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to succeed at the Diploma in Accounting and Business level and is strongly advised to enter at the Introductory Certificate in Financial and Management Accounting level. To underline this point, it should also be recognised that the Diploma level is equivalent to the first level of an undergraduate degree programme and students should only enter at that

level with the requisite underpinning knowledge and/or experience. Someone with adequate experience of working in a bookkeeping or accounting environment may be able to enter at the Diploma level, depending on the level of experience gained, but if that experience is only limited, they are strongly advised to enter at either the Introductory or Intermediate

Certificate level, depending on that level of experience. Those possessing only academic or vocational qualifications, but having no relevant experience, should enter at the appropriate point, depending on the overall intellectual level of those qualifications. Table 3 below gives a quick guide to suitable entry points for students with different backgrounds:

TABLE 3: ENTRY POINT CRITERIA FOR FOUNDATIONS IN ACCOUNTANCY

QUALIFICATION	EXPERIENCE AND/OR	ACADEMIC/VOCATIONAL QUALIFICATIONS
Introductory Certificate in Financial and Management Accounting	None or very limited	None* or GCSE in non-related subject areas
Intermediate Certificate in Financial and Management Accounting	Up to one year of data processing, admin and bookkeeping in any organisation	GCSE or equivalent academic or vocational qualification
Diploma in Accounting and Business	One or more years of accounting and clerical work in an accounting context in any organisation	A-level or equivalent academic or vocational qualification
Certificate in Foundations of Audit	Working in – or aspiring to work in – audit	A-level or equivalent academic or vocational qualification
Certificate in Foundations of Taxation	Working in – or aspiring to work in – taxation	A-level or equivalent academic or vocational qualification
Certificate in Foundations of Financial Management	Working in – or aspiring to work in – financial management	A-level or equivalent academic or vocational qualification
Certified Accounting Technician	Working as a technician in a bookkeeping, junior accounting or finance role in any sector	None* if prior experience already gained, but A-level or equivalent academic or vocational qualification if registering directly for Diploma level with no prior experience

* Check local country rules in Malaysia and Singapore

ENGLISH AND MATHS SELF-CHECK MODULES

Other key factors that must be considered when deciding the level at which to register is your level of English language and numeracy skills.

To help you with this assessment, ACCA has developed online self-check modules that you can take free of charge and which allow you to check your levels of ability in maths and English. These are intended as resources for you to check and improve your knowledge or proficiency levels and can help you assess if you are ready to enter for ACCA qualifications at any level. These are available on the ACCA website.

TYPICAL JOB ROLES ASSOCIATED WITH EACH QUALIFICATION

The qualifications within Foundations in Accountancy are suitable for a range

of students and it is important that you make your study choices based on the level you are at, building up to the level you aspire to reach.

Table 1 shows the main purposes of these qualifications and the types of roles that you could undertake.

SUMMARY

If you enter Foundations in Accountancy at a point or level beyond your academic or technical capability, or experience, you are more likely to fail, you will take much longer to complete your qualifications, you will pay more in exam fees and find yourself less well prepared for later studies.

You will also miss out on the opportunity to gain valuable certification to validate your accountancy knowledge and skills at different levels as you progress.

Therefore, to significantly increase your chances of success, you must ensure that you enter Foundations in Accountancy at the right level for you, reflecting your general academic or vocational background, your level of accountancy knowledge, experience and taking into account your English language and numeracy skills. Having considered these factors carefully, your decision should also be made taking into account where you are currently employed or where you want to work, as your experience or work readiness is also a key factor.

Always prepare adequately and take exams only when you are ready to and progress steadily rather than take too many too quickly. Also, leave sufficient (but not too much) time between exam attempts to ensure that any gaps in your knowledge have been properly addressed, through focused learning or revision.

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FPER

STRONGER FOUNDATIONS FOR CAT WORK EXPERIENCE FOUNDATIONS IN PRACTICAL EXPERIENCE REQUIREMENTS

As part of the ACCA Foundations in Accountancy suite of qualifications, the Technician Training Record (TTR) for Certified Accounting Technicians (CAT) has been replaced by a new updated practical experience requirement known as Foundations in Practical Experience Requirements (FPER).

The practical experience requirement aligns the Technician work experience requirements more closely with ACCA's practical experience requirement (PER) and introduces some of the best features of PER into the new technician requirements. In addition, as the FPER articulates more closely with the PER, those who attain CAT status will have fewer practical experience requirements to complete, should they choose to go and study for the ACCA Qualification.

HOW FPER WORKS

To complete the FPER, students must obtain at least 12 months' supervised work experience in a relevant accounting or finance role and demonstrate a minimum number of new competence requirements for the new CAT Qualification. They must also provide evidence that they have fulfilled the new practical experience requirements by completing the FPER Record.

WHY IS PRACTICAL EXPERIENCE IMPORTANT?

To work effectively in an accounting technician role, it is very important that students are able to demonstrate competences in a wide range of both personal effectiveness and technical skills. These will enable them to support professional accounting staff in a range of business areas, including bookkeeping, financial administration, cost accounting and in other roles within financial accounting, management accounting, treasury, and finance. These roles may be within the private or public sector or within financial shared service centres. The CAT exams provide them with the knowledge and understanding which underpins competent performance in the workplace, but to be fully effective

at work, the knowledge and skills acquired through study should be applied and demonstrated practically.

WHAT ARE COMPETENCES AND HOW ARE THEY DEMONSTRATED?

ACCA has identified 26 competences that broadly cover a range of personal effectiveness and technical skills. The competences describe functions that are carried out by individuals within an accounting environment. The competences are made up of elements (challenge questions or specific tasks) which contain a description of what an individual must experience or achieve so that they can demonstrate competence at work.

HOW IS FPER ACHIEVED?

To qualify as a Certified Accounting Technician, a student must complete the FPER by achieving 10 competences, including:

- ▣ all four Essentials competences
- ▣ a minimum of six Technical competences linked with all three levels of the CAT Qualification.

They must also gain at least 12 months' practical experience in a relevant role, but that can be in any financial related role and can be achieved on a full-time, part-time, or voluntary basis.

To demonstrate any given competence, a student must obtain sufficient work experience in the roles or tasks described within each competence.

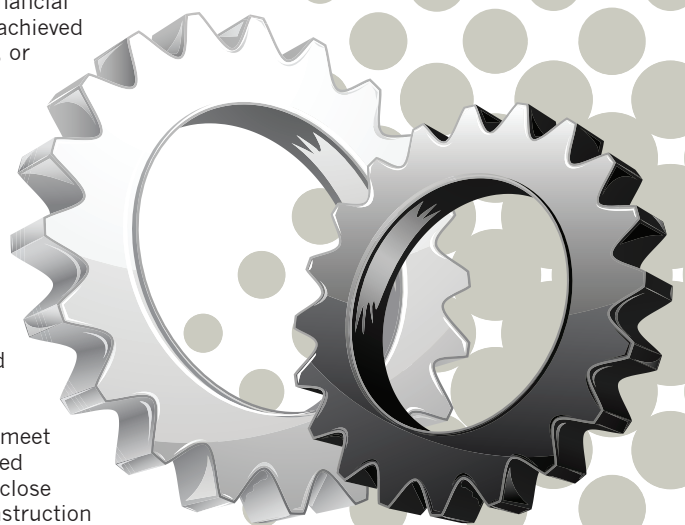
Competence is the ability to perform an activity to a set standard within the workplace. A student can achieve a competence if they can meet the requirement described in the elements without close supervision or regular instruction from their workplace mentor.

Wherever possible the workplace mentor should be a line manager or partner who is at least qualified to Certified Accounting Technician level.

The workplace mentor should regularly review the work to check that the practical experience requirements are being met. They can also help plan how to gain the required experience. They are also responsible for judging whether the competence has been achieved.

Note that for the demonstration of the Essentials competences, which count towards the ACCA practical experience requirement (PER), the person who signs off a student's FPER competences must be a fully qualified accountant. The FPER Essentials competences must, therefore, be signed off by someone who is both familiar with the student's work and a fully qualified accountant. Access further information, resources and guides about the Foundations in Practical Experience Requirements through your myACCA account.

Gareth Owen is ACCA qualifications development manager



AS PART OF THE ACCA FOUNDATIONS IN ACCOUNTANCY SUITE OF QUALIFICATIONS, THE TECHNICIAN TRAINING RECORD FOR CERTIFIED ACCOUNTING TECHNICIANS HAS BEEN REPLACED BY A NEW UPDATED PRACTICAL EXPERIENCE REQUIREMENT KNOWN AS FOUNDATIONS IN PRACTICAL EXPERIENCE REQUIREMENTS.

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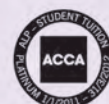
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EXAM FEEDBACK

PAPER FA1 RECORDING FINANCIAL TRANSACTIONS

Feedback for this exam is available on the ACCA website.

PAPER MA1 MANAGEMENT INFORMATION

The exam paper – the first under the new syllabus – consisted of 50 multiple-choice questions each worth two marks. The first sitting of a new paper is always difficult for candidates especially as, in the case of Paper MA1, the syllabus has changed significantly from the previous equivalent paper. For example, spreadsheets are now a significant aspect of the syllabus. Overall, the questions on spreadsheets were relatively poorly answered.

The four questions below, taken from the December 2011 paper and covering different aspects of the syllabus, are examples of questions that candidates found particularly difficult. This report will seek to explain, in each case, the basis for the correct answer and the incorrect options selected by many candidates.

SAMPLE QUESTIONS FOR DISCUSSION EXAMPLE 1

Which of the following values would be obtainable from the cost accounts in an interlocking accounting system?

- 1 Trade payables
- 2 Trade receivables
- 3 Sales revenue
- 4 Inventory of finished goods

- A** 1 and 2 only
B 3 only
C 3 and 4
D 1, 2 and 4

This question tested Section A1f in the *Study Guide*. While the correct answer, Option C, was the most popular, only 36% of candidates selected it. Options A and D were also very popular.

An interlocking accounting system is one where separate ledgers are kept for the cost accounting function (the cost ledger) and the financial function (the financial ledger). Within the cost ledger there is a control account to provide a place to record all of the items that are of a financial accounting nature. For example, when materials are bought and an invoice is received the materials control account will be debited, but instead of crediting the trade payables account the credit is to the cost ledger control account. This means that the cost ledger does not keep a separate record of the payables. The same applies with trade

receivables which also go to the cost ledger control account (debit).

Option A includes values that are only obtainable from the financial ledger. Option D is option A with the addition of finished goods inventory, the value of which will be obtainable from both ledgers. Option B includes only one of the values in the list obtainable from the cost accounts.

EXAMPLE 2

No inventory of material M60 is held. During a period, the following transactions relating to M60 occurred:

- Day 5 – 160 units bought at \$3.50 per unit and used
- Day 10 – 300 units bought at \$3.40 per unit and used
- Day 15 – 90 units bought at \$3.70 per unit and used

Using the periodic weighted average pricing method, what was the value of the usage on day 15?

- A** \$309
B \$313
C \$318
D \$333

This question tested Section D1d of the *Study Guide*. Option B is the correct answer but option D was by far the most popular answer (chosen by nearly 60% of candidates).

The periodic weighted average pricing method is a means of evening out any fluctuations in the buying prices of a raw material for a period so that all products that use the material are charged the same price. This is provided by option B, which is the result of dividing the total cost of the purchases in the period by the total quantity purchased to determine the weighted average price which is then applied to the usage of 90 units on day 15. Option D simply uses the price paid on day 15.

EXAMPLE 3

In order to meet the general production requirements in a factory, direct workers may work overtime, which is paid at a premium over the normal hourly rate.

Which account(s) would be debited to transfer the overtime wages of direct workers from the wages control account?

- A** Work-in-progress only
B Production overheads only
C Work-in-progress and bank
D Work-in-progress and production overhead

This question tested Section D2a of the *Study Guide*. The correct answer is option

D but the most popular answer was option B. Option A was also selected by a significant number of candidates.

The basic wages of direct workers will normally be charged as direct labour – ie directly to work-in-progress. Where overtime is worked, at a premium cost, the charging of the overtime premiums, paid to the direct workers over and above the basic wage rate will depend on the circumstances. Where overtime is worked to meet general production requirements, the premiums paid to the direct workers for the overtime hours would be treated as production overhead so that the premium can be shared over all production whether in normal working hours or in overtime hours. That is the situation described in the question and, therefore, option D is correct (the cost of hours worked at the basic rate directly to work-in-progress and the overtime premiums indirectly via production overheads).

Where overtime is instead worked to meet the urgent demands of a particular customer, then the whole of the cost of the direct workers pay will be charged to work-in-progress. This would be option A but is not correct for the situation described in the question. Charging to production overheads only (option B) would only be correct if the question only referred to the cost of the overtime premium over and above the basic rate rather than the overtime wages of the direct workers.

EXAMPLE 4

During a period, 1,600 units of material were input to a process. Output completed was 1,400 units. Closing work-in-progress was 100% complete with respect to material and 60% complete with respect to conversion costs. There was no work-in-progress at the start of the period and no losses during the period.

What were the equivalent units of production?

	Materials	Conversion costs
A	1,400	80
B	1,400	120
C	1,600	640
D	1,600	1,520

This question tested Section D4ciii of the *Study Guide*. While the correct answer, option D, was the most popular, it was selected by only 36% of candidates. Options B and C were also very popular.

The question requires the calculation of equivalent units for conversion costs in the 200 units of closing work-in-progress.

Option B does this (200 units × 0.6 = 120) but then omits to add the 1,400 completed units. However, for materials, it includes the 1,400 completed units but then fails to add the 200 units of work-in-progress that are in fact complete for material content. Option C is correct for materials but is completely wrong for conversion costs. Option A is completely wrong, failing to include the closing work-in-progress for materials, failing to include the completed units for conversion costs and calculating the incomplete (40%), rather than the complete (60%), element of conversion costs in the closing work-in-progress. Option D is correct because it combines the required elements described above.

**PAPER FA2
MAINTAINING FINANCIAL
RECORDS**

The following three questions were those with the lowest pass rates on the paper. The questions are reviewed in this report to provide future candidates with an indication of the types of questions asked and guidance on dealing with exam questions.

**SAMPLE QUESTIONS FOR DISCUSSION
EXAMPLE 1**

When completing her extended trial balance for the year to 30 November 2011, which is in an eight-column format, Emma recorded the following post-trial balance adjustments:

- ▣ depreciation charge \$8,350
- ▣ accruals \$1,854
- ▣ prepayments \$1,120

What is the total value of the debit column for post trial balance adjustments?

- A \$5,376
- B \$11,324 key
- C \$7,616
- D \$9,084

This question tested one of the most fundamental aspects of the syllabus – the application of the principle of double entry. The reference to post trial balance adjustments meant that to obtain the correct answer, candidates had to remember that any adjustment to the trial balance required both a debit entry and a credit entry. Therefore, both the debit column and the credit column will have the same total value. This was found by simply adding the value of each entry. The correct answer was therefore \$11,324 (option B). It was a considerable surprise that this answer was selected by only 15% of candidates.

All of the other options arose from combinations of entries that did not apply the double entry rule. Option D, which was selected by 38% of candidates, was the value of the charges to the income statement which arose from the adjustments (the depreciation charge, plus the accrual, less the prepayment).

Option C most was the most popular choice, and was selected by 42% of candidates. This was very disappointing, as this answer contained two errors: (1) attempting to calculate the charge to the income statement; and (2) treating the accrual and prepayment incorrectly.

EXAMPLE 2

Malik and Vasha are in partnership. The partnership agreement provides for interest on capital to be paid at a rate of 11% per annum. You have the following information:

	Malik \$	Vasha \$
Capital balance at 1 November 2010	38,500	47,800
Capital introduced on 1 April 2011	6,000	3,000

What is the total value of interest on capital for the year to 31 October 2011?

- A \$9,905.50
- B \$10,483.00
- C \$9,493.00
- D \$10,070.50 key

This question was a straightforward test of arithmetic. However, as with all questions, it was essential to read the question carefully. As the additional capital was introduced on 1 April 2011, interest would only be paid for the seven months of the financial year from that date. The correct answer was therefore:

Total value of opening capital \$86,300

Interest for 1 year @ 11%:
\$86,300 × 11% = \$9,493.00

Total additional capital \$9,000

Interest for 7 months @11%:
\$9,000 × 11% × 7.5 = \$577.50

Total interest \$10,070.50

As only 20% of candidates selected the correct answer (option D), it would appear that the vast majority did not read the question carefully enough, and omitted the date on which the additional capital was introduced from their calculations.

This view is supported by the fact that 54% of candidates included interest on the additional capital for the whole year, and this selected option B.

Candidates who selected option A (8%) had at least recognised that interest was only due for part of the year. However, this answer only included interest on the additional capital for five months.

The most surprising observation is that 18% of candidates did not include any interest at all in respect of the additional capital, and thus selected option C.

EXAMPLE 3

Avak and Mila have been in partnership, sharing profits and losses equally. They have agreed to admit Pavao to the partnership with effect from 1 November 2011. At that date, goodwill is valued at \$21,000. Future profits and losses will continue to be shared equally between the partners, and goodwill will not be maintained in the partnership accounts.

Avak and Mila had the following capital account balances at 31 October 2011:

Avak	Mila
\$24,000 credit	\$18,000 credit

On the commencement of the new partnership, what is the balance on Avak's capital account?

- A \$34,500
- B \$27,500 key
- C \$20,500
- D \$17,000

The December 2011 exam was the first exam under the new Paper FA2 syllabus. The major addition to the syllabus in comparison to CAT Paper 3 (change in partnership) was the subject of this question. If two key points about the treatment of goodwill are understood, this topic should not pose too much difficulty:

- ▣ Goodwill is created with a debit entry in the goodwill account. The value is shared between the original partners in the old profit sharing ratio, and the double entry is completed with credit entries in their capital accounts.
- ▣ Goodwill is then charged to the new partners in the new profit sharing ratio, leading to debit entries in their capital accounts and a credit entry in the goodwill account. The goodwill account will thus have a nil balance.

As with any question, it is essential to read carefully and think about what has been asked. In this case the balance

on the capital account for one of the partners, after adjusting for goodwill, must be calculated.

The value of the goodwill is stated as \$21,000. Profits are to be shared equally between the partners, both before (two partners) and after (three partners) the change. Therefore, the entries in the capital account are:

Credit \$10,500 (\$21,000 x 1/2)
Debit \$ 7,000 (\$21,000 x 1/3)
resulting in a net credit of \$3,500.

As Avak's balance, prior to the change, was \$24,000, the balance after the change is \$27,500.

The correct answer (option B) was selected by 18% of candidates. In 28% of answers, the value of the credit entry was reversed and no adjustment was made for the debit entry. This led to option D (\$17,000) being selected. Option C was selected by 14% of candidates who applied both adjustments, but reversed the debit and credit entries, giving a result of \$20,500 (option C). The most common mistake, which was made by 40% of candidates, was to omit the debit entry, leading to option A (\$34,500) being selected.

CONCLUSION

There appeared to be two key reasons why candidates selected incorrect answers. The first is a lack of clarity about the key points of the topic, while the second is not reading the question with sufficient care. These points have been made in previous examiners' reports, so candidates preparing for future sittings are reminded that careful attention to these points will increase their chances of success.

PAPER MA2
MANAGING COSTS AND FINANCE

The exam paper, the first under the new syllabus, consisted of 50 multiple-choice questions each worth two marks. The first sitting of a new paper is always difficult for candidates, especially as, in the case of Paper MA2, both the syllabus and the exam paper format have changed significantly from the previous equivalent paper. For example, spreadsheets are now a significant aspect of the syllabus. Overall, the questions on spreadsheets were relatively poorly answered.

The four questions below, taken from the December 2011 paper and covering different aspects of the syllabus, are examples of questions that candidates found particularly difficult. This report will

seek to explain, in each case, the basis for the correct answer and the incorrect options selected by many candidates.

SAMPLE QUESTIONS FOR DISCUSSION
EXAMPLE 1

What will result in under-absorption of fixed production overhead?

- A Absorption based on actual expenditure and actual volume of activity which are both below budget
- B Actual expenditure below budget and actual volume of activity same as budget
- C Actual volume of activity above budget and actual expenditure below budget
- D Actual volume of activity below budget and actual expenditure same as budget

This question tested Section C1h in the *Study Guide*. The correct answer is Option D. However, options A and C were by far the most popular answers with over 70% of candidates selecting these incorrect options.

Over-absorption or under-absorption occurs when the absorption rate is a pre-determined rate based on budgeted data. Option D is correct because absorption using a pre-determined rate on below budget activity would fail to fully absorb the on-budget expenditure. Option C would lead to over-absorption (not under-absorption) because of the above budgeted activity absorbing more overhead at the pre-determined rate. Option B would also lead to over-absorption because of the below budget expenditure. Option A would not lead to under-absorption, or to over-absorption, because actual costs and actual activity are used to absorb the overhead, ie a pre-determined rate is not used.

EXAMPLE 2

The budgeted financial results (in \$000) for a company's three divisions for a period are summarised below:

Division	X	Y	Z
Sales revenue	210	270	320
Costs:			
Variable	140	180	100
Fixed	80	220	90
	<u>270</u>	<u>130</u>	<u>230</u>
Profit/(loss)	(10)	0	90

The senior management committee is considering whether all three divisions

should continue to operate. Budgeted fixed costs would total \$280,000 if only one or two divisions were operating.

- What decision should senior management make?
- A Operate division Z only
 - B Operate divisions X and Z only
 - C Operate divisions Y and Z only
 - D Operate all three divisions

This question tested Section D2f in the *Study Guide*. The correct answer is option D. However, options A and C were by far the most popular answers, with 74% of candidates incorrectly selecting these two options. This would seem to have been based on the profit/(loss) figures in the question scenario.

The key to answering the question is to recognise the changes in both contribution and fixed costs if only one or two divisions were operating. If divisions X and Y are both discontinued (option A) then fixed costs of \$20,000 would be saved [(80 + 90 + 130) – 280] but contribution of \$160,000 would be lost [(210 + 270) – (140 + 180)], an incremental loss of \$140,000. If division X only is discontinued (option C) then fixed costs of \$20,000 would be saved but contribution of \$70,000 would be lost (210 – 140), an incremental loss of \$50,000. Option B would result in an incremental loss of \$70,000. Option D should be seen to be the correct answer because the smallest loss of contribution from discontinuing a division (division X \$70,000) is greater than the fixed cost saving (\$20,000).

EXAMPLE 3

A capital investment project has an initial cash outflow followed by a series of cash inflows. NPV results are:

- ❑ Negative when discounted at 18%
- ❑ Negative when discounted at 15%
- ❑ Negative when discounted at 12%

- What will the IRR be?
- A Below 12%
 - B Between 12% and 15%
 - C Between 15% and 18%
 - D Above 18%

This question tested Section D3d in the *Study Guide*. While the correct answer, option A, was the most popular, candidates' selections were fairly evenly spread across the four options. This demonstrates a widespread lack of understanding of the discounting process and/or of the meaning of the IRR (internal rate of return).

The IRR is the percentage discount rate which, when applied to the cash

flows from a capital investment project, results in a zero NPV (net present value). The total of the non-discounted cash inflows from a project must exceed the initial cash outflow for the project to have any chance of being financially viable. As the percentage discount rate is increased, the positive NPV is reduced until at some point it becomes negative. In the question scenario the calculated NPVs for the project are negative at 12% and, therefore, are even more negative at 15% and 18% or above 18%. In other words, the point at which the NPV turned negative (the IRR) must be at a discount rate below 12% (option A).

EXAMPLE 4

Productivity data are listed in a spreadsheet in cells B2 to B8. The data needs to be ranked in descending order in column C.

Which formula will achieve this?

- A = RANK (B2,B2:B8,1)
- B = RANK (C2,C2:C8,0)
- C = RANK (B2,\$B\$2:\$B\$8,0)
- D = RANK (B2,\$C\$2:\$C\$8,1)

This question tested Section F3a in the *Study Guide*. As with the previous example, while the correct answer, option C, was the most popular answer, candidates' selections were fairly evenly spread over the four options.

The rank function uses the syntax RANK (number,reference,order). Considering 'order' first, entering zero at the end of the bracket in the RANK formula means that the ranking goes from highest to lowest value (ie descending order). Knowing this would enable options A and D to be eliminated. 'Number' and 'reference' relate respectively to the cell of the number to be ranked and the range of cells containing the numbers to be ranked. They do not relate to the cells where the ranking numbers are to be displayed. Thus, in this question, the number and reference must be to cells in column B not column C. Thus, option C is the correct answer.

PAPER F1/FAB ACCOUNTANT IN BUSINESS

This exam was the first to be examined under the new syllabus and included questions on topics such as money laundering, micro-economics and business ethics that were previously not examinable. There was a much wider divergence in performance across the 50 questions than in previous sessions. However, this was not entirely due to the new material.

Candidates generally dealt with questions on ethics very well, except for a scenario question on conflict of interest, which had a pass rate of 34%. By contrast, a scenario asking candidates what actions an individual should take when she discovers that her manager is acting inappropriately had a pass rate of 78%.

There was one question on micro-economics and one question on money laundering, and most candidates struggled with these.

Of the topics that carry over from Paper F1, there was a very mixed performance. Most candidates answered questions on Tuckman's theory, organisational structure, training and performance appraisal successfully.

Surprisingly, a relatively straightforward question on budgetary control caused difficulties, as did questions on Elton Mayo's Hawthorne experiments, communications, Mendelow's stakeholder grid, organisational culture and leadership. However, it cannot be concluded that candidates find theories more difficult across the board, as there were strong performances on other theoretical questions.

Candidates performed slightly better on scenario-based questions than shorter questions. However, there is evidence that spending longer on the former may affect the ability of candidates to complete all 50 questions, as a significant number of candidates did not answer all of the questions on the paper.

SAMPLE QUESTIONS FOR DISCUSSION QUESTION 22

Question 22 required knowledge of the budgetary control process:

VTP Company has introduced a new budgetary control system. Managers have been asked to prepare budgets for their areas of responsibility and have agreed these formally with senior executives. What is the next stage of the process?

- A Reviewing outcomes in order to plan for the next period
- B Measurement of actual business outcomes
- C Analysis of variances between actual and budgeted performance
- D Agreement on action to be taken on significant variances

The correct answer is B. The distractors are all key stages of the budgetary process, which starts with setting

objectives and moves through a sequence of preparation, action and review. Having prepared budgets for each area of responsibility, managers have to measure the outcomes in order for proper analysis and review to take place. It is not possible to analyse variances until actual outcomes are known, nor is it possible to review the outcomes and plan appropriate actions.

Only 24% of candidates selected the correct answer.

QUESTION 25

Question 25 was a scenario question that asked candidates to apply their knowledge of macro-economic policy to identify the most appropriate policy to achieve long-term objectives:

A recent report commissioned by the government of Arkana has concluded that the national birth rate has fallen from an average of 2.1 children per household to 1.7 children per household. This decline is expected to continue, as families face a period of prolonged financial pressure. The report also found that the life expectancy of the citizens of Arkana has increased from an average of 74 years to 79 years. Again, this trend is expected to continue as citizens choose healthier lifestyles. Numerous policy measures have been proposed by ministers to reduce the long-term pressure on national finances.

Which of the following measures is most appropriate in order to achieve this objective?

- A A reduction in income tax rates and an increase in personal tax-free allowances
- B The provision of targeted support for elderly low income families
- C The introduction of tax incentives to invest in personal pension arrangements
- D Maintenance of low interest rates in order to increase the money supply

The correct answer is C. The government in Arkana is faced with a situation in which a greater proportion of the population will be in older age groups in the future, which is a real life problem currently affecting many nations.

A reduction in income tax rates and an increase in personal allowances will increase disposable income in the short-term, which may in turn encourage citizens to invest more for the future. Maintenance of low interest rates would have a similar effect to the fiscal policy changes, though with a slightly longer

time lag. However, such expansionary measures are not guaranteed to achieve the long-term objective of reducing pressure on national finances.

Targeted support for elderly low-income families increases the pressure on national finances in the short-term. In the long-term, such changes could be changed by successive governments.

Tax incentives to invest in personal pension arrangements have the effect of freeing up disposable income but only for the purpose of investment in retirement benefit schemes, which may help to reduce long-term dependence on state pensions as a source of income, thereby reducing the public pressure to maintain or enhance state personal pension provision.

The pass rate for this question was 30%.

QUESTION 49

Question 49 required knowledge of best practices in corporate governance:

The remuneration committee of RDC Company has prepared a report to the board proposing major changes to the structure of executive remuneration packages. The recommendations include the following:

1. Enhanced bonuses linked to performance over one to two years will be paid, linked to performance, with the result that bonuses will now comprise about 80% of 'on target earnings'.
2. As the output of individual directors is impossible to measure, the fairest system of remuneration is to reward executive directors with across-the-board increases on an annual basis.
3. A significant proportion of executive pay will be made up of shares in the company, which will be allotted subject to the achievement of objectives over a rolling five-year period.
4. Acknowledging the contribution of all board members, share options will be made available to all executive and non-executive directors.
5. As the company pays its executives less than its main competitors, basic pay and fringe benefits will be increased with immediate effect, which means that the average director's remuneration will be made up of approximately 50% 'on target earnings'.

Which of the above recommendations are consistent with best practices in corporate governance in respect of remuneration of directors?

- A 1 and 4
- B 2 and 3
- C 3 and 4
- D 3 and 5

The correct answer is D. Remuneration has several roles, and different elements of remuneration packages should be targeted at fulfilling these roles. An effective remuneration package should reward excellent long-term performance, which can be achieved by building in rewards such as shares, share options and pension benefits linked to performance. The package should also provide a competitive basic salary and fringe benefits, without which the organisation will not attract and retain persons of the right calibre.

Directors should focus their efforts on promoting the success of the organisation in the medium to long-term, which for many companies will be regarded as a period of three to five years. If incentives are provided for short-term performance, those who formulate policies could implement measures that will provide lucrative rewards in the short-term, but harm the company in the more distant future. By offering attractive bonus-driven packages, assessed over one to two-year periods, such a consequence becomes more likely.

Most experts on corporate governance agree that across-the-board pay and incentives awards are entirely inappropriate, as they fail to acknowledge differentials in the performance of individual directors.

It is also generally acknowledged that while executive directors' remuneration should be made up of both basic pay and incentives, non-executive directors should be remunerated by fees only.

The pass rate for this question was 20%.

CONCLUSIONS

This paper should be regarded as a predominantly knowledge-based. It covers a wide range of topics, but there is no expectation that individual topics will be examined in depth. A strategy for success should, therefore, be based on acquiring a basic knowledge and understanding of as many subjects as possible, without focusing too heavily on any one topic or group of topics. As such, the paper is a gateway to applying knowledge gained in greater depth in papers positioned at higher levels in the ACCA Qualification.

The platform for study should be the *Syllabus* and *Study Guide*. Put simply,

if a topic is in the *Study Guide* it may be examined. As the syllabus is broad, the learning outcomes are deliberately focused. Where theories are cited, it is generally only necessary to know the content of the theory and very basic applications.

Candidates should avoid the temptation to regard some of the subjects in the syllabus as common sense and therefore not deserving of formal study. Although topics such as time management and communications are practised on a daily basis by everyone, there is little prospect of questions appearing that can be answered without some study of the topic.

Scenario questions do not seem to pose greater difficulty than shorter questions, though they may take more time to answer on average. This has an implication for time management in the exam. Candidates should read the precise requirement very carefully before taking information from the question to select the correct response.

To maximise the prospect of success, it is important to attempt all questions on the paper. It is clearly impossible to know everything about every subject, but even on weaker topics, it is often possible to eliminate distractors, thereby reducing the time spent on these and improving the probability of choosing the correct answer.

PAPER F2/FMA MANAGEMENT ACCOUNTING

The two-hour paper contained 50 multiple-choice questions – each worth two marks. The mix of questions across syllabus areas was exactly in line with the *Pilot Paper*.

The general performance of candidates was a little disappointing. This is only partially explained by the introduction of new topics; only 40% of the poorly attempted questions related to 'new' topic areas. The remaining 60% of poorly attempted questions related to areas common to both of the old syllabuses. The change in examination format was most significant for the Paper FMA candidates and, overall, they performed worse than their Paper F2 counterparts. Most, but not all, of the poorly attempted questions were calculation-based.

The following questions taken from the December 2011 exam are ones where the performance of candidates was weak – in each case, less than 30% of the candidates selected the correct answer. Each of these questions carried two marks and each related to a mainstream topic in the *Study Guide*.

SAMPLE QUESTIONS FOR DISCUSSION**EXAMPLE 1**

The following shows the total overhead costs for given levels of a company's total output.

Cost \$	Output units
4,000	1,000
7,000	2,000
10,000	3,000
9,500	4,000

A step up in fixed costs of \$500 occurs at an output level of 3,500 units.

What would be the variable overhead cost per unit (to the nearest \$0.01) using the high-low technique?

- A** \$1.67 per unit
B \$1.83 per unit
C \$2.75 per unit
D \$3.00 per unit

This question relates to *Study Guide* reference A3h. The high-low technique estimates variable cost per unit by looking at the change in costs between the highest and lowest levels of output.

The correct answer is A. This can be calculated by finding the change in cost between the highest and lowest output levels not explained by the step in fixed costs (\$9,500 – \$4,000 – \$500 = \$5,000), and dividing by the change in output between the highest and lowest output levels. (\$5,000/(4,000 units – 1,000 units) = \$1.67 per unit.

Many candidates incorrectly based their calculations on the change in costs between the highest and lowest levels of cost, and selected option D ((\$10,000 – \$4,000)/(3,000 units – 1,000 units) or C ((\$10,000 – \$4,000 – \$500)/(3,000 units – 1,000 units). This mistake suggests some confusion between the independent variable, output, and the dependent variable, cost.

EXAMPLE 2

A company calculates the following under a standard absorption costing system.

- (i) The sales volume margin variance
 (ii) The total fixed overhead variance
 (iii) The total variable overhead variance

If a company changed to a standard marginal costing system, which variances could change in value?

- A** (i) only
B (ii) only
C (i) and (ii) only
D (i), (ii) and (iii)

This question relates to *Study Guide* heading D1b.

The correct answer is C. In a standard absorption costing system the sales volume margin variance is based upon profit per unit, whereas under a marginal costing system it is based upon contribution per unit. In a standard absorption costing system the total fixed overhead variance includes expenditure and volume variances. Under marginal costing only the expenditure variance is included. Variable cost variances are the same under both systems. Only 15% of candidates selected the correct alternative. The most frequent answers were A (37% of candidates) and B (30% of candidates). This is essentially a knowledge-based question, and the poor results suggest that candidates need to do more work in this area.

EXAMPLE 3

A company has current assets of \$1.8m, including inventory of \$0.5m, and current liabilities of \$1.0m. What would be the effect on the value of the current and acid test ratios if the company bought more raw material inventory on three-months' credit?

Current ratio	Acid test
A Increase	Increase
B Decrease	Increase
C Increase	Decrease
D Decrease	Decrease

This question relates to *Study Guide* reference E2a.

The correct answer is D, both ratios will decrease. The opening current ratio (current assets/current liabilities) is \$1.8m/\$1.0m = 1.8, and the opening acid test (current assets less stock/current liabilities) is \$1.3m/\$1.0m = 1.3. Purchasing (say) \$1.0m of inventory on short-term credit will decrease the current ratio to (\$1.8m + \$1m)/(\$1.0m + \$1.0m) = 1.4. The acid test would also decrease to \$1.8m/(\$1.0m + \$1.0m) = 0.9. Only 23% of candidates selected this alternative. The most frequently chosen alternative was D (41% of candidates). On this type of question, if the answer is not immediately clear, candidates should substitute in some simple numbers to test out the effects of a transaction.

Inevitably, examiner's reports focus on the more difficult questions that were badly attempted. The exam also contained a number of questions that were very well answered. In the exam, candidates should ensure that they attempt the easier questions first to ensure they gain the 'easy marks'. They can then go on to attempt the more difficult, or time-consuming, questions last.

Future candidates are advised to:

- ▣ study the whole syllabus
- ▣ practise as many questions as possible in preparing for the exam
- ▣ read questions very carefully in the exam
- ▣ attempt all questions in the exam (there are no negative marks for incorrect answers)
- ▣ try to attempt the 'easy' exam questions first
- ▣ not to spend too much time on apparently 'difficult' questions
- ▣ read previous examiner reports.

**PAPER F3/FFA
FINANCIAL ACCOUNTING**

This paper was the first to test some of the new areas introduced into the syllabus from the December 2011 sitting onwards. These main new syllabus areas include:

- ▣ duties and responsibilities of those charged with governance
- ▣ disclosure notes
- ▣ preparing simple consolidated financial statements
- ▣ interpretation of financial statements.

All of these new syllabus areas, with the exception of interpretation of financial statements, featured in the questions with the lowest pass rates on the paper. However, it was pleasing to see that the interpretation of financial statements questions, despite being a new addition to this paper, were answered very well. In fact, some of the questions with the highest pass rates on this paper were on this topic.

The following three questions have been taken from the International paper and were three of the questions with the lowest pass rates on the paper. The aim of reviewing these questions is to give future candidates an indication of the types of questions asked and guidance on dealing with exam questions, as well as a technical debrief on the topics covered by the specific questions selected.

SAMPLE QUESTIONS FOR DISCUSSION**EXAMPLE 1**

Venus Co acquired 75% of Mercury Co's 100,000 \$1 ordinary share capital on 1 November 2011. The consideration consisted of \$2 cash per share and 1 share in Venus Co for every 1 share acquired in Mercury Co. Venus Co shares have a nominal value of \$1 and a fair value of \$1.75. The fair value of the non-controlling interest was \$82,000 and the fair value of net assets acquired was \$215,500.

What should be recorded as goodwill on acquisition of Venus Co in the consolidated financial statements?

- A \$16,500
- B \$147,750
- C \$91,500
- D \$63,375

The correct answer is B. Only 20% of candidates answered this question correctly with the most popular incorrect answer being C.

This is a typical consolidation question which can be expected at this level. It is testing a candidate's ability to calculate goodwill, using the full goodwill method only.

A well-prepared candidate should learn and understand the goodwill calculation, which is a key consolidation adjustment, and be able to think through each of the different components of the question, slotting in the relevant information to be able to answer the requirement.

The correct answer B is calculated as follows:

Fair value of consideration transferred:	
Cash paid: 75% x 100,000 =	\$75,000
acquired x \$2	\$150,000
Shares issued in Venus:	
75% x \$100,000 =	\$75,000
\$75,000 x 1/1 x \$1.75	\$131,250
	\$281,250
Plus: Fair value of the non-controlling interest at acquisition (given in question)	
	\$82,000
	\$363,250
Less: Fair value of net assets at acquisition (given in question)	
	(\$215,500)
Goodwill	\$147,750

If we consider each component in turn, the first thing to identify is how much the parent company has paid to acquire control over the subsidiary. In this question Venus Co acquires control by two forms of consideration: by paying cash and by issuing shares.

We must remember that the calculation of goodwill must be based on fair values of the consideration transferred.

For the cash element this is straightforward as the fair value of cash paid of \$2 per share is given. As long as a candidate remembers that only 75% of the shares are acquired, a total of cash paid of \$150,000 is easily

calculated (as shown in the correct calculation above).

The most challenging part of the question is valuing the shares issued as consideration. A common mistake, made by the majority who had incorrectly chosen C as their answer, was to incorrectly value the share consideration at the nominal value of \$1. The fair value of shares is their market price on the date of acquisition, and therefore would be calculated using \$1.75 (as shown in the correct calculation above).

Second, the fair value of the non-controlling interest needs to be identified. In this question the fair value of the non-controlling interest is given, so in our calculation we just need to add it to the consideration transferred.

This is because, even though we only own 75% of the share capital, the consolidated accounts must show 100% of the goodwill, which is consistent with the treatment of other assets and the concept of control.

In the final part of the calculation, it is also necessary to look at all (100%) of the fair value of net assets at acquisition. Again, this figure is given in this question and just needs to be slotted into the goodwill working. Goodwill is finally found by comparing the consideration transferred, plus the non-controlling interest to the net assets acquired. The \$147,750 represents the excess that Venus Co has paid over and above the fair value of the assets acquired.

EXAMPLE 2

Which of the following investments of Coffee Co should be equity accounted in the consolidated financial statements?

- 1. 40% of the non-voting preference share capital in Tea Co
 - 2. 18% of the ordinary share capital in Café Co with two of the five directors of Coffee Co on the board of Café Co
 - 3. 50% of the ordinary share capital of Choc Co, with five of the seven directors of Coffee Co on the board of Choc Co
- A 1 and 2
 - B 2 only
 - C 1 and 3 only
 - D 2 and 3 only

The correct answer is B. Only 18% of candidates answered this correctly, while 45% of candidates chose the most popular incorrect option D. The key to answering this type of question is to first read the requirement to see what type of relationship we are

trying to identify. In this question it is identifying whether an associate exists, as this type of relationship would lead to equity accounting being used within the consolidated financial statements. (In other questions it may be identifying the existence of subsidiaries, which would lead to the preparation of consolidated or group accounts)

An associate is often identified where between 20%–50% of the equity shares are held in another company, as this is presumed to give significant influence over that entity. However, for an associate to exist, it is not a case of just a matter of the percentage of equity shares held; it also depends on whether the investing company can exercise significant influence, which can be evidenced through the number of directors who can be appointed on the board and participation in decision making.

Once we know we are looking for significant influence to be present in the relationship, each statement is considered in turn to determine if equity accounted would be required.

Statement (1): although a 40% holding is within the 20–50% range, it is a 40% holding in non-voting preference share capital. These do not give Coffee Co significant influence over Tea Co. Candidates must remember that only equity shares (shares with voting rights) give influence, and therefore Tea Co is not an associate and would not be equity accounted for.

Statement (2): candidates may have dismissed this option as soon as they saw that only 18% of the ordinary share capital was held by Coffee Co, as this falls outside the presumed influence range of 20–50%. However, as discussed, we do not just consider the percentage of equity shares held, but also look at whether significant influence can be exercised. Having two out of the five directors effectively gives Coffee Co 40% influence over decision making in the company, so Café Co is an associate and would be equity accounted for.

Statement (3): candidates may have again spotted the 50% and presumed influence, as it is within the 20–50% range and incorrectly concluded that it is an associate. However, looking at the ability to appoint directors shows that Coffee Co has five of the seven directors, effectively giving them control over the decision making in the company. Having control should make candidates spot that, actually, Choc

Co is a subsidiary and therefore would be fully consolidated line by line in the group accounts and would not be equity accounted for.

EXAMPLE 3

Which of the following items should be disclosed in the notes to the financial statements?

- 1. Reconciliation of carrying amounts of non-current assets at the beginning and end of period
 - 2. Useful lives of assets or depreciation rates used
 - 3. Increases in asset values as a result of revaluations in the period
 - 4. Depreciation expense for the period
- A 1 and 2 only
B 1 and 3 only
C 2, 3 and 4 only
D 1, 2, 3 and 4

The correct answer is D. Only 33% of candidates answered this question correctly with the most popular incorrect answer being C.

The syllabus change now means that candidates need to be able to explain the purpose of disclosure notes and should also be able to identify which items would be included in a draft disclosure note for non-current assets (as this question tests), provisions, events after the reporting date and inventory.

It was surprising that the majority of incorrect answers chose C, as item 1 is the basis of how a non-current asset disclosure note would look.

An example of a non-current asset disclosure note can be seen at the top of the next column. This should demonstrate why items 1, 3 and 4 are all correct in this question as they would be disclosed within this note.

So to answer these questions on disclosure notes accurately, a well-prepared candidate needs to have a picture of how the disclosure note would look and understand/learn what disclosures are included. Don't forget that disclosures can be numerical and narrative.

Hence item 2, which is an example of a narrative note that would also be included, describing – in my example note – what the useful life or depreciation rates for land and buildings and plant and equipment would be.

CONCLUSION

In this exam, the worst answered questions mainly dealt with the new syllabus areas of consolidation and disclosure notes. These will be

	LAND AND BUILDINGS \$	PLANT AND EQUIPMENT \$
COST:		
Balance b/fwd	X	X
Revaluation	X	X
Additions	X	X
Disposals	(X)	(X)
Balance c/fwd	X	X
DEPRECIATION:		
Balance b/fwd	X	X
Charge for year	X	X
Disposals	(X)	(X)
Balance c/fwd	X	X
CV at year end (c/fwd)	X	X
CV at start of year (b/fwd)	X	X

tested regularly in future exams and require candidates to have a good understanding of identifying subsidiary relationships and being able to describe and apply the process of consolidation in the preparation of extracts from the consolidated income statement and consolidated statement of financial position. In respect of associates, the *Study Guide* is limited to testing the definition of an associate and an understanding of equity accounting. The style of question that has been set, and that is likely to continue to be set, shows that careful consideration is required of whether significant influence is exercised.

More work is needed on some of the longer-established topics too, as questions involving statements of cash flows, suspense accounts and provisions and contingencies continued to feature in this exam and achieved low pass rates.

PAPER FAU FOUNDATIONS IN AUDIT

The exam paper comprised two sections. Section A contained 10 multiple-choice questions, each worth two marks, on topical areas from across the syllabus. Section B (worth 80 marks) contained four compulsory questions, two of which were worth 25 marks each with the other two being worth 15 marks each. This is the final session of exams for which the paper will be formatted in this way.

A significant majority of candidates answered Section A to a satisfactory standard by answering at least five of the 10 questions correctly. A number of these candidates scored very highly by answering at least eight of the questions correctly. As one might expect, there was a strong correlation between marks achieved in Section A and Section B by individual candidates, with strong or weak performance in one being reflected by strong or weak performance in the other. A number of candidates performed to a satisfactory standard. However, a sizeable minority performed inadequately in both sections, with their overall mark falling a long way short. In general, the reason for inadequate performance is inadequate learning technique combined with a lack of satisfactory exam technique. This was particularly apparent for Section B, where many answers submitted were of an extremely poor standard – often being far too brief, containing irrelevant points, being muddled or totally incorrect. Again, it seems that a very significant number of candidates were not properly prepared for the exam.

Virtually all candidates attempted all of the questions in Section A. Most attempted all questions in Section B, with some answering in the order set and others seemingly answering in order of 'easiest' to 'hardest' questions as seen by them. It was noted that candidates who adopted for the latter strategy often achieved a satisfactory mark for Section B – indicating use of sound exam technique. In Section B, in terms of marks achieved, candidates found Question 2 to be the most challenging followed by Questions 4, 1 and 3 in that order. It is of some concern that a sizeable number encountered particular difficulty with Question 2 given that it tested knowledge of core areas of the syllabus.

This paper is set at a level which is testing but very passable for those who are reasonably well prepared. The main reason for a candidate achieving a low

mark is simply due to lack of proper preparation. The key to success is similar to that for any exam. Namely, a timely and structured approach to a course of study, ensuring that sufficient emphasis is placed on revision, question practice and exam technique.

SPECIFIC COMMENTS

QUESTION 1

The majority of candidates answered this section to a satisfactory standard. However, a significant minority submitted correct answers to only a few of the questions. In line with previous sessions the questions tested candidates' knowledge across the range of topics included in the syllabus, and an in-depth knowledge of these is required if candidates are to ensure a satisfactory mark for the section. Candidates are reminded that the best technique to adopt when answering Section A questions is to work through them methodically in order, leaving any questions out which you are unsure and returning to them after you have attempted the later questions in the section.

SECTION B

QUESTION 1

For a total of 25 marks over five parts, the question tested knowledge about internal control, control activities, auditor objectivity and the audit of tangible non-current assets.

In Part (a), candidates were required to state five objectives that should be exercised over tangible non-current assets. In my examiner's reports for previous sessions, I have frequently mentioned that candidates do not appear to know the difference between 'control objectives' and 'control activities' – often muddling the two. Regrettably, a sizeable minority of candidates at this sitting indicated that they do not know the difference, with many providing a list of five 'examples of control objectives' – all, or the majority, of which were in fact control activities. It was noticeable that relatively few candidates were able to state five control objectives and therefore obtain all of the five marks available for this part of the question.

Part (b) offered two marks for defining the term 'control activities'. Only a minority of candidates seemed to appreciate that for two marks they would be expected to write only a succinct definition – for example, 'Control activities are the policies and procedures that help ensure that

management directives are carried out' (as contained in ISA 315), or similar. A relatively large number of candidates submitted long explanations of the term – many of which were wholly inaccurate, while others were just plainly wrong and were not awarded any of the marks available.

Part (c) asked for descriptions of six control activities that should be established over tangible non-current assets by the subject company. A significant number of candidates provided satisfactory answers here, but a large minority did not – with some confusing control activities with control objectives and others providing examples of audit substantive procedures.

I have previously flagged my continuing concern that many candidates display weak and disjointed knowledge in the areas of internal control objectives and control activities. Despite this, and the inclusion of articles in *Student Accountant*, candidates' performance in these topical areas continues to be unsatisfactory.

Part (d) tested candidates' knowledge on the self-review threat to an auditor's objectivity involved in the design of an improved internal control system. Few candidates obtained all of the three marks available with many obtaining only one mark or less by adding very little, if anything, to the point mentioned in the requirement. A small minority of candidates clearly did not understand as to the meaning of the term 'self review' – this was of particular concern.

The use of an assets register plays an important part in the control and audit of tangible non-current assets, and the six-mark requirement at Part (e) tested candidates' knowledge of these. Most candidates were able to list six pieces of information that should be included in the register for each individual asset (for example, date of purchase or disposal, cost, depreciation method), to obtain the full three marks for the first part of the question. Conversely, in the second part, few seemed to be aware as to how the register should be used by the auditor to verify both the 'existence' and 'completion' assertions.

QUESTION 2

The total mark available for the question was 25, over four discrete parts.

Part (a) required candidates to identify and explain four matters, each for two marks, to be considered in the course of carrying out client screening

procedures in respect of a potential audit client company. Candidates were specifically requested not to refer to the need to communicate with the company's previous auditor; however, a significant number did – obtaining no marks for commenting on this specific issue. A relatively high number included specific planning issues in their answers – and, again, were not awarded marks for these. There is clear demarcation between 'screening' and 'planning' matters, and the fact that so many candidates were unclear as to the distinguishing features of each suggests that additional learning time needs to be focused on these areas. Some of the most important screening considerations relate specifically to ethical matters – for example, threats to the auditor's objectivity (independence) and management integrity – but only a relative few candidates actually referred to 'ethical' issues, and lost the opportunity to obtain marks.

In Part (b)(i), a majority of candidates scored at least half of the five marks available for explaining the reason that staffing issues would represent an important part of the planning process of the audit of the subject company. However, reflecting the apparent general weakness of candidates at this level to competently answer questions specifically about the audit of computer-based accounting systems, a large number of candidates were unable to provide anything more than an unsatisfactory solution to Part (b)(ii) – to explain why the existence of such a system would need to be considered at the audit planning stage. Candidates reviewing the model answers to the Part (b) requirements may note that they each extend to more than 150 words. While there is no real expectation for answers submitted to be so comprehensive, generally for a five-mark requirement candidates cannot realistically expect to obtain anything more than one or two marks when their answers are very short.

Part (c) of the question was answered to an unsatisfactory standard by a significantly high number of candidates, which was unexpected given that the subject matter (ICQs and ICEQs) are important topics. For five marks there was a requirement to explain the purpose of each and clearly distinguish between the two. From the answers submitted it is apparent that a very large minority of candidates have only very superficial knowledge as to the use of these, in that they appreciate both are

used by the auditor at the 'ascertaining, recording and evaluation of the systems' stage of an audit – but do not know how they are actually used by auditors. Many answers amounted to little more than stating assertions that ICQs are used to record systems while ICEQs are used to evaluate systems. A minority confused the use of each by asserting that the former is used to 'evaluate' and the latter is used to 'record' (systems).

The purpose of Part (d), for two marks, was to test candidates' ability to identify the inherent risk factors presented in the financial statements of a retail company with a wide geographical spread of stores. Many candidates were not able to do this and did not score any of the two marks. A majority obtained just one mark or less because they were clearly confused as to what is meant by inherent risk as compared to control risk and detection risk. This is unsatisfactory given that auditors must adopt the risk-based approach when carrying out an audit engagement.

QUESTION 3

The question tested candidates' knowledge of the sufficiency and, appropriateness of audit evidence and while there were some sound answers submitted, there were also some inadequate and incorrect answers which scored very low marks. A total of 15 marks were available over three parts.

Part (a) offered three marks for accurate definitions of the terms 'sufficiency' and 'appropriateness' of audit evidence. A relatively high number of candidates obtained all three of the marks available, but the large majority offered rather imprecise definitions and obtained fewer marks.

ISA 500 sets out the various generalisations about the reliability of audit evidence. One of these was provided as an example in the lead up to the requirement of Part (b), which required candidates to state three (of the four) other generalisations. Two marks were available for each one correctly stated. A large number of candidates correctly stated three of the other generalisations; however, some wasted time and effort by stating all four. Conversely some candidates wasted time and effort by simply including the example generalisation provided in the question along with two others. Unfortunately, many candidates did not score any of the six marks available.

The standard of answers submitted to Part (c) for six marks were mixed. The question required two practical examples of documents prepared outside the company, two documents prepared inside the company and two examples of recalculations performed by the auditor. As included in the model answer – a purchase invoice is an example of a document prepared outside the company and a purchase order is an example of a document prepared inside the company. Similarly, when auditors check the arithmetical accuracy of a purchase invoice or of depreciation calculations they do this by 'recalculating'. A significant minority of candidates ignored the requirements of the question or were unjustifiably confused by it. This was evidenced by the fact that they named audit working papers and other incorrect papers as documents prepared inside or outside of the company, and were of the opinion that reperformance procedures carried out by auditors (such as checking the quantities counted at an inventory count) are, in fact, recalculation procedures.

QUESTION 4

The question was in two distinct parts with each examining different parts of the syllabus – 'auditor's expert' and audit working papers. Fifteen marks were available in total.

At Part (a)(i), the requirement was to identify four fields in which an auditor's expert may have expertise. Most candidates managed to identify at least two fields – the most popular two being in the valuation of land and buildings and in the valuation of specialist plant and machinery. A high number of candidates clearly did not have a proper appreciation of why auditors employ their own experts and proceeded to identify fields of expertise that have no discernible relevance to the inherent risks presented in a set of financial statements. No marks were awarded for these. Part (a)(ii) required candidates to identify four sources from which information regarding the competence, capabilities and objectivity of an auditor's expert may be obtained. This caused few problems for reasonably well-prepared candidates – this fact being reflected in the marks awarded for the part.

Part (b)(i) offered four marks for stating four factors other than 'the size and complexity' of the company, on which the form of audit documentation (working papers) depend. The standard

of answers submitted was, in the main, unsatisfactory with very few candidates managing to identify four relevant factors such as the nature of the audit procedures to be performed, the identified risks of material misstatement and the audit methodology and tools used (for example, CAATs). Part (b)(ii) for three marks, tested understanding of the quite differing functions of a 'hot review' and a 'cold review' of audit documentation. It was apparent that while a significant number of candidates did appreciate that the former is carried out prior to the signing of the auditor's report, and the latter is carried out after, the vast majority have only a very superficial knowledge of what each review actually entails and the purpose of them.

PAPER FTX FOUNDATIONS IN TAXATION (UK)

This exam was the last under this format and consisted of 10 multiple-choice questions of two marks each and four long-form questions for the remaining 80% of the marks.

This report is based on the four long-form questions in Section B of the paper. Section B consisted of four compulsory questions – Question 1 for 24 marks, Questions 2 and 3 for 21 marks each and Question 4 for 14 marks.

The majority of candidates attempted all four questions but often sub-parts of questions were not attempted. In particular, one or more of the three parts of Question 4 were not attempted (discussed later in further detail).

Many scripts were very poor and demonstrated that candidates had very little knowledge of the areas covered by this paper, despite the fact that most of these areas have been frequently examined in the past.

There were, however, some excellent scripts and these candidates are to be congratulated.

One worrying point noticed was some candidates saying 'see workings' despite searching the marker could not find any. Candidates are requested to clearly indicate their workings.

SPECIFIC COMMENTS QUESTION 1

This was a three-part question covering three commonly examined areas of the syllabus.

Part (a) examined five different employee benefits. The question only required the calculation of the actual benefits but several candidates wasted time calculating the tax on

these benefits – candidates must learn to read what is required and only do what is asked and no more. The five benefits were:

- ▣ Medical insurance – this is assessed as the cost to the employer not the amount saved by the employee. Most candidates knew this.
- ▣ The provision of a van – this should have been a flat charge of £3,000 for the use of the van and £550 for the provision of private fuel; the actual proportion of private use is irrelevant. The flat rate amounts cover all the costs of providing the van and, therefore, the actual running costs (£2,900) should not have been used in the calculation. However, some candidates said that there was no benefit as the van was used privately – benefits are only assessed if there is some private use.
- ▣ A company loan – because some of the loan was repaid during the year it is necessary to calculate the benefit in two ways, the average and the strict methods. Most candidates knew this and did two calculations but many appeared not to be able to count the correct number of months or do simple maths. More care is required if full marks are to be earned.
- ▣ The use of an asset – this was generally well done. The benefit is simply 20% of the market value of the asset provided, time apportioned for the period of use. Several candidates, incorrectly, stated that because this was used for entertaining it was therefore exempt.

Part (b) was a straightforward income tax assessment similar to those examined several times before; however, many candidates made the same errors that those before had made.

National savings investment account interest and national savings certificate interest were confused. The former is received gross and is taxable where as the latter is exempt from income tax.

Contributions to an occupational pension plan should have been deducted from employment income – many candidates still insist in grossing them up and extending the bands. This error is reported on in most examiner reports – the different treatment of contributions to occupational pensions and private pensions plans must be learnt.

The calculation of the restricted personal allowance was known by most; however, some should think about the calculations they produce. In one case a

candidate had a personal allowance of over £70,000. The rest of the question was well attempted.

Part (c) required the calculation of the amount to be deducted from trading profit in respect of a shop lease premium. The calculation of the taxable property business income was known by the majority of candidates, but only a few knew that this figure had then to be divided by the number of years of the lease to get the amount deductible from the trading profits of the trader.

QUESTION 2

This was another three-part question, which covered areas of corporation tax.

Part (a) tested capital allowances for a nine-month period. This was generally well attempted with several candidates earning full marks. There were a few candidates who did not know how to attempt this and calculated gains on the disposal of assets or simply added everything up and multiplied the total by any percentage – thankfully this was not a frequent occurrence.

The main points covered by the question were:

- ▣ Annual investment allowance of 100% was available for the first £75,000 (nine months only) of purchases (excluding cars).
- ▣ Disposal proceeds should be the lower of actual proceeds or original cost and should be deducted from the relevant pool – many deducted them all from the main pool.
- ▣ Writing-down allowance (WDA) should have been restricted to 9/12ths.
- ▣ Small pool allowance – this rule was not known by many. When either the main pool or the special rate pool balance falls below £1,000, then the entire balance can be claimed as an allowance.
- ▣ Balancing charge – when an expensive car is sold, then any remaining balance is either an allowance or a charge – a charge in this case.

Part (b) was a basic corporation tax assessment. The areas which caused problems were:

- ▣ Trade losses brought forward must be deducted from the first available trading profits – not from the total income.
- ▣ The disposal of a building – this should have been calculated by deducting the original cost and all costs of purchase and sale from the proceeds. Indexation allowance then further reduces this to give the final gain. The most common error was to

index the gain rather than the cost, or to index the actual cost only instead of the total of the cost plus expenses of purchase. A few candidates still persist in reducing company gains by the annual exempt amount – this is only available to individuals.

- ▣ Non-trade interest paid and received must be netted together.
- ▣ Gift aid deductions are paid gross and, therefore, the amount given must not be grossed up.
- ▣ The taxable total income should be taxed not the augmented profit figure.

Part (c) required candidates to state the payment dates and amount of payment for a large company. The most common mistakes were that candidates either mistook the figure given in the question for profits (whereas the question clearly states it is the tax liability) or applied the rules for sole traders instead of companies.

The answer should have shown the total tax being divided by four to give instalments of £126,000 payable on the 14th of months 7, 10, 13 and 16 from the start of the relevant period.

Finally in this area candidates must remember where dates are asked for, then they must say what year as well as the actual day.

QUESTION 3

This was a two-part question on capital gains tax. As usual Part (a) required the calculation of capital gains on the disposal of assets and Part (b) was a question on capital gains reliefs – rollover relief in this case.

Part (a) was generally well done, although the inclusion of VAT in some of the figures caused problems. If an individual is not registered for VAT, or the asset concerned is not used in a business, then VAT paid is a real cost and cannot be claimed back and, therefore, the VAT inclusive figures should be included in the calculations.

The first three disposals covered three different chattel rules.

A chattel costing less than £6,000 and sold for less than £6,000 is an exempt asset – there is no need to calculate the gain first.

A chattel sold for marginally above £6,000 requires two calculations – the normal proceeds less cost and the 5/3rds rule. The lower of the two is then taken. It should be remembered that the 5/3rds rule uses the gross proceeds not the net proceeds.

A chattel which cost more than £6,000 and sold for less than £6,000

requires that the loss be restricted by deeming the actual gross proceeds to be £6,000.

The final disposal of shares was done reasonably well. The bonus issue simply increases the number of shares held but does not alter the cost. The gain on disposal should then have been based on a proportion of the total shares held after the bonus issue.

Part (b) was not done well.

Candidates were first asked to state the relief available on the disposal of an asset and the subsequent reinvestment of the proceeds into another asset and to state the conditions that have to be met for the relief to be available. The relief available is rollover relief and the four conditions are: both assets must be qualifying business assets, the reinvestment must take place within one year before and three years after the original sale, the full proceeds must be reinvested for full relief and a claim must be made within four years of the end of the tax year of sale.

Most candidates did not know the relief or were confused with the conditions by using statements such as 'reinvest the gain' or 'purchase within one year'.

When calculating the gain to be deferred the gain on the sale must be restricted by any proceeds not reinvested. The amount of the proceeds kept is then taxed in the year of sale. The gain deferred reduces the cost of the replacement to give the revised base cost. The actual gain taxable is then multiplied by the relevant rate of tax (28%) to give the amount due on 31 January 2013.

QUESTION 4

This was a three-part question involving aspects of a sole trader.

Part (a) required the calculation of opening year assessments and the resulting overlap profits. In general this was well done but many candidates simply did not attempt it. There were also several careless calculations, in particular with the counting of months.

When a sole trader starts a business his first year of assessment is always the tax year containing his first day of trading, and the calculation is then the actual profit earned in that tax year – ie day one to the following 5 April.

The second year depends on the particular accounting periods. In this case there was a seven-month period ending in the second tax year, therefore the assessment for the second tax year is the first 12 months of trading – ie day

one plus 12 months (1 November 2008 to 31 October 2009 in this question).

The third year is normally the current year basis – ie the 12-month period ending in that tax year (31 May 2010 in this question).

It should also be noted that if the question asks for the basis periods (as here) then they must be stated to earn full marks.

Part (b) required the calculation of National Insurance contributions for a sole trader. The classes involved are Class 2 and Class 4. Many candidates still do not use the right classes despite the clue in the tax tables given in the exam that states 'Class 1 (employee)' – therefore indicating that these classes do not apply for sole traders. This part was done reasonably well with carelessness being the main problem.

Part (c) required candidates to state the relevant notification and registration dates regarding VAT. Most candidates did not perform well here, with many incorrect dates given.

Traders are required to notify HMRC of their need to register for VAT when their cumulative turnover over a period not exceeding 12 months exceeds the VAT threshold (£70,000 for this exam). They must do this within 30 days (not the end of the following month as many suggested) and then they will be registered from the start of the following month (or earlier if the trader requests).

CONCLUSION

This was the last exam in the current format and, although the percentage of candidates passing was around the same as the last exams, it was disappointing to see so many candidates with such poor results.

Whereas the format of future exams changes, it should be stressed that the syllabus remains predominately the same and, therefore, the same areas will continue to be examined.

Future candidates are strongly urged to look at the *Pilot Paper* for the new syllabus to give them an indication of the standard of questions that will be set in the future.

PAPER FFM

FOUNDATIONS IN FINANCIAL MANAGEMENT

Although the name of the paper had changed this sitting, the syllabus and format of the exam had not. The syllabus and format will change at the next sitting in June 2012.

As in previous sittings, Section A consisted of 10 objective testing

questions, worth 20 marks overall, and Section B comprised four 20-mark questions.

The majority of candidates attempted all of the questions in Section B, suggesting that candidates did not appear to suffer from time pressure in this exam. Where parts of questions were left unanswered, this appeared to be due to a lack of knowledge rather than time pressure. In general, the numerical aspects were answered better than the written aspects in Section B.

Many candidates provided adequate workings for the numerical parts of Section B. It is imperative that candidates show clear workings in their answers, otherwise if the final answer is incorrect, it is impossible to award method marks.

SECTION A

The majority of candidates attempted this section, with about 55% passing it. This section is worth 20% of the final marks, and a good mark here is a sound springboard for Section B. It is imperative that candidates spend time practising the multiple-choice question style in preparation for the real exam.

SPECIFIC COMMENTS

SECTION B QUESTION 1

This question asked candidates to prepare two net present value calculations and then tested their knowledge of the written aspect of investment appraisal.

Candidates generally had a reasonable attempt at Part (a). Few candidates took the incremental approach; for example, many candidates included revenue of \$58,000 ($\$40,000 \times 1.45$) rather than including the incremental revenue of moving to the new premises of \$18,000 ($\$40,000 \times 0.45$). However, as long as candidates were consistent in their approach, and realised that the direct costs were dependant on revenue levels for example, many marks could be gained, as long as workings could be followed.

A consistent error by candidates was to not read the scenario carefully enough. Many candidates, therefore, did not allow for the lease being payable in advance and/or increased revenue by both the 45% and the 40%, despite the scenario using the words 'rather than'. Candidates are not putting themselves in the best position to pass the exam if they do not read the scenario/requirement carefully.

It was pleasing to see that candidates followed advice I have given in previous examiner reports and most provided the conclusion/advice required.

Candidates struggled more with Part (b), with few candidates taking an incremental approach.

Part (c) should have provided easy marks to candidates, being a straight test of knowledge. Good exam technique would have been to answer this part of the question first and get the easy marks. A substantial minority of candidates did not know the advantages and disadvantages of the net present value of investment and this illustrates that candidate are not studying the whole syllabus.

QUESTION 2

Question 2 was a purely discursive question covering working capital and financing.

Part (a) asked why a company needs to manage its working capital. Unfortunately, many candidates defined the term 'working capital', therefore not answering the requirement set. Those candidates who answered the requirement generally scored well.

Part (b) was only worth one mark, but candidates showed good knowledge of the syllabus and often provided comprehensive answers. Poor exam technique was shown by a substantial minority of candidates who gave answers that were far too long for the mark available. It is important that candidates look at the mark allocation provided and tailor how many points they make in a written answer to the marks available.

Part (c) was not well attempted at all. Most candidates merely restated points from the scenario without interpreting or expanding on those facts. It was obvious that candidates had learnt a checklist of factors to look for to indicate that a company was overtrading – for example, inventories increasing, but those facts were not considered in relation to other facts within the scenario – for example, inventories had increased by the same proportion as turnover. There were few conclusions drawn by candidates, and of those who drew conclusions, few candidates realised that Forage Co was not exhibiting all the signs of overtrading.

Part (d) focused on the financing area of the syllabus, asking for four factors that should be considered when deciding whether to apply for a bank loan, an overdraft or a

combination of the two. Good exam technique would be to set up an answer with four headings, one for each factor, and provide a description/applied explanation for each heading. Many candidates did not do this, instead producing a non-structured, rambling answer. The problem with this approach was that many candidates who adopted it repeated points throughout their answer – for example, cost/interest rate was explained a number of times.

Another common error was to not read the requirement properly and write an answer from the point of view of the bank, not Forage Co. So many candidates used the mnemonic CAMPARI, and explained the points as if they were advising the bank whether or not monies should be lent to Forage Co. These candidates missed not only the aspect of advising Forage Co, but also the loan versus overdraft aspect of the requirement.

QUESTION 3

Part (a) asked candidates to prepare a cleared fund forecast and to show the uncleared funds float for each day. The cleared funds forecast was generally attempted very well. Common errors were to incorrectly include the cleaner and office salaries, but generally good marks were gained. The uncleared funds float was less well attempted and many candidates need to revisit this part of the syllabus.

Part (b) was a test of knowledge, and again good exam technique would be to answer this part of the question first. Many candidates showed good knowledge of this area of the syllabus, although some did confuse the term 'direct debit' with 'debit card'.

QUESTION 4

Question 4 examined breakeven analysis. Generally performance on this question was mixed, with candidates successfully attempting Parts (a) to (c), but struggling on Parts (d) and (e).

Part (a) required candidates to use the high-low method to split the variable and fixed production overheads, and then go on to calculate the contribution per spade. Nearly all candidates correctly calculated the variable overhead per unit, but only a few then correctly calculated the contribution per unit, where the grossing up of the variable costs to gain a selling price caused many problems.

In Part (b), most candidates correctly used the fixed production overheads of \$10,000 found using the high-low method in Part (a), but few included the administration overheads and, of those who did, very few included the annual administration overheads of \$24,000. Those candidates who showed good exam technique, and correctly used an incorrect contribution figure from Part (a) within their breakeven calculation, gained follow on method marks. This shows the value of clearly showing all working and answers so that follow on method marks can be awarded.

The calculation of the margin of safety in Part (c) was generally well done, but fewer candidates could provide an explanation of what the figure they had calculated actually meant.

Many candidates did not know how to approach Part (d). The concept of how many units required to make a target profit was examined in December 2010 and should have been familiar to candidates. The added complication here was that candidates were expected to calculate the target profit, and the contribution per unit had dropped by \$1 due to the increased labour costs. The poor standard of answers to this part of the question implies that candidates are not revising past papers, and yet this is an invaluable tool to candidates.

Part (e) asked candidates for a profit-volume chart. This part of the question was poorly answered. Some candidates did not attempt this part of the question at all. Of those who did attempt the graph, the majority produced a breakeven chart rather than a profit-volume chart. This was disappointing, as it was the same mistake that was made by candidates in December 2010 sitting. This shows that candidates are not looking at past papers and related examiner reports, and neither are they taking note of recent articles published in *Student Accountant*, as I had written a piece on breakeven and profit-volume charts that was published in April 2011. Of those candidates who did construct a profit-volume chart, high scores were usually awarded as candidates transferred their answers from Parts (a) to (c) successfully to the chart.

Overall, this was a paper that a well-prepared candidate, who read the requirement correctly, could have passed. However, many did not pass, either through a lack of knowledge and/or not reading the requirement correctly.

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EXAM NOTES

WHAT YOU NEED TO KNOW

FINANCIAL REPORTING - INTERNATIONAL AND UK

PAPER FA2, MAINTAINING FINANCIAL RECORDS AND

PAPER FFA/F3, FINANCIAL ACCOUNTING

Knowledge of examinable documents issued by 30 September will be required in exam session being held in the following calendar year.

Legislation must have been passed or regulation issued prior to 30 September in order to qualify as an examinable. Documents may be examinable even if the effective date is in the future.

The documents listed as being examinable are the latest that were issued/passed prior to 30 September 2010 and will be examinable in June 2012 and December 2012 exam sessions**.

The *Study Guide* offers more detailed guidance on the depth and level at which the examinable documents will be examined. The *Study Guide* should be read in conjunction with the examinable documents list.

International Accounting Standards (IASs)/International Financial Reporting Standards (IFRSs)

		FA2	FFA/F3
IAS 1	Presentation of Financial Statements	•	•
IAS 2	Inventories	•	•
IAS 7	Statement of Cash Flows		•
IAS 10	Events After the Reporting Period		•
IAS 16	Property, Plant and Equipment	•	•
IAS 18	Revenue	•	•
IAS 27	Consolidated and Separate Financial Statements		•
IAS 28	Investments in Associates		•
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	•	•
IAS 38	Intangible Assets		•
IFRS 3	Business Combinations (revised)		•

Other Statements

Framework for the Preparation and Presentation of Financial Statements*	•	•
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Note:

* The Conceptual Framework was issued 28 September 2010. Given the proximity to the cut off, ACCA has made the decision that in the interests of all stakeholders this revised document will not be examined and any questions relating to the framework will be based on the documents listed in the above table.

** It would normally be the case that exams in 2012 would be based on regulation and legislation issued/passed on or before 30 September 2011. As the first exam session of FIA/new F3 papers took place in December 2011 ACCA has decided that it would be not be in the interest of stakeholders to have learning materials applicable to only one exam session. Unless the IASB release regulation that significantly affects the above papers the above table of examinable documents based on regulation in existence as at 30 September 2010 will be examinable for sessions in 2012 until the end of January 2013.

AUDIT - INTERNATIONAL

Knowledge of new examinable regulations issued by 30 September will be examinable in exam sessions being held in the following calendar year. Documents may be examinable even if the effective date is in the future. This means that all regulations issued by 30 September 2011 will be examinable in the June 2012 exam.

The *Study Guide* offers more detailed guidance on the depth and level at which the examinable documents should be examined. The *Study Guide* should therefore be read in conjunction with the examinable documents list.

The accounting knowledge that is assumed for Paper FAU is the same as that examined in Paper FA1 and Paper FA2. Therefore, candidates studying for Paper FAU should refer to the accounting standards listed under Paper FA2. Candidates will also be expected to be familiar with the accounting standards examined in Paper FFA.

PAPER FAU, FOUNDATIONS IN AUDIT

International Standards on Auditing (ISAs)

	Glossary of Terms
	Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services
ISA 200	Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with ISAs
ISA 220	Quality Control for an Audit of Financial Statements
ISA 230	Audit Documentation
ISA 260	Communication with Those Charged with Governance
ISA 265	Communicating Deficiencies in Internal Control to Those Charged with Governance and Management
ISA 300	Planning an Audit of Financial Statements
ISA 315	Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and its Environment
ISA 320	Materiality in Planning and Performing an Audit
ISA 330	The Auditor's Responses to Assessed Risks
ISA 450	Evaluation of Misstatements Identified During the Audit
ISA 500	Audit Evidence
ISA 501	Audit Evidence – Specific Considerations for Selected Items
ISA 505	External Confirmations
ISA 520	Analytical Procedures
ISA 530	Audit Sampling
ISA 540	Auditing Accounting Estimates, Including Fair Value Accounting Estimates and Related Disclosures
ISA 560	Subsequent Events
ISA 570	Going Concern
ISA 580	Written Representations
ISA 700	Forming an Opinion and Reporting on Financial Statements
ISA 705	Modifications to the Opinion in the Independent Auditor's Report

Other Documents

ACCA's 'Code of Ethics and Conduct'

AUDIT

AUDIT - UK

PAPER FAU, FOUNDATIONS IN AUDIT (UK)

ACCOUNTING STANDARDS

All questions set will be based on International Financial Reporting Standards.

International Standards on Auditing (ISAs) (UK and Ireland)

- Glossary of Terms
- ISA 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with ISAs (UK and Ireland)
- ISA 220 Quality Control for an Audit of Financial Statements
- ISA 230 Audit Documentation
- ISA 260 Communication with Those Charged with Governance
- ISA 265 Communicating Deficiencies in Internal Control to Those Charged with Governance and Management
- ISA 300 Planning an Audit of Financial Statements
- ISA 315 Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and its Environment
- ISA 320 Materiality in Planning and Performing an Audit
- ISA 330 The Auditor's Responses to Assessed Risks
- ISA 450 Evaluation of Misstatements Identified During the Audit
- ISA 500 Audit Evidence
- ISA 501 Audit Evidence – Specific Considerations for Selected Items
- ISA 505 External Confirmations
- ISA 520 Analytical Procedures
- ISA 530 Audit Sampling
- ISA 540 Auditing Accounting Estimates, Including Fair Value Accounting Estimates and Related Disclosures
- ISA 560 Subsequent Events
- ISA 570 Going Concern
- ISA 580 Written Representations
- ISA 700 (Revised February 2011) The Auditor's Report on Financial Statements
- ISA 705 Modifications to the Opinion in the Independent Auditor's Report

Ethical standards

All revised December 2010

- ES Provisions available for small entities
- ES1 Integrity, objectivity and independence
- ES2 Financial, business, employment and personal relationships
- ES3 Long association with the audit engagement
- ES4 Fees, remuneration and evaluation policies, litigation, gifts and hospitality
- ES5 Non-audit services provided to audit clients
- Glossary

Other Documents

ACCA's 'Code of Ethics and Conduct'

AUDIT - SINGAPORE

PAPER FAU (SGP), IMPLEMENTING AUDIT PROCEDURES

Singapore Standards on Auditing (SSAs)

- Preface to the Singapore Standards on Quality Control, Auditing, Review, and Other Assurance Related Services
- Framework and Assurance Engagements
- Glossary of Terms
- SSA 200 Overall Objectives of the Independent Auditor and the Conduct of the Audit in Accordance with SSAs

- SSA 220 Quality Control for an Audit of Financial Statements
- SSA 230 Audit Documentation
- SSA 260 Communication with Those Charged with Governance
- SSA 265 Communicating Deficiencies in Internal Control to Those Charged with Governance and Management
- SSA 300 Planning an Audit of Financial Statements
- SSA 315 Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and its Environment
- SSA 320 Materiality in Planning and Performing an Audit
- SSA 330 The Auditor's Responses to Assessed Risks
- SSA 450 Evaluation of Misstatements Identified During the Audit
- SSA 500 Audit Evidence
- SSA 501 Audit Evidence – Specific Considerations for Selected Items
- SSA 505 External Confirmations
- SSA 520 Analytical Procedures
- SSA 530 Audit Sampling
- SSA 540 Auditing Accounting Estimates, Including Fair Value Accounting Estimates and Related Disclosures
- SSA 560 Subsequent Events
- SSA 570 Going Concern
- SSA 580 Written Representation
- SSA 700 The auditor's report on financial statements
- SSA 705 Modifications to the Opinion in the Independent Auditor's Report

Other Documents

Revised ICPAS Code of Professional Conduct and Ethics

TAX

PAPER FTX (UK), FOUNDATIONS IN TAXATION

The following notes refer to Paper FTX (UK) only. Guidance for other variant papers – where available – is available on the ACCA website.

Legislation which received Royal Assent on or before 30 September annually will be assessed in the exam sessions being held in the following calendar year. Therefore, the June and December 2012 exams will be assessed on legislation which received Royal Assent on or before 30 September 2011.

FINANCE ACT

The latest Finance Act which will be examined in Paper FTX (UK) at the June and December 2012 sessions is the Finance Act 2011. With regard to prospective legislation when, for example, provisions included in the Finance Act will only take effect at some date in the future, such legislation will not normally be examined until such time as it actually takes effect. The same rule applies to the effective date of the provisions of an Act introduced by statutory instrument.

The *Study Guide* offers more detailed guidance on the depth and level at which the examinable documents should be examined. The *Study Guide* should therefore be read in conjunction with the examinable documents list.

TAX

SUPPLEMENTARY INSTRUCTIONS, TAX RATES AND ALLOWANCES

The following supplementary instructions, tax rates and allowances will be reproduced in the exam paper in June 2012. In addition, other specific information necessary for candidates to answer individual questions will be given as part of the question.

- Calculations and workings need only be made to the nearest £.
- All apportionments should be made to the nearest month.
- All workings should be shown.

Income tax

		Normal rates	Dividend rates
		%	%
Basic rate	£1–£35,000	20	10
Higher rate	£35,001– £150,000	40	32.5
Additional rate	£150,001 and over	50	42.5

A starting rate of 10% applies to savings income where it falls within the first £2,560 of taxable income.

Personal allowances

	£
Personal allowance	£7,475
Income limit for standard personal allowance	£100,000

Car benefit percentage

The base level of CO₂ emissions is 125 grams per kilometre (g/km).

	%
Petrol cars with CO ₂ emissions of 75g/km or less	5
Petrol cars with CO ₂ emissions between 76 and 120g/km	10

Car fuel benefit

The base figure for calculating the car fuel benefit is £18,800.

Pension scheme limits

The maximum contribution that can qualify for tax relief without evidence of earnings £3,600

Authorised mileage allowances: cars

Up to 10,000 miles	45p
Over 10,000 miles	25p

CAPITAL ALLOWANCES: RATES OF ALLOWANCE

Plant and machinery

	%
Main pool	20
Special rate pool	10

Motor cars (purchases since 6 April 2009 (1 April 2009 for limited companies))

CO ₂ emissions up to 110 grams per kilometre	100
CO ₂ emissions between 111 and 160 grams per kilometre	20
CO ₂ emissions over 160 grams per kilometre	10

Annual investment allowance

First £100,000 of expenditure	100
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Industrial buildings allowance

Writing-down allowance	1
------------------------	---

Corporation tax

Financial year	2009	2010	2011
Small companies rate	21%	21%	20%
Main rate	28%	28%	26%
	£	£	£
Lower limit	300,000	300,000	300,000
Upper limit	1,500,000	1,500,000	1,500,000
Standard fraction	7/400	7/400	3/200

Marginal relief

Standard fraction x (U–A) x N/A

Value added tax

Standard rate	20%
Registration limit	£73,000
Deregistration limit	£71,000

Capital gains tax

Rate of tax	– Lower rate	18
	– Higher rate	28
Annual exemption		£10,600
Entrepreneurs' relief – Lifetime limit		£10,000,000
	– Rate of tax	10%

National Insurance contributions (not contracted out rates)

		%
Class 1 Employee	£1–7,225 per year	Nil
	£7,226–42,475 per year	12.0
	£42,476 and above per year	2.0
Class 1 Employer	£1–7,072 per year	Nil
	£7,073 and above per year	13.8
Class 1A		13.8
Class 2	£2.50 per week	
	Small earnings exception limit – £5,315	
Class 4	£1–7,225 per year	Nil
	£7,226–42,475 per year	9.0
	£42,476 and above per year	2.0

Where weekly or monthly calculations are required, the Class 1 limits shown above should be divided by 52 (weekly) or 12 (monthly) as applicable.

Rates of interest (assumed)

Official rate of interest	4%
---------------------------	----

EXAM SUPPORT

EXAMINERS' APPROACH AND EXAMINERS' ANALYSIS INTERVIEWS

ACCA is committed to providing support to all its students. As part of this support, a range of materials – in a variety of media to reach as many students as possible – is available specifically to address the ACCA Qualification exams. Information from ACCA's examiners including examiner reports, examiner interviews and a wide variety of technical articles are available in a range of different media on the ACCA website.

The two sets of examiner interviews are available on www.accaglobal.com and are extremely valuable resources. Each set of interviews can help you prepare for your exams in different ways and, when used in conjunction with the paper resources available, they can make a big difference to your studies.

EXAMINERS' APPROACH INTERVIEWS

The examiners' approach interviews are very useful when you are undertaking a particular paper for the first time, giving you a real insight into what examiners are looking for in terms of exam performance. They cover the main themes of each paper and give information on the style of the exams and how they are structured. They also advise on exam technique, with tips on how to succeed and potential pitfalls to avoid.

The examiners' approach interviews complement the examiners' approach articles, which were written to give guidance on how to tackle each exam paper. These resources contain similar information but the difference in delivery method can be a useful advantage when studying and may give you a better chance of absorbing the examiners' advice. The examiners' approach interviews also contain useful links to other relevant resources for your exam.

ACCA IS COMMITTED TO PROVIDING SUPPORT TO ALL ITS STUDENTS. EXAMINER REPORTS, EXAMINER INTERVIEWS, EXAM NOTES (WHICH PROVIDE GUIDANCE ON EXAMINABLE MATERIAL, INCLUDING RELEVANT ACCOUNTING AND AUDITING DOCUMENTS) AND A WIDE VARIETY OF TECHNICAL ARTICLES ARE AVAILABLE IN A RANGE OF DIFFERENT MEDIA ON THE ACCA WEBSITE AT WWW2.ACCAGLOBAL.COM/STUDENTS/ACCA/EXAMS

EXAMINERS' ANALYSIS INTERVIEWS

The examiners' analysis interviews build on the examiners' approach interviews. They highlight where students are performing well, where students are performing less well, and give advice on how students can improve performance in problem areas.

It's never too soon to start listening to the examiners' analysis interviews, but they would probably be most useful once you have covered the syllabus and are starting to think about the detail of a paper and how to apply what you have learned in the exam.

They are designed to give guidance around which areas of the syllabus students have been struggling with in recent exam sittings and how students can tackle the difficulties others have been having. The analysis interviews are closely related to the examiners' reports, which are published after each exam session. They bring together the examiners' reports from the first three sessions of the ACCA Qualification, illustrating that some mistakes are being repeated consistently and highlighting critical areas of the syllabus to focus on. Remember, this does not mean one of those areas will

necessarily be examinable in the next session.

The ACCA website features examiner interviews recently at this year's Learning Providers' Conference. It is still very important to make use of the individual examiners' reports available in this issue of the *Essential Guide* and on the ACCA website, as well as listening to the analysis interviews. After you have worked through a practice question, refer to the relevant examiner's report and you will find an analysis of that question, what the examiner is looking for in a good answer, typical answers given by students, why they might not be relevant and so on.

All of these resources and others such as the *Syllabus* and *Study Guide*, past papers, examinable documents and technical articles can be accessed at www2.accaglobal.com/students/acca/exams/

EACH SET OF EXAMINER INTERVIEWS CAN HELP YOU PREPARE FOR YOUR EXAMS IN DIFFERENT WAYS AND, WHEN USED IN CONJUNCTION WITH THE PAPER RESOURCES AVAILABLE, THEY CAN MAKE A BIG DIFFERENCE TO YOUR STUDIES.





DON'T FORGET

- ✓ Submit an exam entry at any time
- ✓ Enter for exams online early and save money
- ✓ Enter for one of the next two exam sessions
- ✓ Amend existing exam entries

Visit www.accaglobal.com/students/exams/entries

OUR NEW EXAM ENTRY DATES

JUNE EXAMS		
8	March	Early exam entry (online only)
8	April	Standard exam entry (online and paper)
8	May	Late exam entry (online only)

DECEMBER EXAMS		
8	September	Early exam entry (online only)
8	October	Standard exam entry (online and paper)
8	November	Late exam entry (online only)



HOW WILL YOU REMEMBER?
www.accaglobal.com/dontforget

RESOURCES

The Resources section contains important information to prepare for your exams, and also includes answers to your frequently-asked questions and contact details for *ACCA Connect*

60 FEES

Exam fees for ACCA and Foundations in Accountancy papers and ways to pay

61 EXAM TIMETABLE

Detailed exam timetable for the June 2012 exam session to help with your diary planning

62 EXAM RULES

Important exam rules for students intending to take exams in June 2012

63 EXAM ENTRY

The exam entry procedure and key dates have changed

63 STUDY OPTIONS

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Answers to frequently asked questions about Approved Learning Partners – content

66 EXAM DAY FAQs

Advice on exam day preparation

67 SELF-CHECK MODULES

Test your English and maths skills



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582 2000

FOR ALL ENQUIRIES,
SIMPLY CONTACT ACCA
CONNECT – OUR GLOBAL
CUSTOMER SERVICE
CENTRE. HOWEVER YOU
WANT TO CONTACT
US – BY PHONE, FAX,
EMAIL OR POST –
ONE OF OUR EXPERT
ADVISERS WILL BE HAPPY
TO ASSIST YOU

STAY CONNECTED

ACCA Connect is now available
24 hours a day, seven days a week,
365 days a year providing global
support at times convenient to you.

You can also access your myACCA
account and the ACCA website for
answers to many queries.

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website: www.accaglobal.com



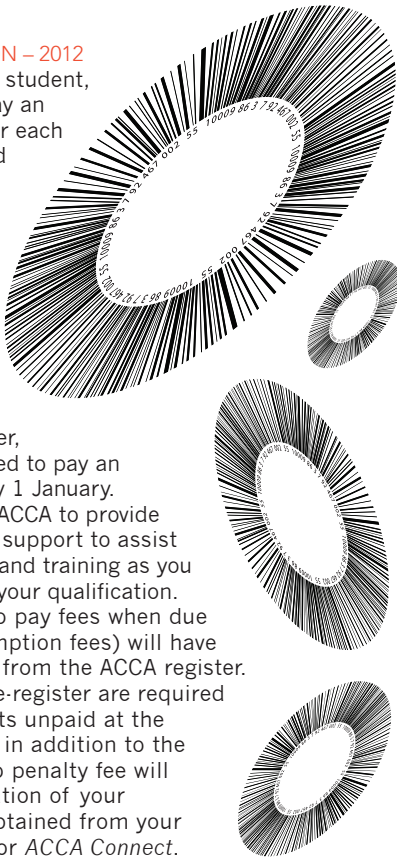
FEES

ANNUAL SUBSCRIPTION – 2012

Please note that, as a student,
you are required to pay an
annual subscription for each
year you are registered
with ACCA. This is a
separate fee to your
initial registration
fee. Your annual
subscription is
due on 1 January
– irrespective of
the month you
registered.

For example, if you
registered in December,
you will still be required to pay an
annual subscription by 1 January.
The payment enables ACCA to provide
you with services and support to assist
you with your studies and training as you
work towards gaining your qualification.

Students who fail to pay fees when due
(including exam/exemption fees) will have
their names removed from the ACCA register.
Students wishing to re-register are required
to submit any amounts unpaid at the
time of their removal in addition to the
re-registration fee. No penalty fee will
be charged. Confirmation of your
unpaid fees can be obtained from your
national ACCA office or ACCA Connect.



The following fees and subscriptions apply:

ACCA Qualification and Foundation in Accountancy students

Initial registration	£77
Re-registration	*£77
Annual subscription	£77
*plus unpaid fee(s)	

EXAM FEES

Exam entry period	June 2012 exam fee (per exam)	December 2012 exam fee (per exam)
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Fundamentals level Knowledge module exams

Papers F1, F2 and F3		
Early	£55	£60
Standard	£64	£69
Late	£192	£200

Foundations in Accountancy

Papers FA1 and MA1		
Early	£38	£42
Standard	£44	£48
Late	£172	£180
Papers FA2 and MA2		
Early	£38	£42
Standard	£44	£45
Late	£172	£180
Papers FAB, FMA, FFA, FTX, FAU and FFM		
Early	£55	£60
Standard	£64	£69
Late	£192	£200

Are your contact details up to date?
<https://www.acca-business.org>



JUNE 2012 EXAM SESSION

The following dates have been confirmed for the next exam session:

JUNE 2012

Week 1 11 to 15 June
 Week 2 18 to 20 June

Exams will take place over an eight-day period with one session of exams each day.

The exams will be held concurrently in five different time zones. The base starting times in each of these time zones will be:

- ▣ Zone 1 (Caribbean) – 08.00hrs
- ▣ Zone 2 (UK) – 10.00hrs
- ▣ Zone 3 (Pakistan and South Asia) – 14.00hrs
- ▣ Zone 4 (Asia Pacific) – 15.00hrs
- ▣ Zone 5 (Australasia) – 17.00hrs.

Local starting times will be set falling out from these base start times for every centre. Details of local start times can be found against each centre on the *Examination Centre List* accompanying your *Examination Entry Form*. Papers F1 to F3 are two-hour exams, and Papers F4 to F9 and P1 to P7 are three-hour exams.

Monday 11 June

FTX Foundations in Taxation
F5 Performance Management
P7 Advanced Audit and Assurance

Tuesday 12 June

MA2 Managing Costs and Finance
FFM Foundations in Financial Management
F6 Taxation
P4 Advanced Financial Management

Wednesday 13 June

FA2 Maintaining Financial Records
F7 Financial Reporting

Thursday 14 June

MA1 Management Information
F8 Audit and Assurance
P5 Advanced Performance Management

Friday 15 June

FAB Accountant in Business
F1 Accountant in Business
F9 Financial Management
P6 Advanced Taxation

Monday 18 June

FAU Foundations in Audit
F4 Corporate and Business Law
P3 Business Analysis

Tuesday 19 June

FFA Financial Accounting
F3 Financial Accounting
P2 Corporate Reporting

Wednesday 20 June

FA1 Recording Financial Transactions
FMA Management Accounting
F2 Management Accounting
P1 Governance, Risk and Ethics

ACCA exam rules: www2.accaglobal.com/students/rules/exam_regs

EXAMS WILL TAKE PLACE OVER AN EIGHT-DAY PERIOD WITH ONE SESSION OF EXAMS EACH DAY.

EXAM TIMETABLE

KEEPING YOU INFORMED

The quickest way for us to send you important information such as changes to exam entry and exam results is by e-communication (such as email and SMS) but we need you to give us your permission – it's the law. To update your details to ensure we use your preferred method of communication, please visit our website at www2.accaglobal.com/consent for further information.



EXAM RULES

Important information for ACCA students intending to take exams at the June 2012 exam session

- 1 You are required to comply in all respects with any instructions issued by the registrar, exam supervisor, and invigilators before and during an exam.
- 2 You may not attempt to deceive the registrar or the exam supervisor by giving false or misleading information.
- 3 You are not allowed to take to your exam desk, possess, use, or intend to use while at that desk, any books, notes or other materials except those authorised by the registrar. If you are found to have taken to your desk, or possessed while at that desk, unauthorised materials which are relevant to the syllabus being examined, it will be assumed that you intended to use them to gain an unfair advantage in the exam. In any subsequent disciplinary proceedings, it shall be for you to prove that you did not intend to use the materials to gain an unfair advantage in the exam.
- 4 You may not assist, attempt to assist, obtain, or attempt to obtain assistance by improper means from any other person during your exams.
- 5 You are required to adhere at all times to the Instructions to Candidates, which you receive with your *Examination Attendance Docket*.
- 6 You are required to comply with the exam supervisor's ruling. Supervisors are obliged to report any cases of irregularity or improper conduct to the registrar. The supervisor is empowered to discontinue your exam if you are suspected of misconduct and to exclude you from the exam hall.

THESE RULES ARE REPRODUCED ON YOUR EXAMINATION ATTENDANCE DOCKET – YOU SHOULD TAKE TIME BEFORE THE EXAMS TO FAMILIARISE YOURSELF WITH THEM. IN ORDER TO BE ELIGIBLE TO SIT YOUR EXAMS YOU MUST SIGN YOUR DOCKET CONFIRMING YOUR AGREEMENT TO COMPLY WITH THESE RULES.

- 7 You may not engage in any other unprofessional conduct designed to assist you in your exam attempt.
- 8 You are not permitted to remove either your script booklet or your question paper from the exam hall. All exam scripts remain the property of ACCA.
- 9 Once the exam has started, you are not allowed to leave the exam hall permanently until the end of the session, and then only when instructed by the supervisor.

These regulations are reproduced on your *Examination Attendance Docket* – you should take time to familiarise yourself with them. In order to be eligible to sit your exams, you must sign your docket confirming your agreement to comply with these regulations.

Important examination rules

- ▣ Mobile phones and pagers should be switched off at all times in the exam hall, and are not permitted to be taken to your desk under any circumstances. Mobile phones are not permitted on your desk even if they remain switched off.

- ▣ Calculators taken into the exam must comply with the regulations stated on your *Examination Attendance Docket* – ie they should be noiseless, pocket-sized, and they must not have a print-out facility or graphic word display facility in any language.
- ▣ For security reasons, the exams are held concurrently in five different time zones. Students are therefore not permitted to leave the hall permanently until the end of the exam session. Any student in breach of this regulation will be reported.

In the exam hall

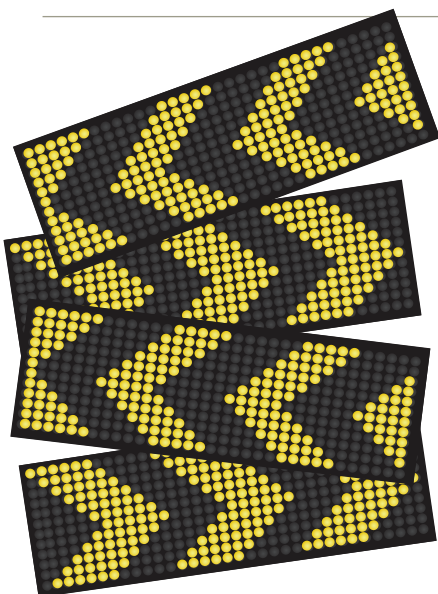
Every effort is made to ensure that you sit your exams in the best conditions. However, if you have a complaint regarding the centre operation, you should make this known to the exam supervisor in the first instance. The supervisor will do everything within their power to resolve the matter to your satisfaction there and then. If the complaint is of a fundamental nature, ACCA will take whatever further remedial action it considers appropriate in the circumstances.

RULES AND REGULATIONS

ACCA's disciplinary procedures cover matters such as professional misconduct, misconduct in exams and breaches of regulations which include any actions likely to bring discredit to you, ACCA, or the accountancy profession. The rules governing disciplinary procedures for students (and members) are set out in ACCA's Bye-laws and Regulations. All registered

students are bound by these Bye-laws and Regulations. Further enquiries about matters which may be subject to disciplinary procedures can be directed to the Professional Conduct Department at our London office in the UK. ACCA's *Rulebook* is available for reading online, or at ACCA offices. Visit www2.accaglobal.com/students/rules/ for more information.

THE LATEST VERSION OF ACCA'S RULEBOOK IS AVAILABLE FOR READING ONLINE, OR AT ACCA OFFICES. VISIT WWW2.ACCAGLOBAL.COM/STUDENTS/RULES/ FOR MORE INFORMATION.



Are your contact details up to date?
<https://www.acca-business.org>

EXAM ENTRY: KEY DATES



ACCA's exam entry process offers you flexibility and can save you money. Using the online exam entry process, you can:

- ❑ submit an exam entry at any time of the year
- ❑ enter for exams early at a reduced fee
- ❑ enter for one of the next two exam sessions – June or December
- ❑ make amendments to existing exam entries – including changing exam centre, variant papers or entering for other exams.

ALL OF THESE NEW BENEFITS ARE EXCLUSIVELY AVAILABLE FOR EXAM ENTRIES MADE ONLINE

We are also making changes to the standard exam entry closing date for online and paper exam entries and we are keeping the online late exam entry period for those last minute exam entry emergencies. The dates to remember are illustrated in **Table 1** (June 2012) and **Table 2** (December 2012).

TABLE 1: CLOSING DATES TO REMEMBER FOR JUNE 2012 EXAM ENTRY

8 March 2012	Early exam entry (online only)
8 April 2012	Standard exam entry (online and paper)
8 May 2012	Late exam entry (online only)

TABLE 2: CLOSING DATES TO REMEMBER FOR DECEMBER 2012 EXAM ENTRY

8 September 2012	Early exam entry (online only)
8 October 2012	Standard exam entry (online and paper)
8 November 2012	Late exam entry (online only)

SEE PAGE 60 FOR INFORMATION ABOUT EXAM FEES FOR EARLY, STANDARD AND LATE EXAM ENTRY

STUDY OPTIONS

Choosing how you are going to study will be one of the most important decisions you make during your time preparing for your exams. Will you study with a tuition provider, or at home? How do you decide, from all the institutions offering tuition, which will be most suitable for your needs?

There are numerous tuition providers and a wide variety of different study methods, so selecting the one which is right for you can be difficult. Taking recommendations from friends and colleagues can provide some guidance, but what is suitable for one individual may not be the best option for another.

APPROVED LEARNING PARTNERS

If you choose to study with a tuition provider, ACCA strongly recommends you opt for one which is approved under ACCA's Approved Learning Partner – Student Tuition programme, as you can be sure:

- ❑ they have been assessed against ACCA's widely recognised and highly-regarded global best practice benchmarks

- ❑ they have access to a range of development opportunities and tools provided by ACCA
- ❑ an investigation will be carried out in the event of any student complaints.

HOW TO CHOOSE A TUITION PROVIDER

Regardless of whether or not you choose to study with one of ACCA's Approved Learning Partners, there are a number of factors that you may wish to take into consideration when choosing a tuition provider:

- ❑ Location: is there a choice of tuition providers in your local area? If not, you may want to consider a tuition provider who offers a distance learning package.
- ❑ Qualifications and courses offered: does the tuition provider offer a course for the qualification and paper(s) that you are studying for? Will you be able to take subsequent papers with the same tuition provider?
- ❑ Modes of study offered: are you looking for a full-time, part-time or revision course? Do you want to attend a tuition provider who offers

face-to-face tuition, or would a distance learning package be more suited to your needs?

- ❑ Variants and adapted papers: does the tuition provider offer tuition for the variant or adapted paper that you are studying for?
- ❑ Computer-based exams: if you are studying towards Foundations in Accountancy papers or the Knowledge module of the ACCA Qualification, will you be able to take computer-based exams with the same tuition provider?
- ❑ Facilities: if you intend to drive to your chosen tuition provider, are there car parking facilities available? If you do not have access to a computer or the internet, does the tuition provider have computers available for students' use? Do you require disabled access?

You can search for a tuition provider using ACCA's Tuition Provider database (www2.accaglobal.com/students/study/search).

ALP-C

We answer your frequently-asked questions about ACCA Approved Learning Partners – content

WHAT ARE THE BENEFITS OF USING MATERIALS PRODUCED BY AN APPROVED LEARNING PARTNERS – CONTENT?

Using materials produced by an Approved Learning Partner – content (ALP-c) is the best way to ensure you are using the most comprehensive and up-to-date materials to support your studies. All of the materials produced by ACCA's Approved Learning Partners – content have been through an extensive quality assurance process and, as such, are guaranteed to cover the entire ACCA syllabus in appropriate detail. Materials produced by ACCA's Platinum Approved Learning Partner, BPP, are subject to the most extensive quality assurance – an examiner review.

WHAT DOES ACCA MEAN BY 'CONTENT'?

ACCA defines content as material designed to supply students with some, or all, of the knowledge they require to pass an ACCA exam. ACCA's definition of content is not confined solely to printed materials and, as such, allows ACCA to quality assure e-books and other online offerings from our Approved Learning Partners – content, providing students with the widest range of approved materials to choose from. Many ALP-c learning resources have extra material available online, which can prove valuable in exam preparation.

HOW DO I FIND OUT ABOUT WHICH LEARNING MATERIALS ARE AVAILABLE TO SUPPORT MY STUDIES?

ACCA has created the Content Provider Directory for students. This is designed to make it easy to access up-to-date information about the learning materials available to support your studies. The directory distinguishes between materials provided by ACCA Approved Learning Partners – content which have been quality assured and cover all syllabus areas, materials which have not been quality assured by ACCA and those materials which may be useful additional reading for students to read around the subject but have not been designed specifically to support study for the ACCA exams. Visit www2.accaglobal.com/learningproviders/alpc/content_provider_directory/search/ to access the Content Provider Directory.

IS THERE ANY INFORMATION AVAILABLE ABOUT WHERE I CAN BUY LEARNING MATERIALS PRODUCED BY ACCA'S APPROVED LEARNING PARTNERS – CONTENT?

All of ACCA's Approved Learning Partners – content either have a list of suppliers or links to their websites and contact details to find out how to order materials, on the ACCA website. The supplier lists available on the ACCA website are

ACCA feels it is important that students should be aware of them. ACCA does not recommend these materials to students and cannot comment on whether the books cover the ACCA syllabus. They may, however, be a useful supplement to a main study text by an Approved Learning Partner – content.

CAN I USE OLD TEXTBOOKS OR BORROW A TEXTBOOK FROM A FRIEND WHO DID THE EXAM A COUPLE OF YEARS AGO?

ACCA strongly advises against using materials which are out of date. ACCA syllabuses are updated on an annual basis and, as such, so are the materials produced by ACCA's Approved Learning Partners – content. Further to this, each year ACCA issues a list of examinable documents. The cut-off date for which is 30 September (the papers most directly affected are Papers F3, F4, F6, F7, F8, P2, P6 and P7). This means that any regulation and legislation issued by 30 September could potentially be deemed an examinable document in exam sessions within the following calendar year. If you are using an out-of-date book it will not cover these new areas and you will be severely disadvantaged in the exams. For information about ACCA's examinable documents, please visit www2.accaglobal.com/students/pass/examinable_documents/. Up-to-date

YOU SHOULD ALWAYS USE AN AUTHENTIC STUDY TEXT PRODUCED BY ONE OF ACCA'S APPROVED LEARNING PARTNERS FOR CONTENT

global and you should be able to find a distributor located in your country of residence. These are accessible via the Content Provider Directory. If you are unable to access materials by one of ACCA's Approved Learning Partners – content where you live, please contact students@accaglobal.com to let us know. Alternatively, please contact the specific Approved Learning Partner – content in question.

SHOULD I USE THE MATERIALS LISTED ON THE CONTENT PROVIDER DIRECTORY WHICH ARE LISTED AS 'NOT QUALITY ASSURED'?

Materials listed on the Content Provider Directory as 'not quality assured' have not undergone any quality assurance review by ACCA. 'Subscribers' to the directory provide learning materials and

materials by ACCA's Approved Learning Partners – content will be complete, relevant and reliable for the exam sessions they cover.

AUTHENTIC STUDY RESOURCES

ACCA would like to remind all students that you should always use an authentic study text produced by one of ACCA's Approved Learning Partners – content. Values, ethics and governance are essential skills for finance professionals. ACCA has a holistic approach to your ethical development via exams, the practical experience requirements, and the Professional Ethics module. As well as not using pirated books, it is important to remember that borrowing or accessing software or electronic products, or file-sharing those products, is a breach of copyright.



PRACTICAL EXPERIENCE REQUIREMENT

A key part of the ACCA Qualification is getting relevant practical experience in the workplace. Our exams will give you the theory behind your knowledge of accountancy. But you also need to have the practical experience to support it. This practical experience requirement (PER), alongside your exams and ethical awareness, will mean you are fully prepared for a challenging career as a professional accountant.

The ACCA Qualification closely links practical experience to your studies. This means you can apply the knowledge you gain from the exams in your workplace. This also will show future employers that you have the right mix of knowledge and skills.

You need to do 36 months of relevant work experience and achieve 13 of the performance objectives listed below. You will need to do all nine listed as 'Essentials' and four of those listed as 'Options'.

Performance objectives are part of the requirements you must meet for your practical experience. They set out a clear guide for the activities you should do and what you should achieve in the workplace. They outline the standards and expected result of your work. They also show the attitudes you are expected to have as a trainee accountant.

ESSENTIALS (ALL NINE TO BE DONE)

Professionalism, ethics and governance

- 1 Demonstrate the application of professional ethics, values and judgment.
- 2 Contribute to the effective governance of an organisation.
- 3 Raise awareness of non-financial risk.

Personal effectiveness

- 4 Manage self.
- 5 Communicate effectively.
- 6 Use information and communications technology.

Business management

- 7 Manage ongoing activities in your area of responsibility.
- 8 Improve departmental performance.
- 9 Manage an assignment.

OPTIONS (FOUR TO BE DONE)

Financial accounting and reporting

- 10 Prepare financial statements for external purposes.
- 11 Interpret financial transactions and financial statements.

Performance measurement and management accounting

- 12 Prepare financial information for management.
- 13 Contribute to budget planning and production.
- 14 Monitor and control budgets.

Finance and financial management

- 15 Evaluate potential business/investment opportunities and the required finance options.
- 16 Manage cash using active cash management and treasury systems.

Audit and assurance

- 17 Prepare for and collect evidence for audit.
- 18 Evaluate and report on audit.

Taxation

- 19 Evaluate and compute taxes payable.
- 20 Assist with tax planning.

Visit the **ACCA** website to find out more about PER

OXFORD BROOKES BSc (HONS)

Students completing certain papers of the ACCA Qualification are eligible to apply for a BSc (Hons) in Applied Accounting from Oxford Brookes University.

The degree must be completed within 10 years of your initial registration on to ACCA's professional qualification; otherwise, your eligibility will be withdrawn.

Check your eligibility status at www2.accaglobal.com/students/bsc/. The dates below outline the forthcoming deadlines for completing the qualifying exams and the last opportunity to submit your *Research and Analysis Project* (RAP):

First session (1)	Final session for completing the qualifying exams (2)	Final date for submission of RAP
June 2002 December 2002	December 2011 June 2012	May 2012 November 2012

Notes

- 1 First applicable exam session as confirmed at the time of your initial registration with ACCA.
- 2 Completion of Fundamentals level exams.

Professional Ethics module

Students wishing to submit their *Research and Analysis Project* (RAP) must complete the Professional Ethics module. For more information visit www2.accaglobal.com/students/bsc/



EXAM DAY FAQs

WHAT HAPPENS ON THE EXAM DAY?

You will receive an *Examination Attendance Docket* which includes a timetable of all the exams that you are entered for; details of the desk that has been assigned to you for each paper; and the address of your exam centre. If you are not completely sure of the location of the centre, how to get there or how long it may take you, make sure you rehearse your route before the day of the exam. Please remember that exams may start at peak times so you should allow for rush-hour traffic and possible hold-ups.

On arrival at the centre you must show your *Examination Attendance Docket* in order to gain entry to the exam hall. You must sit at the desk detailed on your docket. This will ensure that you are registered as being in attendance for that exam.

The docket will be collected by the supervisor during the exam to record your attendance. If you have any other exams during the session, the docket will be returned to you. If it is your last exam of the session, the docket will be retained for our records.

The *Examination Attendance Docket* also details important exam regulations and guidelines. You should read these carefully to familiarise yourself with the exam procedure and what equipment you are allowed to take with you into the exams. These regulations are reproduced regularly in the Noticeboard section of *Student Accountant*.

Please also remember to take your student registration card with you to each exam. If you do not have a student registration card, please take some other form of photographic ID. This will be checked during the exam together with your *Examination Attendance Docket* to verify your identity.

You should try to arrive at the exam centre about 30 minutes before the start of the exam. This will give you time to relax and prepare yourself. If you are sitting a three-hour exam, you will be given an additional 15-minute reading and planning time allowance. However, you should still be at your desk at the time stated on your docket.



WHAT WILL HAPPEN IF I MAKE AN ERROR ON THE EXAM DOCUMENTATION I HAVE TO COMPLETE?

It is important that you take care when completing your details on the exam documentation and the front of the exam answer booklet. These details are used in the marking process to ensure that you are issued with a result.

Please check carefully the information that you have filled in using the bubbles and written on the answer booklet. Make sure that you complete all of the fields requested. Please remember to do this during the exam as no time can be allowed once you have been advised the exam has ended. Invigilators are not permitted to make any markings on your documentation on your behalf.

IF SOMETHING HAPPENS AT THE EXAM CENTRE WHICH AFFECTS MY PERFORMANCE, CAN I MAKE A COMPLAINT?

ACCA makes every effort to ensure that you sit the exams in the best conditions possible. However, should you need to make a complaint, please contact the exam supervisor during the exam in order that everything possible can be done to rectify the situation. If you feel that the situation has affected your performance, please write to ACCA as soon as possible and within four weeks of the exam in order for the situation to be investigated and taken into account in the results process.

IF I ATTEND THE EXAMS BUT HAVE BEEN AFFECTED BY ILLNESS OR OTHER FACTORS, CAN THIS BE TAKEN INTO ACCOUNT IN THE MARKING PROCESS?

ACCA recognises that some students may sit exams in difficult personal circumstances. If this is the case for you and the circumstances have affected your performance, please write to ACCA as soon as possible and within four weeks of the exam in order for the situation to be investigated and taken into account in the results process. You must provide documentary evidence of the situation.

WHAT AM I ALLOWED/NOT ALLOWED TO TAKE INTO THE EXAM CENTRE?

The items which you are allowed to take into the exam hall are listed on your *Examination Attendance Docket* and you should refer to your docket before each session to ensure that you are aware of the up-to-date regulations. The items that you may take to your desk are:

- ▣ rulers, pens, pencils and an eraser
- ▣ a slide-rule, logarithm tables, geometrical instruments and charting templates
- ▣ a small bottle of water, all labels removed. No other drinks are permitted
- ▣ a noiseless, cordless pocket calculator which may be programmable but may not have a print out or graphic/word display facility in any language.

IF I HAVE COMPLETED MY EXAMINATION FORM IN PENCIL WILL THIS BE SUBMITTED FOR CONSIDERATION OR WILL MY EXAM PAPER BE REJECTED?

You must complete all exam documentation in accordance with the instructions given. The instructions require you to complete your details using black pen. As some of the documentation you submit is processed electronically by technology that cannot read pencil markings or other colours of pen, it is in your interests to use black pen in order to ensure that we can issue you with a result.

**YOU SHOULD TRY TO
ARRIVE 30 MINUTES
BEFORE THE EXAM STARTS**

EXAM EXEMPTIONS

If you already have some qualifications you may not have to take all of the exams in the ACCA Qualification or Foundations in Accountancy awards. These are called exemptions and mean that you will start your studies at the right level for your knowledge and skill. You can also claim exemptions on the basis of practical experience if you wish to complete the CAT Qualification.

SHOULD I CLAIM MY EXEMPTIONS?

By claiming exemptions you can avoid studying the same topics that you have studied previously. This is a good idea if you have studied for a related qualification recently. However, if you are thinking of claiming exemptions based on qualifications you gained a number of years ago, or if you have been working in a field other than accountancy for some time, it may make more sense to take the exam.

Studying for the exam will allow you to refresh your knowledge of the topic and will ensure you are sufficiently prepared for the Professional level papers, which go into topics in greater depth.

If you are not sure whether to apply for an exemption, why not have a look through our past exam papers? You can access past papers on the ACCA website. If you are not confident you could pass the exam right now, consider studying for the paper.

HOW TO CLAIM EXEMPTIONS

You can access a short guide *How to check your exemptions* on the ACCA website to find out how to check which exemptions you may be eligible to claim and if you could be entitled to claim any exemptions online. Please note:

- ▣ You must send official proof of any qualifications you already have or are studying for along

with your registration form so that we can assess if you are eligible for exemptions. Please submit copies of academic transcripts or award certificates as evidence.

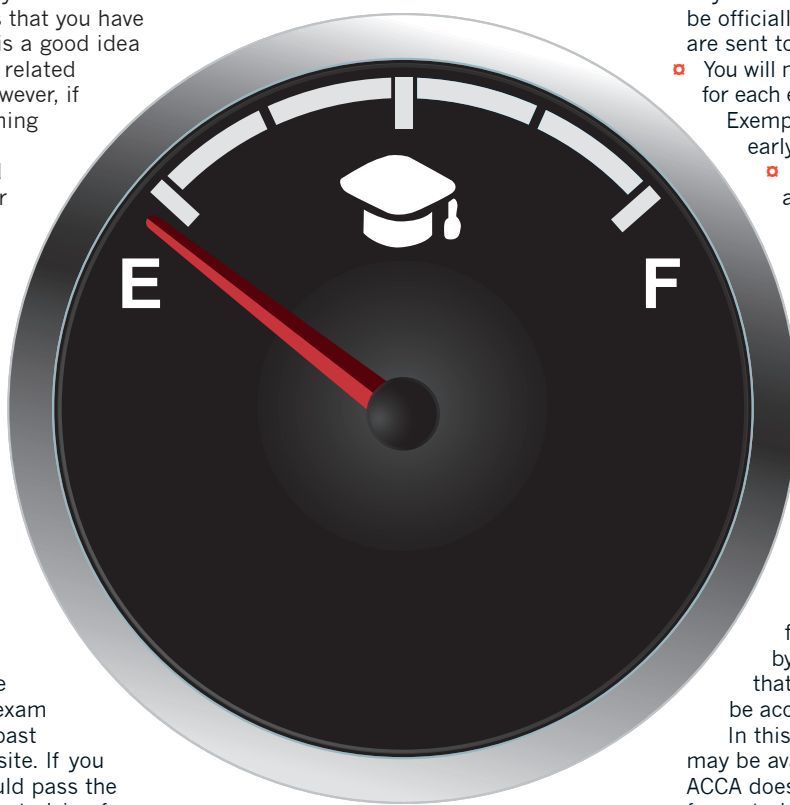
- ▣ Online printouts of academic transcripts are not acceptable for the purposes of claiming exemptions. Only copies of official documentation, signed and stamped by the awarding body, can be accepted.
- ▣ Any documents not in English must be officially translated before they are sent to ACCA.
- ▣ You will need to pay an exemption fee for each exemption you are awarded.

Exemption fees are charged at the early exam entry rate.

- ▣ ACCA can only award exemptions for qualifications from recognised institutions (those recognised by the local Ministry of Education). If your institution is not listed on the exemption enquiry database, then please ask employees at or representatives of your institution to send copies of their documents to ACCA Connect for review.

- ▣ If ACCA has not been given the opportunity to fully assess a qualification by an awarding body, then that qualification may not be accredited.

In this case, fewer exemptions may be available. Unfortunately ACCA does not consider applications from students for further exemptions in these circumstances.



SELF-CHECK MODULES

Are you part way through your studies but struggling to pass your exams? Be honest with yourself – could your English and/or maths skills be a reason?

Why not complete ACCA's self-check modules to get a realistic assessment of your proficiency in English and maths? If you're struggling, there are some suggested interventions to help you improve.

ACCA's self-check modules in English and maths are optional to complete, free

of charge and anonymous, so any results won't be recorded on your student record and only you will know the results and feedback. It could help give you the confidence and reassurance you need to feel ready to tackle your exams at the next exam session. And if your English and maths skills could do with some improvement, don't worry. There are e-learning modules that are free of charge which you can opt to complete to

help improve your maths skills, as well as links to learning materials offered by other providers to help you improve your English skills.

So what are you waiting for? You have nothing to lose and everything to gain and you may just amaze yourself at how well you perform. Visit ACCA's Virtual Learning Centre (<http://studentvirtualearn.accaglobal.com/>) to access the English and maths self-check modules.

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Access HD recorded lectures, revision cards, textbooks, lecture notes, case studies and our comprehensive library - all online.

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We cap our class sizes at 30 students, and offer online access to live lectures, 24/7 support and a global student community.[†]

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Register now

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