

EXAMINER'S COMMENTARY

I have produced three specimen questions (one suitable for Section A and two suitable for Section B) for the new P6 Advanced Taxation examination, which will be introduced as from the December 2007 sitting. The purpose of these questions is to indicate to students and tutors how the new approach and philosophy of the ACCA will be applied. All questions originate from past examinations and have been adapted to the new examination framework. I have provided some comments below on each of the questions, together with some general points that should also be borne in mind.

General requirements of the new ACCA scheme

The guide to the new examination structure for option papers at the Professional level, provides for a compulsory Section A of between 50 and 70 marks in total, containing two questions each of between 25 and 40 marks; and a Section B offering a choice of two from three questions for the remaining marks (i.e. individual questions of between 15 and 25 marks each).

Ethics and professionalism are core themes of the new qualification and these are to be assessed contextually within all papers (essentials and options) at the Professional level. In total there will always be between 4 and 6 marks awarded within each such paper for professional capabilities, including specific communication skills. These marks will usually, but not necessarily be awarded in the compulsory Section A; if, however, they are assessed in Section B there will always be the same number of professional capabilities marks awarded within the total for each question in that section, so that candidates can potentially earn the same number of these marks regardless of their choice of questions. The number of marks awarded in respect of ethical issues, and in which section of the paper/questions they may appear, will vary from paper to paper, depending on the nature of the question scenarios set.

Clearly, as the professional capabilities marks will in general be awarded in addition to and not as a substitute for the basic technical content of the question/answer, where such marks appear in Section B, the marks awarded to the individual optional questions, and thus, the overall weighting of Section B as a whole, will tend to be greater than when such marks are all allocated to the two compulsory questions in Section A. Specimen question 2 is illustrative of how professional capabilities may be incorporated into a Section B question, but candidates should note that professional capabilities marks are likely to appear more frequently in longer integrated scenarios which will be set in Section A. Specimen question 3

is an example of a question not involving any specifically identified professional capabilities marks/communication format of the type that might appear in Section B of future papers.

General points to note with regard to questions on the P6 paper

1. Section A questions will be of a case study style and cover a range of taxes and areas, whereas individual Section B questions will be limited to specific aspects of taxation or taxes.
2. There are no longer any taxes or syllabus areas that may not be examined in the compulsory Section A, i.e. VAT and other indirect taxes may well be examined in this compulsory section.
3. Professional capabilities marks and ethics marks may be awarded in questions in both Section A and/or Section B. In this context it should be noted that while specimen questions 1 and 2 require an answer in the form of a letter to a client, other forms of communication, both external and internal, will be set as appropriate to the nature of the question scenarios.
4. Calculations will normally not be asked for in isolation, but only to support or justify explanations and/or advice. Thus, the marks awarded for computations will be more limited than previously, and candidates will often have to decide for themselves which calculations it is appropriate to produce.
5. As part of their answers/advice to clients candidates may be expected to:
 - indicate alternative possible treatments of items or solutions to problems and to support their answers or opinions with valid reasons/arguments;
 - identify situations in which insufficient information has been given to provide a definitive answer/advice, together with the additional information necessary in order to do so; and
 - identify transactions that are at risk of being challenged in terms of any anti-avoidance legislation that is relevant to the type of transaction being examined.

Specific points to note with regard to the specimen questions

Specimen question 1

This question originates from Question 2 of the June 2007 examination. The following changes have been made:

1. The introduction of value added tax (VAT) in two parts/requirements of the question, as well as aspects of immovable transfer fees.
2. The requirement to present the answer in a specific communication format, addressed to a particular recipient (client).

3. Items relating to the demonstration of a professional approach as part of the overall answer content, including indicating to the client that confirmation of foreign tax provisions/planning advice in a non-Cyprus context should be obtained from other professionals possessing specific knowledge in these areas.

Specimen question 2

This question originates from Question 4 of the June 2006 examination. The following changes have been made:

1. One of the proposed investments has been deleted, resulting in the context for the answer being less directed, however, the technical knowledge tested has not changed materially from that encompassed within the original question.
2. The requirement to present the answer in a specific communication format, addressed to a particular recipient (client).
3. Items relating to the demonstration of a professional approach as part of the overall answer content, including warning that the advice given could be ineffective if construed by the revenue authorities as a tax evasion scheme and that the level of salary paid to the wife should be at an appropriate market rate.

Specimen question 3

This is based on question 3 of the June 2007 sitting with one part deleted. Cosmetic changes have also been made so that the question is in accordance with the new format of the exam.