allowances tables.

EXAMPLE - the tax rates and allowances tables provide the straight-line depreciation periods for different classes of assets for both tax and accounting purposes. This information should be used unless a question specifically indicates another method or period is to be used. Therefore, if a question specifies that a car should be depreciated over 4 years, then, in answering this question only, the car should be depreciated over 4 years, rather than the 5 year period given in the tax rates and allowances tables. If the question did not mention a depreciation period, the 5 year period per the tax rates and allowances tables should be used.

We shall move on now to the new exam format.

New exam format – from June 2015 sitting

New exam

Section A

15 MCQs (2 marks each)

Section B

4 x 10 mark questions

2 x 15 mark questions

The two 15 mark question will focus on CIT and PIT

Old exam

- 1 x 30 mark question (CIT or PIT)
- 1 x 25 mark question (CIT or PIT)
- 1 x 15 mark question (VAT)
- 2 x 15 mark questions (any area of the syllabus)

The new format does not represent a change in the level of exam difficulty, time required or recommended study approach

The change in exam format should be treated as an “evolutionary” rather than a “revolutionary” change.

The paper continues to be predominantly computational although candidates are still expected to be able to explain or discuss tax issues. The F6 (ROM) paper is still a 3 hour paper with an additional 15 minutes of reading time. All questions are compulsory. This means that in order to reach 100 marks, all questions must be answered.

Whilst the 2 x 15 mark questions will focus on Individual Income Tax (syllabus area B) and Corporate Income Tax (syllabus area C), the 15 multiple choice questions (MCQs) and the 4 x 10 mark questions may cover any areas of the syllabus.

The MCQs should be treated seriously as mini-questions rather than as a “fire and forget” memory tests – further guidance on these will be provided in the following slides.

Section A – Multiple choice questions (MCQs)

- 4 possible answers
- Only 1 answer is correct
- Each MCQ is worth 2 marks
- No negative marking for wrong answers
- Marking is all or nothing - no partial marks

Note:

-All distractor answers are plausible and contain an element that “makes sense”

-The MCQs should be treated as mini-questions rather than as test questions to be memorised

The biggest change under the new format is the introduction of MCQs.

These should be taken seriously by candidates as they can be a challenging form of question type.

Unlike the rest of the exam, there can be no partial credit – either a candidate selects the correct answer to be awarded the 2 marks or doesn't.

In addition, the 3 incorrect “distractor” answers will all be plausible answers. Therefore, candidates' knowledge must be precise to be certain of arriving at the 1 correct answer for each MCQ.

Section A – MCQ example

1. On 1 March 2015, Turkey SRL took a loan of 600,000 lei from Cook SRL with an interest rate of 15% per year. The interest is payable at the end of each month. The loan is to be reimbursed in full at the end of the contract period on 28 February 2017. Turkey SRL has no other loans and the value of its equity is 140,000 lei, both at the beginning and at the end of 2015.

Which is the value of deductible interest expense in 2015?

- A 75,000 lei
- B 16,250 lei
- C 0 lei
- D 90,000 lei

This is Q1 from the specimen questions published on the ACCA global website to assist candidates and tuition providers prepare for the new exam format.

Like all the MCQs in the F6 (ROM) exam, this MCQ is worth 2 marks and candidates must select the correct answer from 4 options.

This MCQ was adapted from Q2 of the December 2013 paper. The same amount of marks were available for this particular issue in December 2013 – it was just presented as part of a longer question.

I will now give you 3.5 minutes to try and solve the question. Good luck!

Section A – MCQ example

CORRECT ANSWER – OPTION B

Interest expenses within the NBR interest rate = $600,000 * 3.25% * 10/12 = 16,250$ lei

Debt-to-equity ratio = $((0+600,000)/2)/((140,000+140,000)/2) = 300,000/140,000 = 2.14$

==> Deductible expenses = 16,250 lei

Distractor workings

A. $600,000 * 15% * 10/12 = 75,000$ lei

C. Debt/equity = $600,000 / 140,000 = 4.29$ → deductible expenses = 0

D. $600,000 * 15% = 90,000$ lei

So, let's check the results!

The distractors are based on the most commonly made mistakes by candidates.

Therefore, candidates must have a very precise knowledge in order to be able to correctly answer the MCQs.

Two further example MCQs are available to candidates on the ACCA global website – http://www.accaglobal.com/content/dam/acca/global/PDF-students/acca/f6/specimenexams/F6_ROM_June_2015_specimen_questions.pdf

Section B - 10 and 15 mark questions

15 mark long questions

These can be viewed as a shorter version of the „old“ 30/25 questions

10 mark questions

These are similar to a shorter version of the „old“ 15 mark questions

The 15 mark questions will appear familiar to candidates and tuition providers as they will have a similar calculation layout to the “old” questions 1 and 2 but in a reduced format, to reflect the reduced marks. Therefore, there may be less different items to address or more condensed calculations. As in the “old” exam format, narrative elements may be included in these questions.

The 10 mark questions should also appear familiar to candidates and tuition providers as they will have a similar layout to the “old” questions 3, 4 and 5 but, again, in a reduced format, to reflect the reduced marks.

Therefore, past exam papers under the old format are still very good learning material for candidates preparing for exams in June 2015 and later. They can also be adapted by tuition providers to conform with the new exam format.

The specimen questions give an example of a 15 mark question and demonstrate to tuition providers how past exam questions under the “old” format can be adapted to the “new format” –

http://www.accaglobal.com/content/dam/acca/global/PDF-students/acca/f6/specimenexams/F6_ROM_June_2015_specimen_questions.pdf

This 15 mark question was adapted from Q1 of the December 2013 Paper. Reading both questions in parallel might give you a good insight of how to adapt past paper questions under the old format into new format questions so as to better prepare candidates for the exam.

Now let's move on to some tips for the F6 (ROM) exam

Useful tips

Follow the syllabus!

Learn from past exams!

Study materials!

Read. Understand. Answer!

TIME MANAGEMENT!

Suggestion for candidates – paper layout

These useful tips are designed to help you, as tutors, prepare your candidates for exam success. They are based on previous exam experience.

We shall examine each of the tips in detail in the following slides.

Useful tip– Follow the syllabus!

Don't waste time focussing on areas which are not included in the syllabus!

It is very important to emphasize that tutors should only teach candidates the areas of the tax system which are included in the syllabus.

For example, although knowledge of local taxes might be important for certain tax professionals, it is not required for the exam. Thus, spending tuition time on this area is wasting candidates' time, which could be better spent on other areas.

Useful tip– Study materials!

Use current reading materials based on the examinable legislation and current exam format!

There are no approved materials for F6 (ROM). However, tutors should base their teaching on examinable documents and past paper exams.

It is important to emphasize to candidates that the exam may not be passed without thorough technical knowledge, which may be acquired only by intensive study.

Also, it is important that candidates ensure that they are using materials which are based on the legislation and syllabus applicable to the exam sitting for which they are preparing. Candidates should also ensure they familiarise themselves with the information in the tax rates and allowances tables for their exam sitting, as mentioned earlier.

As mentioned earlier in the presentation, it is also important that candidates have time to become familiar with the new format exam – including practicing MCQs.

Useful tip– Learn from past exams!

Strengths!

Understanding the requirements
Organised answers
Calculations
CIT and PIT

To be improved!

Providing more than required
Illegible handwriting
Narrative answers
VAT

It is pleasing to note that many candidates show a strong ability to understand the question requirement. Where there is failure by a candidates to address the question requirements, this is usually due to a lack of technical knowledge on the subject being examined.

Another increasing strength is organised answers with workings clearly shown. However, candidates should be reminded that each question should be started on a new page, with workings numbered so that it is clear to which question part they relate. Also, candidates should be advised to give careful thought to the layout and organisation of their answers during the examination. Sometimes, candidates have illegible handwriting which makes their answers difficult to mark.

Usually, candidates' performance is better on calculation questions compared with than narrative questions. Thus, tutors are advised to spend time with candidates ensuring they can provide clear and logical answers to narrative questions.

As regards syllabus areas, usually the CIT and PIT questions are well answered by candidates, compared with questions focussing on VAT, which usually prove more difficult. Candidates should be reminded that they need to understand the core tax principles, rather than trying to memorise every detail.

For example, Q3 of the December 2014 exam required fairly straightforward knowledge on VAT. However, both parts (a) and (b) were not well answered. The basic mistake made by many candidates was a failure to identify TRANSPORT as a specific feature of the definition of intra-community supplies and acquisitions. Many candidates defined the intra-community supply/acquisition of goods as the supply/acquisition from a person registered for VAT in one EU Member State to a person registered for VAT in another Member State, thus defining the transaction by the persons involved and not by the actual movement of goods.

Useful tip – Read. Understand. Answer!

- Read carefully
- Details: Do I need the information?
- Score marks

Candidates should read a question scenario and its requirements very carefully before beginning to answer. Start from the general calculation rule and then compute the details.

As questions in the F6 (ROM) exam will be practical and scenario-based, it is very important to understand the information which is being given and what is being asked for by the requirement. When candidates are giving information in the question, they should think – why do I need this information?

Candidates should ensure they understand the core principles of CIT/PIT/VAT which will allow them to apply these general rules in practical questions.

Candidates should use the mark allocation to guide how much they should write in their answer. Even if they do not know how to solve a question, maybe they can pick up some marks on it. Question practice is vital – including practising the layout of answers. Also, candidates should practice eliminating repetition in their answers - additional points mixed in with repeated statements may not always be obvious to a marker. Such repetition also wastes time.

Useful tip– TIME MANAGEMENT!

180 minutes AND 100 marks

→1.8 minutes/1 mark

→Don't get too caught up on any one question

From past exams, it can be seen that time management is a skill that many candidates are able to demonstrate with the majority of candidates having time to address all questions. However, it should be noted that some clearly very well prepared candidates can get entangled in perfecting the first question they attempt with the result that they do not leave enough time to address the remaining questions. It should be stressed to candidates that passing the exam is much more important than scoring the perfect mark on a given question. Time management will become particularly important with the new exam format where candidates have an increased number of (shorter) questions to tackle in the exam and cannot afford to get caught up for too long with (for example) 1 tricky MCQ.

Candidates should use the mark allocation to manage their time across the paper based on 1.8 minutes per mark. This means 3 ½ minutes for a 2-mark MCQ

Suggestions for Candidates – paper layout

MCQs

- As all distractor answers are plausible, candidates should be prepared to calculate the correct answer rather than relying on being able to “work out” which of the options are incorrect

-Section B – 10 and 15 mark questions

- Candidates should clearly note which question part is being answered (especially when questions are not answered in order)
- Candidates should start each question on a new page
- Candidates should leave space at the end of the question so that they can revisit a question later (if time is available)
- Bullet points may be appropriate to some questions

Section A

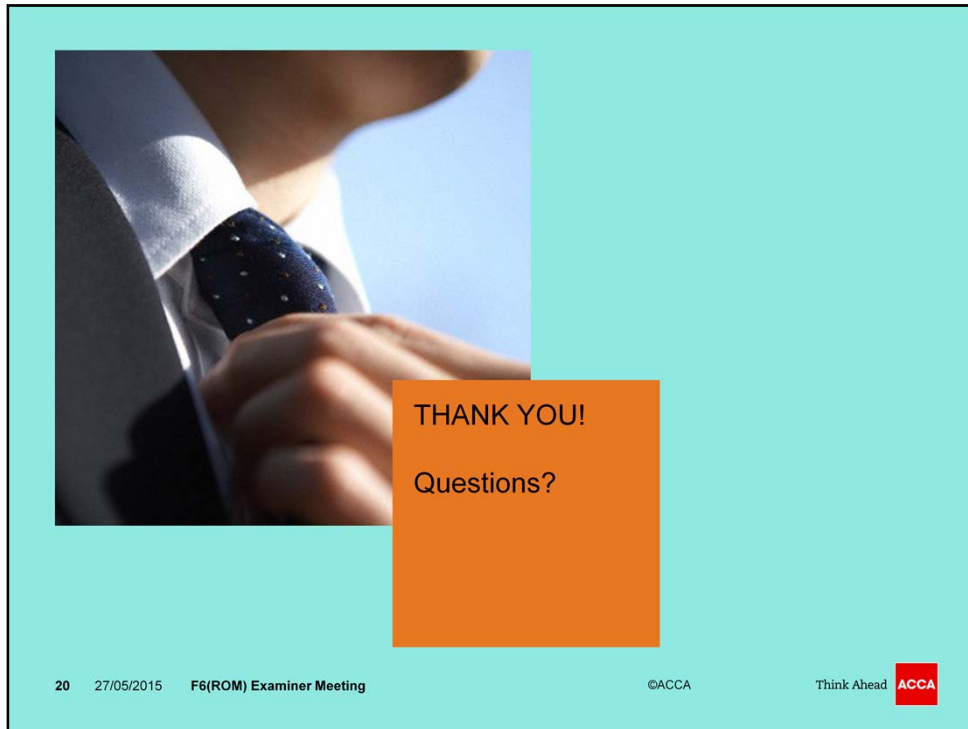
Candidates will be given the instruction - *Please use the grid provided on page two of the Candidate Answer Booklet to record your answers to each multiple choice question* – for Section A. They should indicate their chosen correct answer (A, B, C or D) against each MCQ number on the grid provided.

Further guidance on answering MCQ questions is provided in an article on MCQ questions available on the ACCA global website at the link below –

<http://www.accaglobal.com/uk/en/student/acca-qual-student-journey/qual-resource/acca-qualification/f4/technical-articles/mcq-dec14.html>

Section B

As a note about marking, all pages of the answer booklet are reviewed so there is no need for candidates to worry that a marker will stop marking once a blank page is reached.



Question – In the new exam format from June 2015, how many marks will be allocated to value added tax (VAT)?

Answer – The 2 x 15 mark questions will focus on Individual income tax and Corporate income tax respectively, so this leaves the 4 x 10 mark questions and the MCQs in Section A that could examine VAT. Candidates cannot ignore VAT as it is an important area of the F6 (ROM) syllabus.