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Strategic Business Reporting

– Exam techniques for success





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Introduction

The examining team for Strategic Business Reporting (SBR) summarise their approach as follows:

‘Candidates will be examined on concepts, theories, principles and the ability to apply this knowledge to real life scenarios.’

What does a good SBR answer look like? How do I achieve that? These are two questions that will be on your mind as you prepare for the exam.

The answer to the first question is not as elusive as you may think – there are a number of identifiable criteria that make a good SBR answer; the answer to the second question is a resounding cry of ‘good exam technique’. In this article we examine these two closely-linked questions in order to provide you with a checklist of factors that contribute towards a good answer and techniques that can be employed to achieve them. Together with good technical knowledge, these techniques will put you at the front of the queue when it comes to gaining a pass in SBR.

Time management and your route through the exam

Like all of the exams within the Strategic Professional, there is no choice of questions in SBR but you still can, and should, make a choice as to where you start.

A good technique when starting the exam is to spend a few minutes scanning the questions to get a feel for them. It's a good approach to start with the 'best' question for you. Getting a first 'good' question under your belt will boost your confidence. Choosing a 'best' question is a personal choice. You might decide that you are well drilled in groups and so want to do question 1 first. You may prefer question 2 on the basis that the specimen exam and the examining team articles seem to suggest that it will have a relatively predictable style.

Having said that, if you feel comfortable with the subject matter of a question, you may be more likely to run over on time. This brings us to a crucial element of exam technique, being time management. In order to have sufficient time to attempt all questions, you must allocate your time based on marks available, be strict with yourself and move on when time is up. It is widely accepted that a student will gain more marks from spending five minutes working on a new question than from continuing to work on a question that they have already spent the allocated time on. In SBR, the risk is often that you will run over time working on calculations and have insufficient time to spend on the narrative parts of answers, which is where the majority of marks tend to lie. This is a particular risk in question 1 on groups.

It really doesn't matter to a marker what order the four questions in the SBR exam are answered in (provided that labelling of each part is adequate) but absolutely key to a good answer is that all parts of all questions are attempted. However, this is not always as straightforward as it may seem. In some SBR questions, sub-requirements are implicit. For example a question may require discussion of financial reporting issues; however the details of the issues (in effect each sub-requirement) are hidden in a scenario.

Good exam technique is therefore to identify these sub-requirements or issues in the first few minutes of a question and then estimate how many marks would be given to them in order that the remaining time can be allocated appropriately. Practising scenario-based questions is the best way to develop this particular technique. You should review your answers carefully and consider what issues should have been identified and how you would have allocated marks to them.

Example: specimen exam Question 2:

Discuss the ethical and accounting implications of the above situations from the perspective of the reporting accountant.

(18 marks)

You need to scan the scenario to identify the 'situations'; five accounting issues can be identified and in each an incorrect accounting treatment is suggested. Interwoven throughout the scenario is the ethical issue of the inappropriate behaviour of the finance director.

Where there are two clear aspects to a requirement, in this case **ethical** and **accounting** implications, a good approach would be to assume they would be weighted roughly equally in terms of the marks available, if the question does not indicate a split of marks. So a reasonable assumption here would be that roughly 9 marks are available for the accounting issues. So your plan should be to write two points for each of the five accounting issues, to leave adequate time to write a similar number of points on the ethical implications.

The marking guide actually allocates 8 of the 18 marks to the ethical considerations; the more questions you see, the more familiar you will become with typical mark allocations.

Format

A good answer is well signposted, in other words the marker is led through the answer to a question so that they can clearly identify that different issues or sub-requirements have been addressed.

As well as labelling parts of questions, good exam technique is to use headings in the answer. For example in the question mentioned above, where you are required to discuss five accounting issues plus ethical issues, good practice is to have six separate headings for these, with lines left in between them for ease of marking.

Where an answer requires calculations, these should be clear, well laid out and easy to follow.

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Line items in a calculation should be labelled clearly and any separate workings should be referenced to the main calculation.

It is a feature of the SBR exam, especially in question 1:

Candidates will be required to discuss the principles behind any calculations they provide and the number of marks allocated to purely numerical answers will be restricted.

In a good answer, complex calculations should be separate from written answers rather than embedded within the text.

Anything more than simple calculations should be presented separately from the narrative to which it relates, and referenced. Calculations can be presented in an appendix or simply on a separate sheet. Good technique is often to produce calculations on one sheet and simultaneously explain them or discuss them on a second. This will help you to achieve a better written score as you are more likely to explain each element of the calculation well because you have just performed it.

Example: specimen exam Question 1(a):

Explain to the directors of Kutchen, with suitable workings, how goodwill should have been calculated on the acquisition of House and Mach showing the adjustments which need to be made to the consolidated financial statements to correct any errors by the finance director.

(10 marks)

A good approach in this type of question is to produce the goodwill working on one sheet of the answer booklet and then take each line of the calculation and explain it on another sheet. The level of detail required will be driven by the specific question and circumstances, but issues might include:

Fair value of consideration

- What elements are included?
- Why is contingent consideration included?
- How is each element measured initially?
- Are they subsequently remeasured?

Non-controlling interest

- Why is the NCI included in the calculation?
- How can it be measured?
- What's the impact of the measurement options?

Net assets at acquisition

- What are the basic recognition and measurement principles?
- Are there any exceptions to these principles?
- How are adjusted items subsequently accounted for?

Goodwill

- What is goodwill?
- Why is it an asset?

A good written answer in SBR is not produced in an essay style; it should be laid out in a way that is clear and easy for the marker to follow.

You could use an extended bullet point style in narrative SBR answers, working on the basis that a well-developed point will score one mark. A well-developed answer point is likely to include one or two sentences. Consider the two answer points that follow:

- John is acting unethically because he's asking Lucy to ignore IAS 23
- IAS 23 requires that borrowing costs are capitalised only if set criteria are met. John is acting unethically because, in order to increase profits, he's asking Lucy to capitalise borrowing costs that IAS 23 requires to be expensed.

The two answers effectively make the same point, however the greater level of detail given within the second point is required in order to score the mark. The first answer point does not demonstrate an understanding of the requirements of IAS 23 or the motivation for the unethical behaviour, whereas the second answer point clearly shows this.

You must write sufficient points to score at least a pass in a given requirement. Therefore, for example, in a 10 mark written question, a minimum of five points should be presented, but on the basis that not all of these may score, preferably seven or eight points. This does not, however, mean that quantity is more important than quality – the content of the points must be good or else there is little point in writing them down.

Content

So far we have concentrated on the format and structure of a good answer to an SBR question, but of course the content is the most important element.

In general the content of a good answer responds to the specific question asked, whether it be to appraise, analyse, discuss, explain or evaluate.

Good technique is developed here through practice; you should familiarise yourself with the 'question words' used in course questions, revision question banks and practice exams and identify how the model answers provided vary accordingly. Get into the habit of focussing on the 'question word' within the requirement. You should be prepared to calculate amounts, explain their calculations, analyse a situation to identify relevant points for discussion, discuss reasons for measurement or recognition decisions, explain accounting principles and empathise with stakeholders among other things.

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Where a numerical answer is required, a good answer shows workings in full.

Therefore if you need to multiply share price by the number of shares issued in order to calculate acquisition consideration you should write this calculation down rather than simply do it in your head or on your calculator. This ensures that marks can be awarded even where a final answer has been miscalculated. To save time, bracket shorter workings within the main calculation and show longer workings separately.

In a written question, a good answer is easy to read, has a logical flow and leads the reader through your thought process to show how a conclusion or recommendation has been reached.

Plain English and short sentences is the key to a good written answer in SBR. Avoid overly complex words and sentence construction – this often results in the message you want to convey being lost.

It is good exam technique to get into the habit of briefly planning the content of a longer written answer. This will help you avoid the pitfall of repetition – writing the same point twice loses valuable time and certainly will not score twice.

A planning (and writing) approach that fits many SBR questions is the 'state, apply, conclude' approach – in other words:

1. State (in brief) the facts of the scenario and where relevant the requirements of a standard or other pronouncement
2. Apply the requirements to the facts of the scenario
3. Conclude with a recommendation (which may be the accounting treatment or an action to be taken) and, as required, an impact assessment (on identified stakeholders).

As indicated above, in the SBR exam, you are likely to have to consider the effect of an issue and its required accounting treatment on given stakeholder groups. For example, a scenario might describe a share-based payment award that vests in two years' time, dependent on revenue growth. It may then ask for the impact of this scheme on specific parties, such as lenders or customers. If you find it difficult to think from the perspective of certain stakeholder groups, a good technique is to continually think 'so what?' or 'what will that result in?'.

You could try to follow a stepped approach:

1. Is the transaction or accounting treatment good or bad for the stakeholder?
2. What action might the stakeholder take?
3. What action would other stakeholders take as a result?
4. What would be the impact on the reporting entity?



A good answer does not regurgitate the contents of an accounting standard or the answer to a similar revision question; a good answer is specific to the scenario presented in the question.

*This is a pitfall that many students have fallen into historically; you will score very little, if your approach to the SBR exam is to simply memorise technical material and then 'brain dump' it in your answer booklet. Written answers **must** be relevant to the given scenario.*

A good answer includes the correct balance of written and numerical work in response to the question asked.

Calculation and written parts of a requirement will not always show the split of marks allocated to each separately. Students must therefore do this themselves as part of planning the answer to a question. Most of them will naturally be drawn to the numbers, however in SBR the majority of marks are almost always allocated to written points. Where it is unclear from the requirement, a good approach is to allocate at least half of the marks to written elements of a question. Earlier we mentioned question 1(a) of the specimen exam, which required an explanation, with suitable workings, of the calculation of goodwill. Ten marks are available for this and the marking scheme reveals that six of these are allocated to discussion.

Preparation

A final contributing factor to a good answer is good preparation for the exam. Although there are a number of 'in exam' techniques referred to in this article, the very best way to achieve a good pass in SBR is to practise exam-style questions from the earliest opportunity, and in due course, full mock exams. This will help you to embed those exam techniques that work for you and help you develop good time management before your exam. Even if you don't have time to work all available questions in full, planning answers is often sufficient to understand whether they are on the right lines in terms of identification of issues, the split of marks and points to cover. Of course practising questions and preparing answer plans is only useful if you review your work against a model answer. Or, even better, benefit from tutor feedback, so you can learn what you could do better next time.

Further reading

For more insight into the detail of exactly how SBR answers are marked, you should also read the article 'Read the Mind of the Marker' for SBR, where you will see example marked answers to parts of the specimen exam.

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