



Think Ahead



Delia Catarama
07 February 2017

F6(ROM)

Examiner
Meeting

Agenda

- Examiner's approach to F6 (ROM)
- F6 (ROM) syllabus
- Examinable legislation
- The exam format
- Section A - MCQs
- Section B – MTQs
- Section B – LQs
- 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 presenting the exam format which has been in place since June 2015. It is highly important for candidates to prepare for the types of questions that will appear and I will show you why. We have now the experience of 4 sittings in the new format and candidates' results have demonstrated the importance of good preparation.

Finally, I will present some useful tips for tutors and candidates, including the importance of focusing 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)
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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	

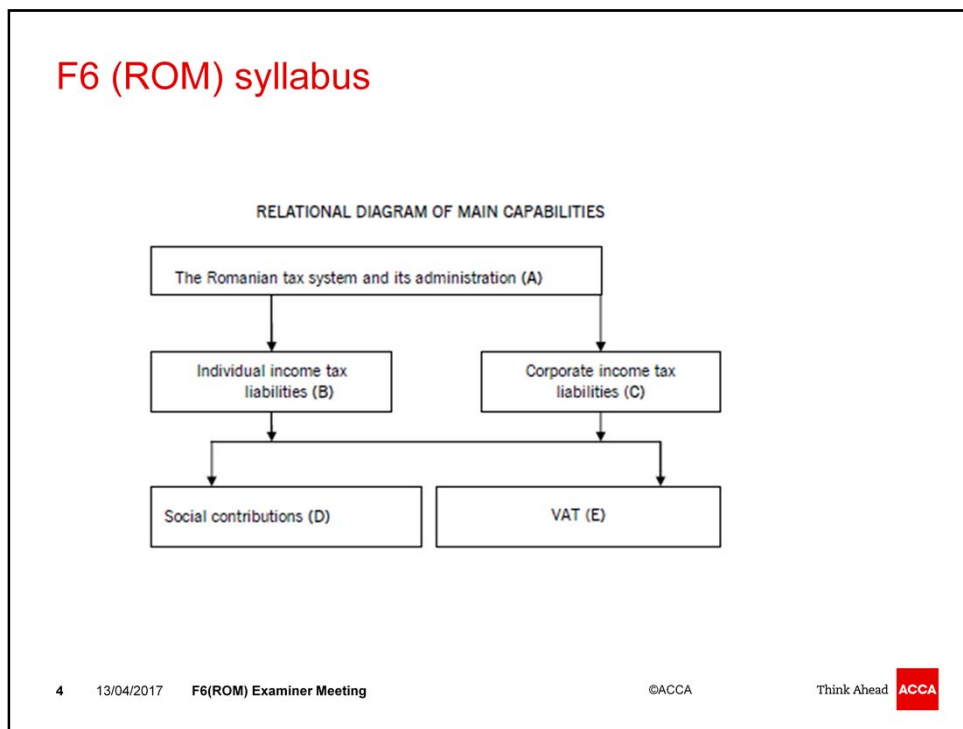
F6 (ROM) is part of the Skills module subjects of the Fundamentals level of ACCA Qualification.

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 the employed and self-employed persons; and value added tax (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



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-2017.pdf>

Syllabus Area 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.

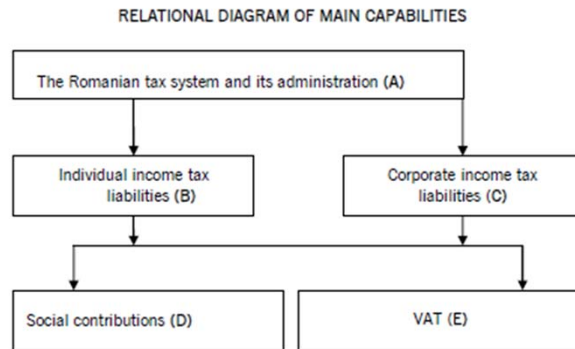
Syllabus Area B considers personal income tax (PIT). Firstly, candidates should be able to identify which sources of income of an individual are taxed and understand which incomes are taxed with a final tax and which are taxed using prepayments during the fiscal year. Candidates should be able to compute 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 Area C considers corporate income tax (CIT). Firstly, candidates should be able to identify who pays CIT 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 CIT 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 Area 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 Area 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, the reverse charge system and 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 2016
for
June & December 2017
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 2017 sittings, candidates may be tested on legislation passed before 30 September 2016, 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 includes 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 2016
for
June & December 2017
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 2017 tax rates and allowances table for F6 (ROM) is available on the ACCA website here:
<http://www.accaglobal.com/content/dam/acca/global/PDF-students/acca/f6/examdocs/f6-rom-examdocs-tax-rates-and-allowances-2017.pdf>.

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. 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 four years, then, in answering this question only, the car should be depreciated over four years, rather than the five year period given in the tax rates and allowances tables. If the question did not mention a depreciation period, the five year period per the tax rates and allowances tables should be used.

We shall move on now to the new exam format.

The exam format

Section A

15 MCQs (2 marks each)

Section B

4 x 10 mark questions

2 x 15 mark questions

The two 15 mark questions will focus on CIT and PIT

The new format applicable since June 2015 does not represent a change in the level of exam difficulty, time required or recommended study approach

The paper is predominantly computational although candidates are still expected to be able to explain or discuss tax issues. The F6 (ROM) paper is of 3 hours and 15 minutes duration. ACCA has removed the restriction relating to reading and planning time, so that while the time considered necessary to complete these exams remains at 3 hours, candidates may use the additional 15 minutes as they choose. 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 personal income tax (PIT) (syllabus area B) and corporate income tax (CIT) (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 “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

MCQs 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. PFA Ionescu is a self-employed person acting in the field of management consultancy. During the whole of 2016 PFA Ionescu had only one employee, an assistant manager with a monthly gross salary of 2,500 lei. In December 2016 PFA Ionescu gave his employee a Christmas present of 900 lei for himself and gave another present, also of 900 lei, to his employee's minor child.

What is the total amount of the expenses which PFA Ionescu can deduct in respect of the two presents?

- A 150 lei
- B 125 lei
- C 300 lei
- D 1,500 lei

This is Q11 from the June 2016 sitting.

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.

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

Section A – MCQ example

CORRECT ANSWER – OPTION D

Employment expenses = $2,500 * 12 = 30,000$ lei.

Social expenses = 1,800 lei

Limit of deductibility of social expenses = $5\% * 30,000 = 1,500$ lei

==> Deductible social expenses = 1,500 lei

Not well answered by the majority of candidates.

The general mistake was confusing the rule for the expenses deductibility when computing the self-employment income tax with the rule for non-taxable presents for computing employment tax.

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.

Section A – MCQ example

Distractor workings

A: Social expenses = 1,800 lei

Limit of deductibility of social expenses = 150 lei

==> Deductible social expenses = 150 lei

B: Employment expenses = 2,500 lei.

Social expenses = 1,800 lei

Limit of deductibility of social expenses = $5\% * 2,500 = 125$ lei

==> Deductible social expenses = 125 lei

C: Social expenses = 1,800 lei

Limit of deductibility of social expenses = $2 * 150 = 300$ lei

==> Deductible social expenses = 300 lei

The answer in A involved computing the amount of deductible expenses applying the limit for non-taxable gifts of 150 lei/person/occasion, but considering the limit applicable only for the present for the minor child (as was the rule before 2016), which is incorrect.

The answer in B was also incorrect, because it failed to compute correctly the value of salary expenses, which is the base for application of the 5% of limitation of social expenses deductibility. Thus, this answer considered that the value of salary expenses in 2,500 lei (the salary for one month) and not $12 * 2,500$ lei *the salary for the entire year).

Answer C was also incorrect as it involved computing the amount of deductible expenses also applying the limit for non-taxable gifts of 150 lei/person/occasion (as in A), but this time considering the limit applicable for both presents, which is incorrect.

Section B – MTQs

MTQs = Multiple task questions

- ✓ Each paper includes four MTQs
- ✓ Each MTQ is worth 10 marks
- ✓ Each MTQ will examine only one area of the syllabus

Section B includes two types of question: MTQs and LQs. MTQs are multiple task questions, and LQs are long questions.

Each paper includes four MTQs of 10 marks each. It is important to note that each MTQ shall only cover one area of the syllabus. Therefore if there is an MTQ on social contributions, for example, it will include requirements only on social contributions, not on income tax or value added tax (VAT) or other areas.

Section B – LQs

LQs = Long questions

- ✓ Each paper includes two LQ's
- ✓ Each LQ values 15 marks
- ✓ The LQs will focus on corporate income tax (CIT) and personal income tax (PIT)

Moving on to LQs.

Each paper includes two LQs of 15 marks each. LQs are similar in format to MTQs, only that they are more complex, as they may test knowledge from more than one area of the syllabus. The LQs focus on corporate income tax (CIT) and personal income tax (PIT), but may include other areas of the syllabus.

Now let's move to main lessons after four sittings with the new exam format.

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 focusing 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 cannot 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 current exam format – including practicing MCQs.

Useful tip– Learn from past exams!

Strengths!

Calculations
CIT and PIT

To be improved!

Understanding the requirements
Providing more than required
Illegible handwriting
Organised answers
Narrative answers
VAT
Social contributions

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 corporate income tax (CIT) and personal income tax (PIT) questions are well answered by candidates, compared with questions focusing on value added tax (VAT), which usually prove more difficult. Also, the sittings in the new format proved that social contribution questions are found to be more difficult. Candidates should be reminded that they need to understand the core tax principles, rather than trying to memorise every detail.

Candidates' ability to understand the question requirement was quite poor in the last sittings. In Q3 part (b) of the December 2016 sitting many candidates confused the withholding tax with VAT and stated rules for VAT, instead of withholding tax. Also, candidates are advised to prepare for the exam so as to clearly identify the type of legislation applicable. Many candidates applied rules for one tax to computing another tax. For example Q5 of the December 2016 exam required fairly straightforward knowledge on corporate income tax. However, many candidates applied the rules for personal income tax as regards travel allowances, instead of rules for corporate income tax.

Candidates are advised to carefully read the requirement and provide answers to each specific requirement, without providing unnecessary information, which might make them lose precious time and not gain any marks.

More and more candidates failed to present organised answers with workings clearly shown. 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.

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 given 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 practise 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!

195 minutes AND 100 marks

→1.95 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) one tricky MCQ.

Candidates should use the mark allocation to manage their time across the paper based on 1.95 minutes per mark. This means just under four 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

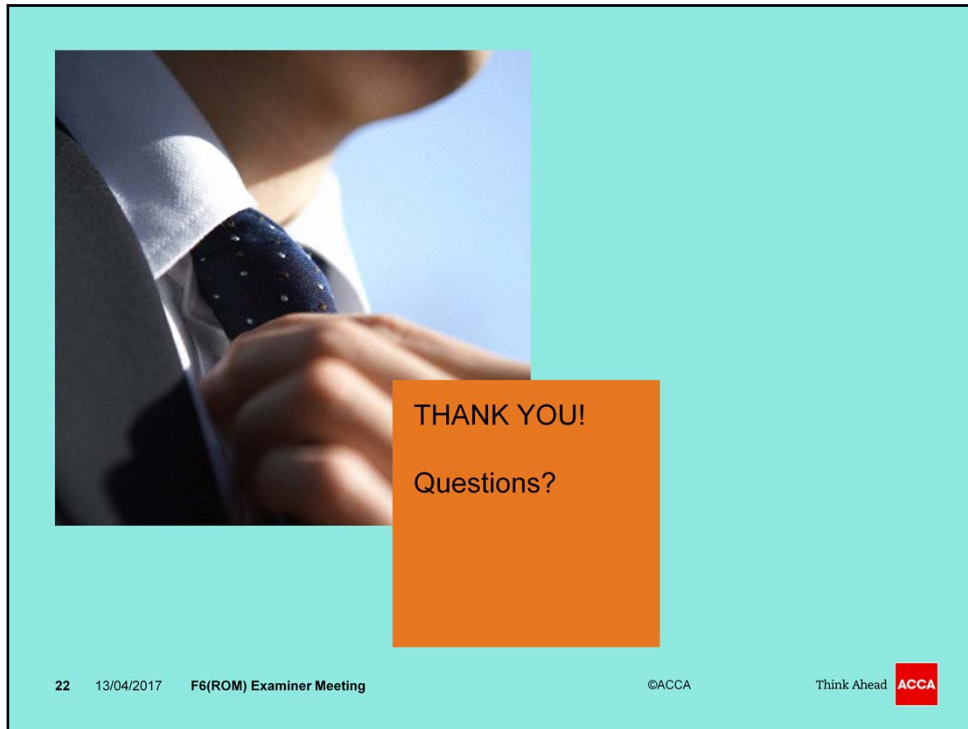
Candidates will be given the instruction - *Please use the grid provided on page two of the Candidate Answer Booklet to record your answers to each multiple choice question* – for Section A. They should indicate their chosen correct answer (A, B, C or D) against each MCQ number on the grid provided.

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.



1. Is the taxation of gambling income for individuals an examinable topic for F6 (ROM)?

The taxation of gambling is NOT examinable at F6 ROM. The text of the syllabus currently states "taxation of prizes and gambling" to follow the text of the law: tax on prizes and gambling. However, the syllabus and study guide shall be amended accordingly and tuition providers notified.

2. Is the "specific tax" introduced by Law 170/2016 examinable for June and December 2017?

This is not included in the F6 (ROM) syllabus and study guide and therefore is NOT examinable at F6 (ROM).

3. Is the VAT tax rate of 19% in force from 1 January 2017, but published in 2015 examinable for June and December 2017?

The VAT rate of 19% is examinable in exams in 2017. Please refer to the 2017 examinable documents.

4. Are the social contributions for persons obtaining other income examinable at

F6 (ROM)?

Social contributions for persons obtaining other income are NOT examinable at F6 (ROM). Social contributions are only examinable at F6 (ROM) for employment revenue, self-employment revenue (including business, professional and copyright income), rent and dividend revenue, as detailed in the syllabus and study guide.

5. Will the new rules for social contributions in force starting 01 February 2017 be examinable for June and December 2017?

These rules are NOT examinable in June and December 2017 as they were passed into law after the cut-off-date for 2017 exams.