







REVIEW OF PAST EXAMS

The review refers to the December 2007 and the June 2008 exams, the two sittings under the new syllabus.



**EXAM PAPER
STRUCTURE**

EXAM PAPER STRUCTURE

- 2 Sections: Section A and Section B
- The December 2007 and June 2008 sittings were structured as follows:
 - Section A:
 - 2 compulsory case-study questions
 - 70 Marks total
 - Section B:
 - Choice of 2 questions from available 3
 - 15 marks each question
 - 30 marks total

This practice has been followed in respect of the December 2007 and June 2008 exams. It is also expected that it will be followed in the December 2008 and June 2009 exams. However, in future sittings this may change if new topics are added to the syllabus or topics included in the syllabus will be examined in more depth, if the examiner considers that a more balanced allocation of marks between the two sections of the exam paper will better accomplish its goals. Note that according the study guide, section A may contain 50-70 compulsory marks from two questions, each attracting between 25 and 40 marks, and section B will offer a choice of two from three questions totaling 30-50 marks, with each question attracting between 15 and 25 marks.



The following 2 slides refer to specific topics of the syllabus which were examined in the two exam papers under review and to which candidates produced at least satisfactory responses. It is also indicated in which section of the exam paper these topics were examined. The reason for doing this, is that some topics which were answered satisfactorily when forming part of a section B question but poorly when forming a small part of a section A question. My conclusion is that although progress has been made by candidates in consequent sittings, candidates seem to 'lose' their concentration when they are required to respond to many different topics examined in one case study style question, as they seem focused on specific topics examined in a much smaller question of section B.

WHAT WAS DONE WELL?

•Section A

- Tax aspects of using Cyprus Holding Company and Cyprus Financing Company in international tax structures
- Tax comparison between partner and shareholder
- Addressing income tax and capital gains tax issues of a group structure involving dividends, branch income, loan structuring and share disposal

Topics on this slide are important and challenging topics. Knowledge and application of these is at a satisfactory level in the December 2007 and June 2008 exams.

WHAT WAS DONE WELL?

•Section B

- Taxation of captive insurance companies
- 90 day rule exemption
- Tax planning: decision on use of company
- Tax planning: decision on residency
- Income tax and CGT implications of individual as beneficiary in a trust
- Difference between taxation of income of company and income of trust

Most of the topics included on this slide are included in the 'core topics' of income tax and for which knowledge and application was very satisfactory.



WHAT WASN'T DONE WELL?

The following 3 slides refer to specific topics of the syllabus which were examined in the two exam papers under review and to which candidates did not produce satisfactory responses. It is also indicated in which section of the exam paper these topics were examined (refer also to the notes to slide 6).

WHAT WASN'T DONE WELL?

•Section A

- Ignored that a UK company managed and controlled in Cyprus is in fact Cyprus tax resident (June 2008)
- Unclear of how to determine place of supply for VAT purposes (June 2008)
- Confusion over DTR and VAT (June 2008)
- Confusion over tax treatment of individuals involved in land development projects including LTF and re-organisations (June 2008)

Most of the topics included on this slide refer to indirect taxes (VAT, land transfer fees (ltf)). It is evident that candidates are not well prepared so as to be able to respond to questions examining these topics. Also, the first topic of the tax residency of a company based on the 'management and control' test would have been answered well if it formed a section B question; it was well answered in pre-December 2007 exams !

WHAT WASN'T DONE WELL?

• Section A (continuation)

- Special mode of taxation for individual with overseas pension income, when this is part of a bigger question (December 2007)
- Confusion over taxation of trust income in the hands of the beneficiary (December 2007)
- Confusion over treatment of stamp duty (December 2007)
- Tax treatment of trading goodwill (December 2007) _

Topics included on this slide are the 'less important' topics relating to income tax and one topic refers to indirect taxes (stamp duty). The same remarks as for the previous slide apply. Note specifically that the special mode of taxation of overseas pensions is a topic usually well answered but poorly answered when it formed part of a larger case study type of question!

WHAT WASN'T DONE WELL?

Section B

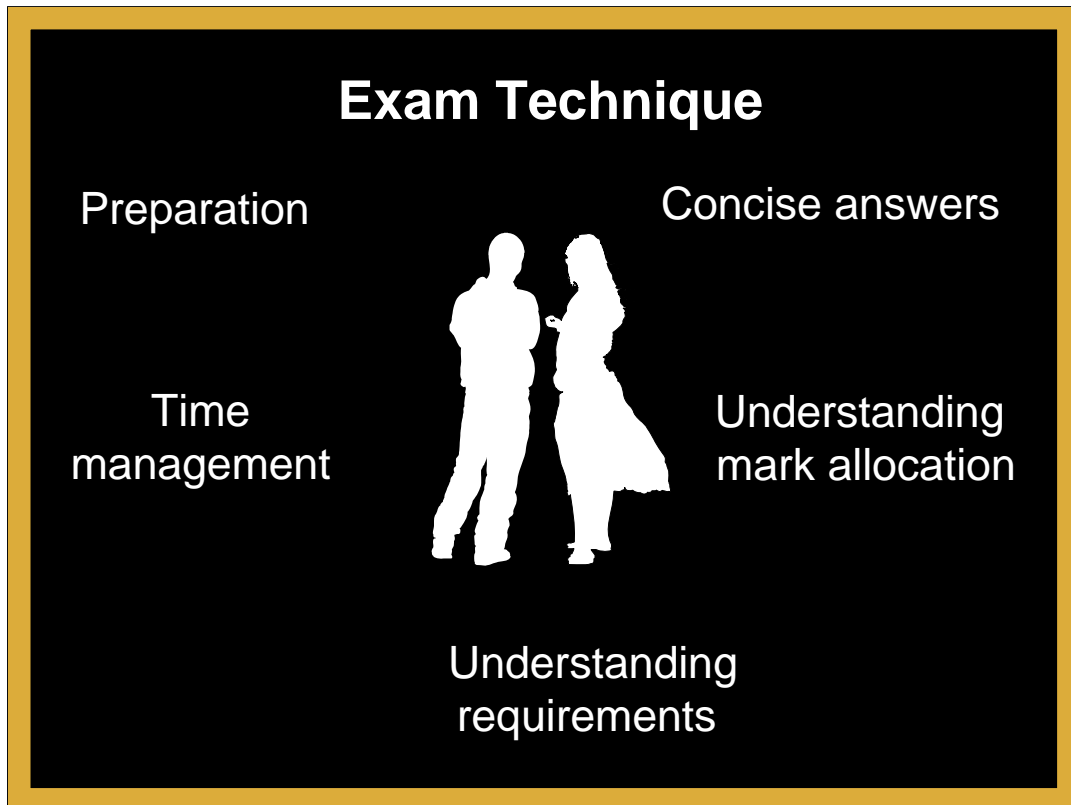
- VAT treatment of insurance business (June 2008)
- EU withholding tax treatment re associated co (June 2008)
- No Cyprus CGT on overseas disposals (June 2008)
- Confusion over assessment of social insurance contributions (June 2008)
- Tax treatment of international trusts (December 2007)
- Explanation of determination of place of supply for VAT purposes (December 2007)

Topics included on this slide mainly refer to indirect taxes and some other 'minor' income tax topics. Candidates lack knowledge of these topics.



LESSONS LEARNED

**WHAT TO
FOCUS ON
&
HOW TO
IMPROVE?**

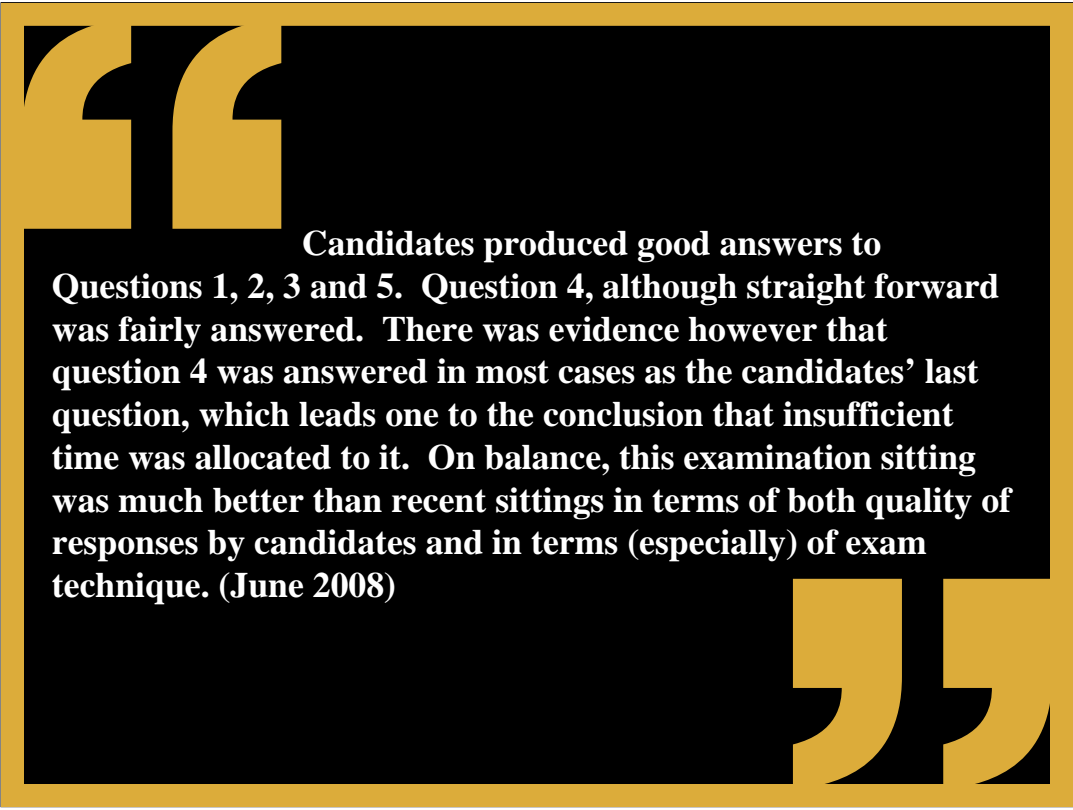


Exam technique is very important. Starting from the left and moving anticlockwise, the message is as follows:

1. Candidates must be well prepared for the exam (on all topics not what they consider the 'most important').
2. Candidates need to manage their time. There is time of 1.8 minutes per mark. Do not spend longer on a question, as marks scored per minute are much more at the start of the attempt and always decrease as time goes on.
3. Read carefully the question, but perhaps most importantly read carefully and understand the requirements. If the requirements are not understood do not expect to pass, as no marks will be scored and time that could have been spent on another question is wasted.
4. Try to get into the psychology of the examiner. The marks that the examiner allocates to each part of the question is indicative of the detail in which candidates are required to go into.
5. Provide concise and complete answers. Easy marks are thrown away for not doing so. Especially, have in mind that if a client asks you for tax advice, he is not really interested in the analysis but at the actual end product i.e. the advice itself, not part of it but all of it.

Candidates produced good answers to Question 1, but seemed to have spent too long on this question trying to obtain all possible marks. This was evident as a large number of candidates did not attempt the last 2 questions of Part B of the exam, thus limiting their attempt to only 70% of the marks. Also, some candidates, although attempting Part B questions did not seem to have spent enough time in attempting them, as results to straight forward questions were poor. Where candidates did spend time on Part B questions, marks awarded were quite high. (December 2007)

This was my general comment for the December 2007 exam. To be fair to candidates problems were anticipated due to the new style of the exam (this was the first sitting of the new syllabus). The time allocation problems was one of the major factors which contributed to a low passing rate.



Candidates produced good answers to Questions 1, 2, 3 and 5. Question 4, although straight forward was fairly answered. There was evidence however that question 4 was answered in most cases as the candidates' last question, which leads one to the conclusion that insufficient time was allocated to it. On balance, this examination sitting was much better than recent sittings in terms of both quality of responses by candidates and in terms (especially) of exam technique. (June 2008)

This was my general comment for the June 2008. The time allocation problem was again evident but the conclusion was that improvement was made. The last sentence gives an encouraging tone to the exam review part of this presentation.



**FOCUS ON
FUTURE
EXAMS**



WHAT'S NEW?

- Same structure and style
- Less emphasis on computations

At least up until the June 2009 exam the same exam structure followed in the two past papers will remain the same. Fewer calculations will be required and the emphasis will be on the application of knowledge and provision of advice.



**WILL THINGS
CHANGE?**

WILL THINGS CHANGE?

- No immediate plans.
- Additional topics may be considered.
- Additional depth on current topics may be considered.
- Joint decision with ACCA & ICPAC

No reference to specific topics will be made at this stage as there are no imminent changes envisaged. If any changes were to be implemented, a lot of work will have to be done and a lot of consultation between the examiner, the ACCA, the tuition providers and the textbook publishers would have to take place, before anything can be announced.



