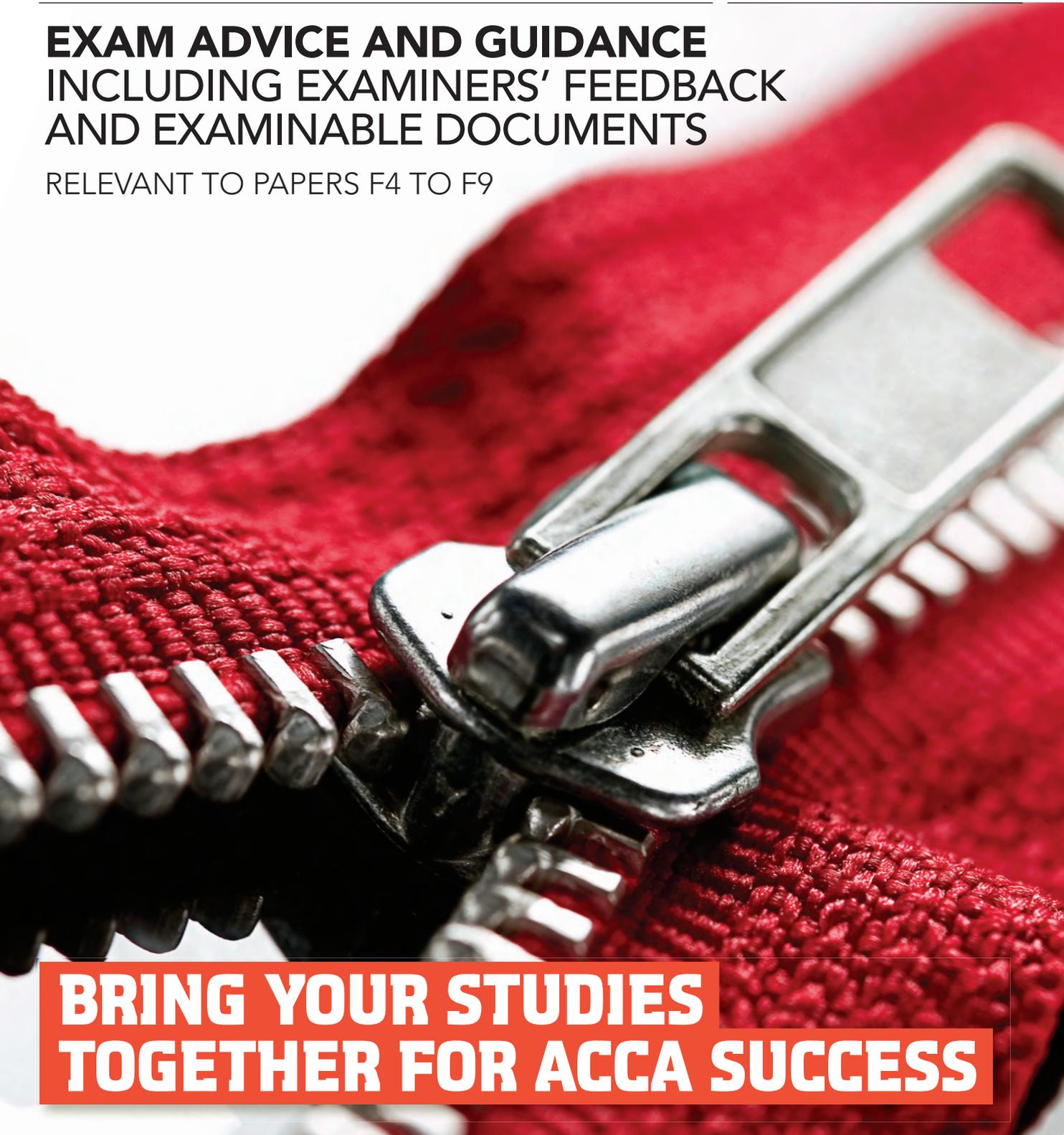


STUDENT ACCOUNTANT  
APRIL 2012

# SA

## EXAM ADVICE AND GUIDANCE INCLUDING EXAMINERS' FEEDBACK AND EXAMINABLE DOCUMENTS

RELEVANT TO PAPERS F4 TO F9



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# EDITOR'S CHOICE



## Welcome to the latest issue of *Student Accountant Essential Guide*.

This issue is completely focused on exam-related information that you, as Fundamentals level students, require. It contains a range of tailored advice and information to help you get prepared for the June 2012 session.

We include examiner feedback from the Fundamentals level exams taken in December 2011. This advice looks at overall performance in Papers F4 to F9, outlining areas where candidates obtained both high and low marks. Reading the examiner feedback together with the past exam questions and answers from the latest exam session can help you identify where students have gone wrong in the past, and how to develop your answers to achieve the best marks possible – it is one of the key resources to use in exam preparation.

As well as examiner feedback, this issue contains examinable standards and information relevant to Papers F4, F6 (UK), F7 and F8. Use this information to guide your exam preparation and take note of the areas that you could be examined on.

We include essential information on making the most of reading and planning time which is included in all three-hour exams. We also help you understand the intellectual levels of Fundamentals level exams and how to take note of the verbs used in questions.

The Noticeboard section includes the exam timetable for June 2012 and exam rules and regulations.

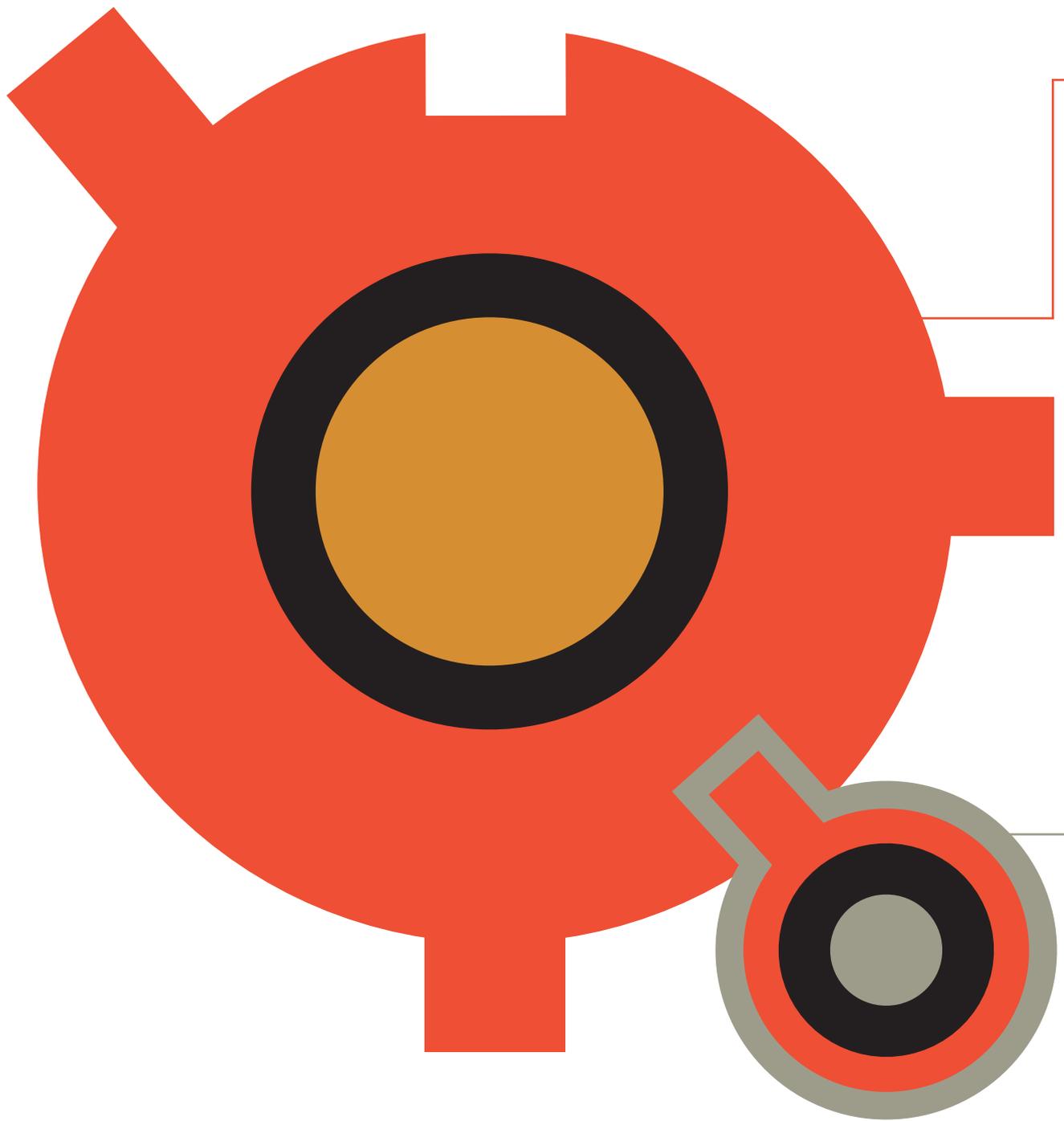
We've produced this magazine to be as helpful to you as possible in the lead up to the June 2012 exams. We have also produced two other tailored magazines for students taking Professional level exams and Foundations in Accountancy/Paper F1, F2 and F3 students. These can be accessed at [www.accaglobal.com/en/student/Accessing-Student-Accountant.html](http://www.accaglobal.com/en/student/Accessing-Student-Accountant.html)

I hope that you find this magazine useful in helping you prepare fully for Papers F4 to F9 in June 2012.

Email me at [studentaccountant@accaglobal.com](mailto:studentaccountant@accaglobal.com) with your feedback on this issue.

**Victoria Morgan**  
Editor, *Student Accountant* magazine





## KEY DATES FOR THE JUNE 2012 EXAM SESSION

Exams start **11 June 2012**

For a full list of the exam dates, go to page 61 of this issue



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Answers to frequently-asked questions about ACCA's qualifications can be found at [www2.accaglobal.com/learningproviders/tuition\\_provider/faq](http://www2.accaglobal.com/learningproviders/tuition_provider/faq)

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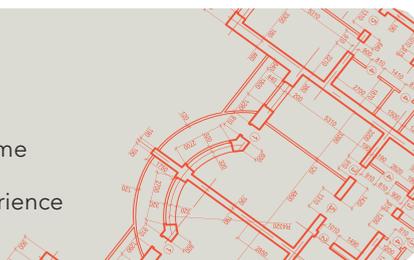
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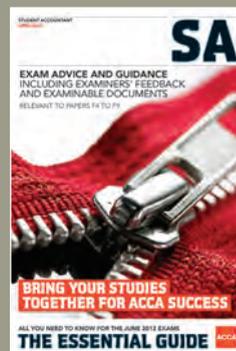
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# A STEP-BY-STEP APPROACH TO WRITING

**A professional accountant needs both a command of accounting and excellent communication skills to succeed in business. ACCA recognises this and makes writing an important part of the exams – even with largely numeric papers (such as Papers F5 and F9) from the Skills module, up to 50% of the marks may be awarded for the written element. And this only increases when you get to the Professional level exams.**

Following a step-by-step approach to writing in the exam will help you improve the clarity and structure of your answer, and ultimately help you pass.

In this article, we'll look at a structured approach to exam writing that I teach my students and apply it to a typical question from Paper F5, *Performance Management*.

## PRACTICE QUESTION

Here is a requirement from the December 2010 Paper F5 exam:

**Discuss the particular difficulties encountered when budgeting in public sector organisations compared with budgeting in private sector organisations, drawing comparisons between the two types of organisations. (5 marks)**

No surprises here; this is a straightforward question on budgeting and a reasonably prepared student should have been ready for this topic.

We'll use this practice question to go through the steps required to score all five marks.

**How much should I write? Follow the rule 1 mark = 1.8 minutes**

A common question students have is 'How much should I write?' Use the number of marks, rather than the requirement verb, to guide how much writing you should do. This formula is probably familiar to you: 1 mark = 1.8

minutes. (I like to set aside extra time for a final check of the script towards the end of the exam so sometimes I make it 1.7 minutes per mark).

## PRACTICE QUESTION: TIME MANAGEMENT

For this five-mark requirement, you should give yourself eight or nine minutes to complete a short discussion.

## How do I get a mark? 1 mark = 1 idea

Students sometimes have a dangerous assumption that you score a mark for each bullet point or sentence. While this might be true for requirements such as 'list' or 'outline', you'll need to write more than several bullet points in order to pass your exams.

A better approach is to follow this rule: 1 mark = 1 supported idea.

1 mark = 1.8 minutes of writing = 1 supported idea

## PRACTICE QUESTION: NUMBER OF IDEAS

For our practice question, we want to give the marker **five clear ideas**.

## Generate your ideas during reading and planning time

Before you start writing, you need ideas to write about. Use the reading and planning time to read the questions

and generate the ideas you will put in your answers.

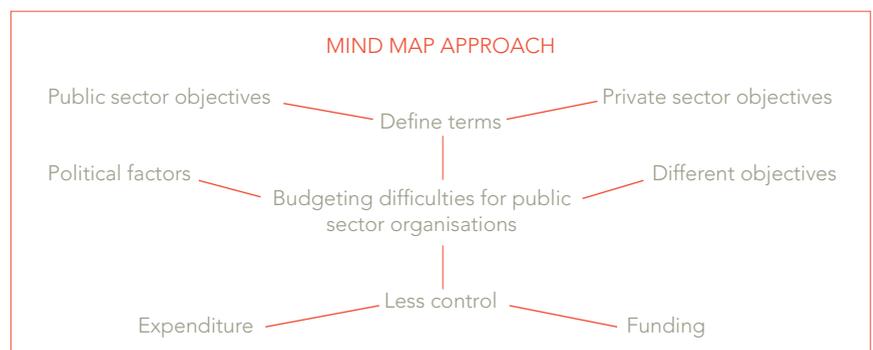
Use a list approach or a mind map to get these on paper. Remember, some of your ideas may be different than what you might see in the model answer – this is not a problem. You should be awarded full marks for 'any reasonable answer', as you will often see in the published marking guides. Use real-world examples from your own experience or the financial press (it is recommended that ACCA students read a financial newspaper), in addition to the examples you learned from your textbook.

## PRACTICE QUESTION: READING AND PLANNING TIME

Continuing with our example from above, you might do something like this during your reading and planning time. You'll be taking notes on the exam paper itself. If you don't come up with five ideas immediately, don't worry. Remember, you only need 50% of the marks to pass. Do what you can, start writing, and more ideas will come to mind.

List approach:

- ▣ Define public versus private sector
- ▣ Different objectives
- ▣ Less control over funding
- ▣ Less control over expenditure
- ▣ Political factors



**REMEMBER, SOME OF YOUR IDEAS MAY BE DIFFERENT THAN WHAT YOU MIGHT SEE IN THE MODEL ANSWER – THIS IS NOT A PROBLEM. YOU SHOULD BE AWARDED FULL MARKS FOR 'ANY REASONABLE ANSWER', AS YOU WILL OFTEN SEE IN THE PUBLISHED MARKING GUIDES.**

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## START WRITING. STRUCTURE EACH IDEA: POINT – EXPLAIN – EXAMPLE

Now that you have identified your ideas, it's time to begin writing.

Use this writing structure for each of your ideas:

- ▣ **Point**
- ▣ **Explain**
- ▣ **Example**

If you haven't planned every answer during the reading and planning time, don't worry – use more time before you start writing. A short, well-planned answer will get more marks than a long, carelessly written answer.

### POINT

This is the key idea you identified during reading and planning time. List it as a word or short phrase. Underline it – this becomes the heading for the short paragraph you are about to write. Using headings and, if possible, numbering them gives your answer a structure, and makes it easy for the marker to navigate your script, find your ideas and award you the marks you deserve.

### EXPLAIN

Use one or two sentences to explain your idea. Use short sentences; avoid 'academic style' writing. Use a simple, direct, easy-to-read approach instead. Remember, under the time pressure of the exams it's usually impossible to achieve the technically precise writing style and the answer length you sometimes see in the model answers.

### EXAMPLE

This is an optional step: end with an example. It's often easier and do not hesitate to make your point with the help of an example.

### SAMPLE QUESTION – THE FIRST MARK

FOR EXAMINER'S USE ONLY	<p><u>DIFFERENT</u></p> <p><i>Public sector organisation usually means a governmental organisation – eg a school, a hospital, or a police station.</i></p> <p><i>Private sector usually means a 'for-profit' organisation – eg Vodafone, Lukoil, or Ford (private companies).</i></p>	<p><b>Point:</b> the idea and heading of your paragraph. A short word or phrase telling the marker what they are about to read.</p> <p><b>Explain:</b> your idea here with one or two short, concise sentences.</p> <p><b>Example:</b> further develop your idea with a real-world example.</p>
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## PARALLEL STRUCTURE: EASIER TO READ, EASIER TO MARK

Following 'point – explain – example' means your paragraphs will have headings and follow a similar structure and flow. This will make it easier for your reader: the marker. Also, your answer will be structured around gaining marks. You'll have one short paragraph for each required mark, and two to four short sentences for each paragraph – guidance from a marker in a previous article. You'll also save time when writing: you will get your ideas on paper quickly and efficiently.

### AVOID ACADEMIC STYLE

Here is an example of 'academic style' writing:

*The term 'public sector' is usually used to describe a governmental organisation whose primary concern is the provision of basic services to the general public and might include entities such as schools, hospitals, or police stations.*

This sentence has 36 words. It's unlikely you'll be able to correctly craft sentences this complex without a word processor and extra time for editing.

Look at the complicated structures you can easily simplify: the phrase, 'is usually used to describe' can simply be replaced with 'describes'. The phrase 'might include entities such as' can simply be replaced with 'for example'.

### SAMPLE QUESTION: ANSWER FULLY DEVELOPED

Here is the full, five-mark answer developed using the 'point – explain – example' approach.

- ▣ I followed time management, keeping my time to eight minutes.
- ▣ I followed 1 mark = 1 idea, so there are five short paragraphs.
- ▣ I gave each section a heading based on a single idea.
- ▣ I used short, simple sentences followed by examples.

- ▣ I used some ideas from experience – I included these in my answer and remained confident that they are reasonable. (Even if the marker does not agree with me, I only need 50% to pass, so I don't worry about it.)

### DIFFERENCE

'Public sector' means a government organisation – for example, a school, a hospital, or a police station. Private sector means a 'for-profit' organisation – for example, Vodafone, Lukoil, or Ford (private companies).

**A SHORT, WELL-PLANNED ANSWER WILL GET MORE MARKS THAN A LONG, CARELESSLY WRITTEN ANSWER.**

Difficulties in budgeting for the public sector can include:

#### 1. Different objectives

Public sector organisations can have non-financial primary objectives, which can be hard to measure in a budget. For example, 'reduce crime' for a police station. Sales levels and profit are easier to quantify in a company's budget (for-profit).

#### 2. Less control over funding

Funding usually comes from tax revenues, which can be hard to control. For example, funding for a school might be cut in a financial crisis, even if they have increasing student numbers.

Companies (private sector) will have more control because they can change activity levels, raise prices, or go to the bank for a loan.

#### 3. Less control over expenditure

The public sector might have less control over expenditure. For example, social security payments will depend on the number of retired people. This is out of the control of managers.

#### 4. Political pressure

Decision makers in the public sector can be politicians. They can use political factors (for example, the popularity of a programme) instead of economic factors (for example, cost-benefit analysis) to make budgeting decisions.

**Steve Willis is a lecturer at PwC Business Academy**

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# READING AND PLANNING TIME

**Reading and planning time (RAPT) is a 15-minute time allowance given to all students taking three-hour exam papers.**

## WHAT CAN YOU DO IN RAPT?

This additional time, to be spent at the beginning of each three-hour exam, allows you to familiarise yourself with, and to navigate around, the exam paper. During RAPT you can read and understand the questions on the paper and begin to plan your answers before you start writing in your answer books. You can also use calculators to make some preliminary numerical calculations.

RAPT begins when instruction is received from your centre supervisor. You must not open your question paper until advised to do so, and during RAPT you may only write or make notes on your question paper. You must not write anything in your answer booklets until advised to do so by the supervisor.

## HOW CAN YOU MAKE THE BEST USE OF RAPT?

RAPT gives you the opportunity to make sure you are clear about what the examiner is assessing. It also allows

you valuable extra time for thinking and planning. To use this additional 15 minutes most effectively:

- ▣ carefully read and understand all question requirements, making an informed choice about which optional questions to attempt where applicable
- ▣ read through and highlight relevant information and financial data, noting why it is included
- ▣ take note of the marks awarded for each question and the allocation of marks between different requirements within a question
- ▣ start to plan your answers, particularly for discursive questions
- ▣ think about the order in which to attempt questions
- ▣ make preliminary calculations.

## Reading the question requirements

You should use some of the RAPT to carefully read through the main requirements in each question. This is particularly important in exams where you need to decide which questions to answer.

Even where there is no choice of question, it is still important to read the question carefully so that you understand what the examiner is asking you to do. All too often, examiners' reports contain references to students who have answered questions they wanted to answer rather than the ones the examiner was asking. The best way

to avoid this is to use RAPT to ensure that you fully understand the verbs used by examiners. For example, if the examiner has asked you to compare and contrast two theories or techniques, they are not looking for a full description or explanation of each, but an explanation of the similarities or differences.

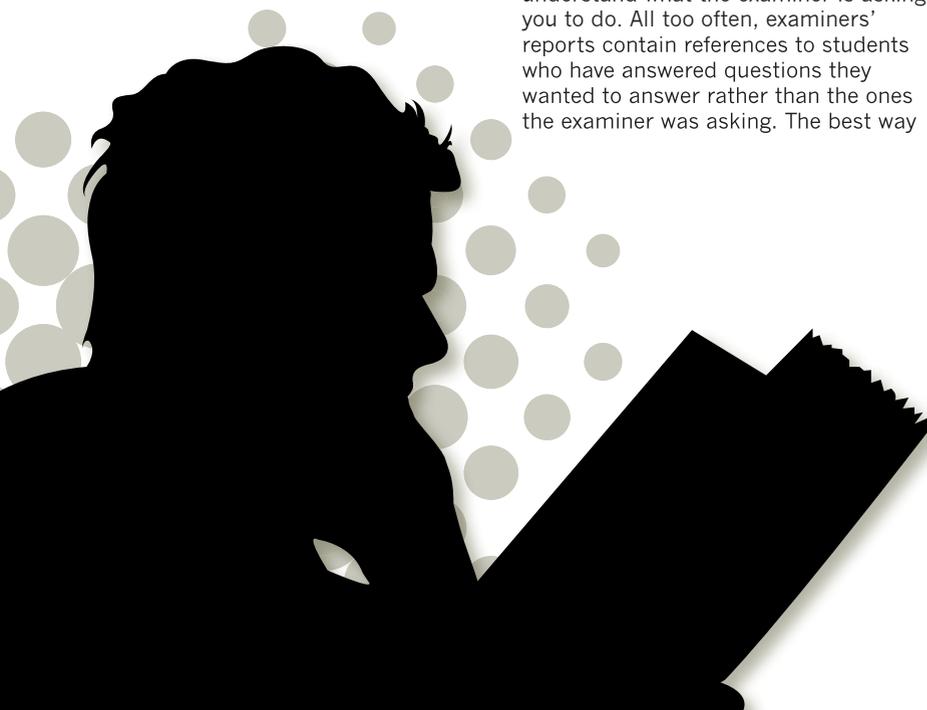
## Read and highlight relevant information and financial data, noting why it is included

RAPT allows you to have a first read through of all the information contained in each question. Having already carefully read the question requirements, you can now highlight any relevant information or data which you feel are of most relevance with reference to each question requirement. You can use calculators during RAPT, which allows you to make quick calculations of key financial or quantitative data contained within the exam paper.

Reading through the paper will allow you to familiarise yourself with – and find your way around – the exam paper. As a result, when you come to writing in your answer book, you will already have a good idea what is relevant information, where it is located, and possibly how to use it.

In case study or scenario questions, RAPT is a particularly good opportunity to familiarise yourself with the facts and data contained within the case study and to decide what information may be the most relevant. RAPT also allows you to gain an initial understanding of the main facts of a case study. This means that when you come to read it again during the exam, things will become much clearer, and more points will become apparent, as happens when watching a film or reading a book for the second time.

As would be expected, most ACCA exam questions contain financial data and information that must be considered and analysed. During RAPT it is useful to think about why such information is included, with reference to the question requirements, and to consider which of this information or data is of particular relevance and how it might be needed to answer the questions.



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**RAPT IS AN ADDITIONAL 15 MINUTES WHICH IS TO BE SPENT AT THE BEGINNING OF EACH THREE-HOUR EXAM AND ALLOWS YOU TO FAMILIARISE YOURSELF WITH, AND TO NAVIGATE AROUND, THE EXAM PAPER.**

### Take note of the mark allocation between different requirements within questions

You should also use RAPT to help you plan your approach to answering the questions. This is particularly important when you are deciding which questions to attempt at the Professional level of the ACCA Qualification.

When you are first reading the question requirements, you should undertake a personal exam SWOT analysis – matching your own strengths and weaknesses to the opportunities available and, thereby, identify any potential threats to your performance within the exam paper.

Where you have a choice, you should identify those question requirements (and their specific parts) which offer you the best opportunity to earn marks. It is particularly important that your choice of questions enables you to give your best performance in the exam. When making your question choices you need to be aware of the mark allocation. A question could look very attractive if you see one or two requirements in areas you have studied and revised. However, if these requirements only attract a few marks – and the main requirement, which attracts the most marks is one which you feel unprepared for – it may be advisable to attempt another question.

By doing this you will make a more informed choice of question, where choice exists. Even where there is no choice, it is still important to assess which parts of which question requirements attract most marks and where you need to focus your attention.

### Start to plan answers – particularly for discursive questions

If time allows, after reading the paper, it is worth planning answers to certain questions, particularly to longer-form discursive questions. Start by trying to identify the relevant main themes within a question; normally relevant points can be classified under a few broad headings. There is usually insufficient time to identify specific points during RAPT, but it is very useful to identify the main headings under which to put these points.

Identifying these headings or themes also acts as a way for you to structure your answers logically, for which some professional marks are available at the Professional level of the ACCA Qualification. It will also help to remind you about the types of points you should be making under each heading so that you can maximise the marks you can earn. For example, a Paper P1 exam question could contain the following requirement: 'Explain four roles of a non-executive director and how cross-directorships could undermine these roles.'

During RAPT, you could identify the four roles that you would need to explain, and quickly write these down as an aide-memoire. For example, you could identify the following roles:

- ▣ strategy
- ▣ scrutiny
- ▣ risk
- ▣ people.

When you answer this question in the exam you can develop these roles and expand on them before you go on to identify how cross-directorships could undermine these roles.

### Think about the order in which you should attempt the questions

You can answer questions in the order they are presented in the exam paper, but there may be good reasons why you shouldn't do this. For example:

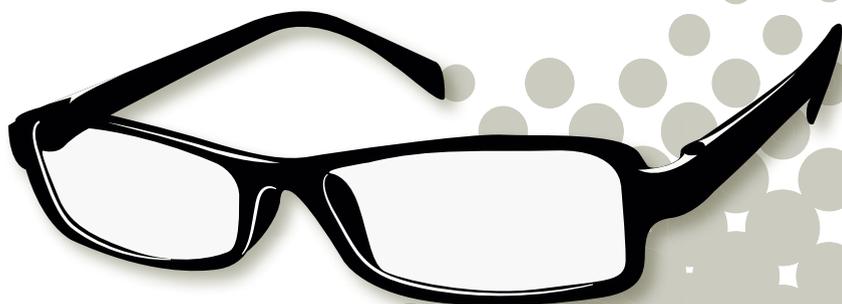
- ▣ There is a question you believe you can answer well, that you have revised for thoroughly and therefore, by answering it first, you get yourself off to a good, confident start.

- ▣ There is a question which, if you don't answer it first, could worry and distract you during the exam, and may be more difficult to answer later on when you become more tired.
- ▣ You want to tackle the question with the highest mark allocation while you are at your freshest and most disciplined, both to ensure that you perform well and that you leave enough time to attempt all other questions.
- ▣ You prefer to start with a shorter question and leave a longer case study question until you have settled into the exam.
- ▣ There may be other reasons why you might want to tackle a paper in a particular order, so RAPT is the ideal time to make that decision and to decide on your exam strategy.

It is important that you always answer every part of a question before moving on to the next question – clearly labelling all parts of your answer. Ideally, you should answer all parts of a question in order, and there are two main reasons for this. First, there may well be a logical and progressive structure to the requirements of a question, and so answering these in the wrong order could put you at a disadvantage. Second, if your mind is engaged with the information contained within a particular question, and you leave it part way through to move on to another, you will need time to get to grips with that information again when you return to that question later. This is not a good idea.

### SUMMARY

Making the best use of RAPT, rather than rushing ahead to write down as much as you can in the time allowed, will help you develop a better and more effective exam strategy. It will also help you develop a more relaxed, positive, and controlled approach.



# IMPROVE YOUR PERFORMANCE

Our twice-yearly examiner reports include not only technical guidance on how to answer specific questions, but also a wealth of advice on exam preparation and technique. Summarised here, this advice can be used to help improve your performance in future exam sessions.

## USING RESOURCES

It is very important to only use the most up to date study materials. Older materials, perhaps borrowed from a friend or bought second hand, often refer to old rules, or to rates which are no longer examinable. This is particularly relevant to papers dealing with taxation, financial reporting, law and auditing.

**Revise the entire syllabus**, using the *Study Guide* to help you monitor progress. Don't focus your revision on favourite subjects, or 'core' topics, as this strategy rarely gives you the chance to earn enough marks to pass. By covering the entire syllabus, not only are you fully prepared for the exam, but you are also taking a mature approach, worthy of a professional accountant.

**Practise using as many past papers as possible.** For papers where legislation and standards are regularly updated, it is important to purchase revision or exam kits produced by the Approved Learning Partners – content who will have updated the original ACCA questions and answers for all such changes. Also review suggested answers, absorb examiner's comments in the examiners' reports on previous candidates' performances, available for each past paper, and read related articles in *Student Accountant*. In particular, look at the *Pilot Paper*, which is the best guide to question style and shows the split between numerical and non-numerical questions.

## REVISION STRATEGIES

**Don't question spot by analysing past papers.** In a previous session, for example, many candidates clearly assumed a specific theory wouldn't come up because it had been examined the session before. This assumption was wrong, and so those candidates lost the opportunity to gain marks.

When reviewing past papers, **don't memorise model answers** in the hope of using them in the exam. As every paper is different, repeating old answers can never be appropriate – and markers will quickly spot when they are being used.

**Don't question guess.** Some candidates consider the technical articles in *Student Accountant*, and the examiner's reports, as a guide to the questions that will appear in the next exam session. They are not. Technical articles do cover future exam topics, but also deal with subjects less well covered in approved study texts, or provide an update to study material in the light of recent events.

Success **requires extensive study and practice.** Question spotting and short, intensive revision sessions are unlikely to be successful.

**Don't rely on numerical ability alone**, especially in the more advanced papers. At this level candidates must always demonstrate analytical and evaluative skills, shown by linking their theoretical learning to a specific case study.

## EXAM TECHNIQUE – GENERAL ADVICE

In the exam centre, good technique can make a difference between a marginal pass and fail. Use past papers to practise your exam technique, as well as your technical skills, and pay particular attention to the **appropriate exam style for each paper**. For example, where a question is worth four marks,

brief succinct answers are all that are required.

**Good time management is crucial, so use the mark scheme to guide your timing.** Apportion the time you have available to the mark allocation for each section, each question, and each question part. This will give you a minute by minute breakdown of your ideal exam progress.

**Good time management is especially important when scenarios are rich in detail.** Such scenarios always include more points which could be made than the marks on offer, so a careful review of material is required, tailored to the mark allocation, along with a disciplined approach to time management.

**Don't answer more questions than the paper asks you to** – this is a waste of time and does not gain any more marks.

In discursive papers, be prepared to **explain and discuss**. Unless specifically asked for, simple statements in a list, for example, will rarely be enough to gain full marks.

**Don't use the points raised by one question to answer another.** It's very unlikely that separate exam questions are linked, but candidates often repeat points across questions as if there were a deliberate connection.

## PRESENTATION

When writing in your answer booklet, **put the relevant question number at the top of each page** used to write the answer. Although candidates may answer exam questions in any order on the answer booklet they are strongly recommended to complete each part of a question in order and to keep all answers to parts of questions together in the booklet. This makes marking more manageable and reduces the scope for error or omission.

**Don't use the same page in the answer booklet to answer several different questions** – start the answer to each new question on a fresh page. Different parts to the same question can be continued on the same page.

Although possibly a sign of poor planning, **it is acceptable to start a question, move on to another, and then**

REVISE THE ENTIRE SYLLABUS, USING THE STUDY GUIDE TO HELP YOU MONITOR PROGRESS. BY COVERING THE ENTIRE SYLLABUS, YOU ARE FULLY PREPARED FOR THE EXAM, AND TAKING A MATURE APPROACH, WORTHY OF A PROFESSIONAL ACCOUNTANT.

**GOOD TIME MANAGEMENT IS CRUCIAL, SO USE THE MARK SCHEME TO GUIDE YOUR TIMING. APPORTION THE TIME YOU HAVE AVAILABLE TO THE MARK ALLOCATION FOR EACH SECTION, EACH QUESTION, AND EACH QUESTION PART. THIS WILL GIVE YOU A MINUTE BY MINUTE BREAKDOWN OF YOUR IDEAL EXAM PROGRESS.**

#### ADDITIONAL ADVICE FOR RE-SIT CANDIDATES

- Identify those **areas of the syllabus where you were weakest** – work to improve your knowledge of these areas.
- Review your time management** and see if it can be improved.

**return to the first question later** – just make sure that each answer is clearly labelled and starts on a new page.

**Illegible handwriting can result in missed marks** if a correct answer cannot be understood. As handwriting is rarely used now in business, you need to practise this skill so that your answers remain legible throughout the exam.

**Don't write out the question** at the start of your answer; this wastes valuable time and gains no marks. Likewise, **do not restate the scenario or facts from the question.**

When writing an answer, **avoid using elaborate headings** (in different colours or text styles, for example), which take time to create. **Clear headings are important**, but simple underlining is enough.

Take care with the **presentation of short as well as long answers**, paying attention to use of language and general structure.

#### QUESTION BY QUESTION

**Read the question carefully and think before you write.** Questions are often answered poorly or incorrectly because key words or instructions are ignored or misunderstood. For example, don't provide general lists when specific examples, perhaps related to a case study, are required. Always apply your knowledge to the facts by reference to the requirement.

**Answer the question on the paper, not the one you want to see** – this can often happen with questions on subjects which appear regularly, and which candidates have practised many times before.

**Read the whole question before you begin your answer.** Many candidates answer one part before realising that some of the points made were more relevant to other question parts. This results in wasted time, as information is repeated.

Questions are worded very carefully, so note the **command words or verbs used, the precise issues to be addressed, and guidance on the answer approach.** By paying attention to all these aspects, you have a much better chance of giving the right information in your answer, in the correct format, and written in the appropriate style. **Don't focus on one word**; pay attention to the wider requirements and make sure your answer reflects these.

When asked to provide a specific number of points, **don't make similar points just to reach the target number.** Rephrasing an earlier answer (such as writing both 'an inability to make profits' and 'making of losses') will only gain one mark.

**Don't provide general explanations or long**

**introductions** – these are a waste of time.

**Think carefully when asked to 'criticise'** – you are being asked to show your knowledge of expectation or best practice (against which to measure the given example) and show that you have carefully analysed the case study or scenario used.

**Pause before preparing calculations:** consider any advice given in the question, review the requirement, and think about how to solve the problem before putting pen to paper.

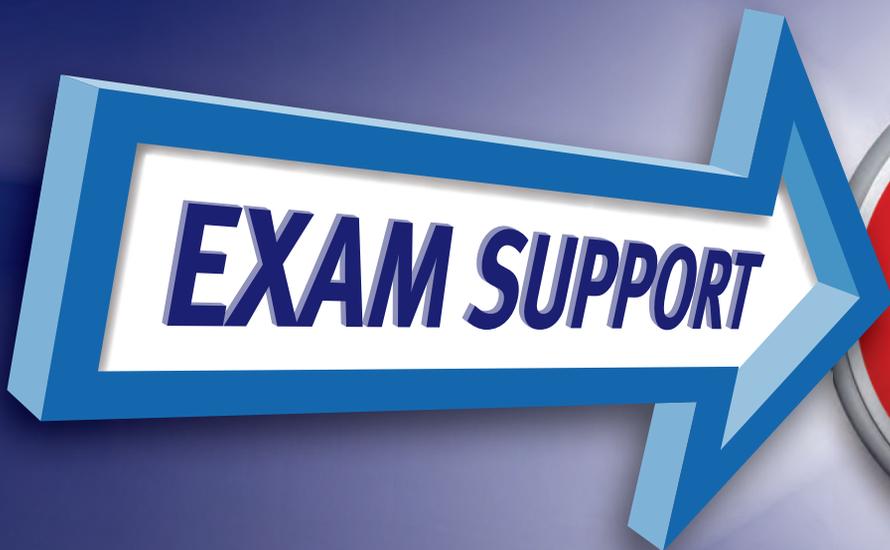
**When performing calculations, judge carefully when to detail workings.** For minor calculations, pages of unhelpful workings are time consuming to produce and difficult to mark. More complex calculations do require referenced workings, however, and marks can be lost if an incorrect figure is provided but no method shown, as a correct method can earn partial credit.

Read specific exam feedback from the examiners for Papers F4 to F9 from page 27.



**PRACTISE USING AS MANY PAST PAPERS AS POSSIBLE. FOR PAPERS WHERE LEGISLATION AND STANDARDS ARE REGULARLY UPDATED, IT IS IMPORTANT TO PURCHASE REVISION OR EXAM KITS PRODUCED BY THE APPROVED LEARNING PARTNERS – CONTENT WHO WILL HAVE UPDATED THE ORIGINAL ACCA QUESTIONS AND ANSWERS.**

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# TIME MANAGEMENT

**Even the most hard-working, well-prepared students sometimes fail exams if they don't manage their time properly in the exam hall.**

If you have read the textbook from cover to cover, practised every past exam question from the last five years, and done everything that your tutor told you to in the days and weeks leading up to the exam, it is still difficult to pass without also having a clear strategy when you are sitting in the exam hall.

Managing your time effectively in the exam is critical to success. There will always be plenty of easy marks on every exam paper, so it is vitally important that you focus on accumulating these easy marks and don't allow yourself to become bogged-down in the difficult parts of the paper.

The different levels of the ACCA Qualification each address different intellectual levels.

## ENTERING THE EXAM HALL

Effective time management starts as you are walking to your desk in the exam hall. Three-hour exams (180 minutes) have 100 marks on the exam paper, so you should be preparing to allocate 1.8 minutes to each mark. If you know that the paper is made up of (say) 20-mark questions, calculate that you should be spending 36 minutes ( $20 \times 1.8$ ) on each question.

## READING TIME

For the first 15 minutes that you sit at your desk, you are not allowed to write in your answer booklet – this period is designated as reading and planning time. Many students impatiently wish this time away, keen to start writing and to show the examiner the extent of their knowledge. However, a student with good time management skills will use this reading time effectively.

- First, flick through the exam paper and note next to each question the time allocations you have calculated using your 1.8 minutes per mark rule. For example, each 20-mark question will have a 36-minute allocation, or a 10-mark question will have an 18-minute allocation.

- Next, check the instructions on the exam paper to see whether all questions are compulsory, or whether there is some choice of questions. This will ensure that you don't spend time unnecessarily working through too many questions.

## No choice of questions

Even if all the questions on the exam paper are compulsory, it is still very important to spend the reading time developing a plan of attack. Even if you have to attempt all questions over the course of the following three hours, there is no rule that dictates the order in which you should attempt the questions.

Look through the exam paper and review the question requirements.

Search for questions that test your favourite syllabus areas, and questions that will allow you to show your strengths. For example, some students are more confident with writing than doing calculations (or vice versa), so make sure you focus initially on the questions that suit you. Of course, you may find that there are some questions that you really don't like the look of. Try to push these questions to the back of your mind for the moment. The key thing is that you start the exam by attempting your preferred questions, so that you accumulate marks quickly, and only end up attempting your least favourite questions later on, when you have already scored most (if not all) of the marks needed to secure a pass.

## Choice of questions

If there is a choice of questions in the exam, you must decide quickly which questions you want to attempt and which you want to leave out.

As explained above, look for those questions that test your preferred syllabus areas or those where you will be able to best demonstrate your strengths.

Once you have decided which questions to leave out, focus on the questions you have decided to attempt and (as explained above) choose the order in which you are going to attempt the questions.

## TIME TO START WRITING

At the end of the reading time, start with the question you have identified to be your favourite. Split the overall time allocation between the different parts of the question and write the times on the exam paper to emphasise how important it is to manage time properly within the question.

As you consider the best way to attack the question, consider how you will be able to accumulate marks quickly. For example, if the first part of the question involves a calculation and then the second part is a discussion, is it possible to attempt the writing first, to grab some easy marks before you even start your calculations? As long as you clearly note in your answer booklet which part of the question you are attempting, the markers don't mind which part of the question you present first.

As you progress through the question, keep your eye on the time, and be strict with your time allocations.

It's very tempting to tell yourself that you're going to spend 'just an extra five minutes' on a question if you haven't quite finished it in the allocated time, but over the course of the exam, 'just an extra five minutes' on each question can mount up and mean you have no time left for your final question.

Admittedly, you will have planned to leave your least favourite question until last, so it might be tempting to focus on those questions which you have decided to do first, but bear in mind that there are always some easy marks on every question, so you must pay attention to your time management.

Of course, if you find yourself running out of ideas as you attempt your least favourite questions, by all means abandon them and go back to spend some more time on your unfinished answers to previous questions.

The key to success is accumulating the easy marks on all questions, and not allowing yourself to become too bogged-down in the detail of any one question.

**Andrew Howarth, Kaplan Publishing's content specialist**

**LOOK FOR THOSE QUESTIONS THAT TEST YOUR PREFERRED SYLLABUS AREAS AND THOSE WHERE YOU WILL BE ABLE TO BEST DEMONSTRATE YOUR STRENGTHS**

# EXAM TECHNIQUES

## EXAM TECHNIQUES FOR FINANCIAL REPORTING STUDENTS

**I find that the examiner's reports – available on ACCA's website – give an invaluable insight into how candidates might improve their exam performance. I recently read in an examiner's report that many candidates are failing their exams because of technique rather than knowledge or ability (see Paper F7 examiner report, June 2011). The report went on to provide examples, such as giving an answer to a question that was not asked and, conversely, not answering a question properly and giving unnecessary and very detailed workings, repetition and writing down the definitions that were not asked for. This reinforces to me the critical importance of basic exam technique. Sitting an exam represents the climax of many hours of study and some candidates are simply not doing themselves justice in the exam due to poor exam technique.**

It is universally acknowledged that time management is critical in passing an ACCA exam. A three-hour ACCA exam carries 100 marks – that equates to 1.8 minutes per mark, so an attempt at a 25-mark question should be completed within 45 minutes. After the allotted exam time is up for any question, you must move on to the next question – even if this means that the answer itself is not wholly finished. It is always easier to gain marks at the start of a new question than to try and squeeze more marks out of a question that you have already spent 45 minutes on. Time in the exam should be spent doing what you can do and not spending time on doing what you cannot. So when starting to answer questions you should attempt the easier ones first and return at the end of the exam – if you have time – to those that you may find more difficult. You need to attempt the whole exam and you cannot do that if you run out of time. It has got to be easier to obtain the pass mark of 50 if you are being marked out of 100 rather than 75.

When writing answers to questions that require the preparation of a set of financial statements, precious time can be saved by not adding down figures – ie not actually balancing off the statement of financial position or calculating the profit for the financial year. No marks

are ever specifically awarded for these balancing figures. Remember that to pass the exam the answer itself need not be perfect.

The 15 minutes of reading and planning time should be used to read and comprehend the requirements of the questions. It gives you extra valuable time for thinking and planning (see page 10). Only by initially focusing on and understanding the requirements can candidates ensure that their answers will indeed answer the question that has been set. Examiners still comment on the importance of making sure that the answer is relevant to the question, which clearly some candidates do not (see Paper P2 examiner report, June 2011). Incidentally, there is no rule that says Question 1 must be attempted first, but the first question attempted should be done well (to give you confidence) and in the allotted exam time (to prevent you playing catch-up for the remainder of the exam).

In another examiner's report I read that answers with no – or unreferenced – workings to support them were common (see Paper F7 examiner report, December 2010). Examiners also frequently comment on poor handwriting. In some ways I can understand this is due to the fact that so much writing is now done using keyboards. Think about this from the marker's perspective and you will appreciate that if your handwriting cannot be read, then you cannot expect to score marks. So try to be neat – perhaps write larger in an attempt to improve your presentation – don't be frightened of leaving space, and always show and cross-reference your workings.

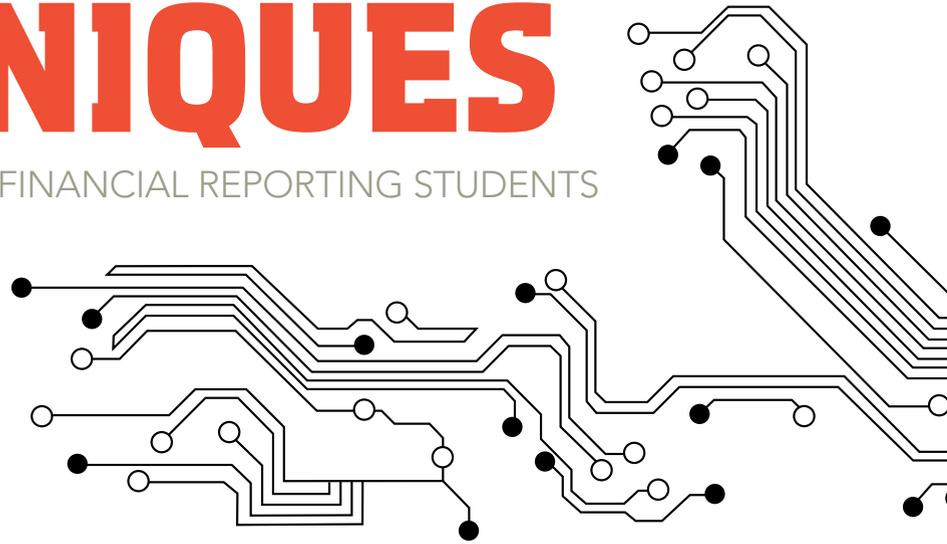
Good exam technique requires you to trust the system used by markers,

known as method marking. That is to say that mistakes are only penalised once, so that you can gain marks for doing the right thing to the wrong number. However, markers cannot allocate any marks to an incorrect figure unless they can see how the figure has been arrived at, so it is essential that your workings exist and are legible and clearly referenced.

At the back of the model answers to all the past exam papers – which are available on the ACCA website – you will find details of the marking guides. This can be very insightful. For example, where we see in respect of a discursive question a marking guide stating one mark per point, then this reinforces the need to make five separate points as there are five marks available. There is no negative marking, so if you make an irrelevant point you are not penalised. In computational questions there is often one mark available for each adjustment. Just knowing this can prove to be a confidence booster.

As part of your revision, you should regularly attempt exams under timed conditions to improve your time management. If possible, ask a tutor to mark your attempts. If this is not possible, consider asking a fellow student to mark it in return for you marking their script (a peer review). If neither of these options is possible, use the marking guide and model answer to mark your own script. You may have made mistakes, but what is important is that you learn from those mistakes. Ask yourself what you have done well and where you can make improvements.

**Tom Clendon FCCA is a tutor at Kaplan Financial**



# MAKING THE BEST OPTIONS CHOICES

**The Options papers are the final exam hurdle before you can become an ACCA member. Peter Redfern, ACCA qualifications manager, explains how choosing Options papers which you are most comfortable with will, hopefully, improve your chances of success**

To complete the ACCA Qualification exams at the Professional level you must complete three Essentials papers (P1, P2 and P3) and then complete two from four Options papers (P4, P5, P6 and P7).

The Options papers are specialised papers. They cover, in depth, the specialist areas of professional accountancy, namely: financial management, performance management, tax, and audit and assurance.

Our research has found that you will have a better chance of success if you have really got to grips with the fundamental concepts of these subjects. In addition, if you have gained experience in the workplace which relates to the Option paper you have chosen, it will really help you in your studies and in the exam.

## THE FUNDAMENTALS

When we speak to students, tutors and examiners about the Options papers they agree that if you have a good grasp of the fundamental knowledge of the Options papers you are taking, then you have a better chance of success.

It is important to remember that the Options papers take the subjects covered in the Fundamental papers to a more advanced level. This is set out below:

- Paper F9, *Financial Management* → Paper P4, *Advanced Financial Management*
- Paper F5, *Performance Management* → Paper P5, *Advanced Performance Management*
- Paper F6, *Taxation* → Paper P6, *Advanced Taxation*
- Paper F8, *Audit and Assurance* → Paper P7, *Advanced Audit and Assurance*

When you choose which Options papers to take, think about how well you did in the Fundamentals level papers. If there was a subject you excelled at or felt most comfortable with, then that would be a good choice to take as your option. Our research has shown that there is

a link between success in the Options papers and success in the underpinning Fundamentals level paper.

You may, of course, have been exempted from taking the Fundamentals level paper, or it may have been a long time since you studied these subjects. If this is the case, it is useful to look at the materials available for the Fundamentals level papers to help you refresh your knowledge.

In the table (opposite) we have identified the key areas of the Fundamentals level paper syllabuses which relate directly to each Options paper. Looking at this will help you see which areas of the Fundamentals level paper you need to have grasped to be successful in the Options papers. It will also show you that there may be some areas of the Fundamental papers which are you are not required to demonstrate in the Options paper exam. It is also worth noting that along with the Fundamentals level papers, some of the areas covered in Paper P3 underpin Paper P5. Likewise, some areas of Paper P2 underpin Paper P7.

## APPLYING YOUR EXPERIENCE

The ACCA exams are designed to be achievable even if you have no relevant experience at all. That said, one of the most things students, tutors and examiners say about the Options papers is that you may perform better if you have gained work experience relevant to the Options papers you are taking.

If you are currently in the workplace remember to look at ACCA's practical experience requirements. You need to complete these requirements to gain the benefits of ACCA membership. They may also help you focus on gaining experience relevant to your Options papers. Part of the requirements is

that you need to achieve 13 from 20 performance objectives. Like the ACCA Qualification exams, there are some performance objectives you need to take – known as the essentials performance objectives – and there are others where you get a choice of which ones to do – known as the options performance objectives. The options performance objectives cover some of the same areas as the Options papers (Table 1 below).

One of the benefits of matching the experience performance requirements to the Options papers you are taking is that it may assist your workplace mentor or supervisor in giving you the experience to help your studies. It may also help your workplace mentor or supervisor answer questions you have about particular areas of the Options paper syllabuses which you are struggling with.

It is a great idea to be thinking about how your studies can be applied to your future career prospects. However, be careful. If there is an Options paper subject you find particularly hard, but you feel it would be better for your career prospects, you may be wiser to choose a different Options paper subject which better suits your ability. Remember, you can take ACCA exam papers after you have qualified.

## CONCLUSION

The Options papers are the final exam hurdle you need to complete to qualify. It is important you make the right choice of which two Options papers to take. You will have a greater chance of success if you chose the Options papers based on what you feel most comfortable with, whether that is because you did well in the underpinning Fundamentals paper or you took the underpinning Fundamentals paper recently or because you have gained most work experience in that area.

TABLE 1: THE OPTIONS PERFORMANCE OBJECTIVES

OPTIONS PAPER	RELEVANT OPTIONS PERFORMANCE OBJECTIVES
Paper P4	PO15 and 16 on finance and financial management
Paper P5	PO12, 13 and 14 on performance measurement and management accounting
Paper P6	PO19 and 20 on taxation
Paper P7	PO17 and 18 on audit and assurance and underpinned by PO10 and 11 for financial reporting

# ESSENTIAL UNDERPINNING FOR OPTIONS PAPERS

## PAPER P4

Paper F9 to Paper P4 –  
essential knowledge

### D Investment appraisal

All subheadings

### E Business finance

- 1 Sources of, and raising, short-term finance
- 2 Sources of, and raising, long-term finance
- 4 Internal sources of finance and dividend policy
- 5 Gearing and capital structure considerations

### F Cost of capital

All subheadings

### G Business valuations

- 2 Models for the valuation of shares
- 3 The valuation of debt and other financial assets
- 4 Efficient market hypothesis (EMH) and practical considerations in the valuation of shares

### H Risk management

All subheadings

Paper P3 to Paper P4 –  
essential knowledge

### G Financial analysis

- 2 Finance decisions to formulate and support business strategy
- 4 Financial implications of making strategic choices and of implementing strategic actions

## PAPER P5

Paper F5 to Paper P5 –  
essential knowledge

### A Specialist cost and management accounting techniques

All subheadings

### B Decision-making techniques

- 6 Dealing with risk and uncertainty in decision making

### C Budgeting

2. Budgetary systems
3. Types of budget
5. Behavioural aspects of budgeting

### D Standard costing and variances analysis

All subheadings excluding:

- 2 Basic variances and operating statements

### E Performance measurement and control

All subheadings

Paper P3 to Paper P5 –  
essential knowledge

### B Strategic position

- 2 Environmental issues affecting the strategic position of an organisation
- 3 Competitive forces affecting an organisation
- 4 Marketing and the value of goods and services
- 6 The expectations of stakeholders and the influence of ethics and culture

### B Strategic choices

- 1 The influence of corporate strategy on an organisation
- 3 Alternative directions and methods of development

### C Strategic action

- 1 Organising and enabling success

### G Financial analysis

- 3 The role of cost and management accounting in strategic planning and implementation

Paper P1 to Paper P5 –  
essential knowledge

### B Internal control and review

- 1 Management control systems in corporate governance

### C Identifying and assessing risk

- 1 Risk and the risk management process
- 2 Categories of risk
- 3 Identification, assessment and measurement of risk

### D Controlling risk

- 3 Risk avoidance, retention and modelling

## PAPER P6

Paper F6 (UK) to Paper P6 (UK) –  
essential knowledge

### B Income tax liabilities

- 2 Income from employment
  - h) Compute the amount of benefits assessable
- 3 Income from self-employment
  - e) Compute assessable profits on commencement and cessation
  - h) Relief for trading losses
- 5 The comprehensive computation of taxable income and income tax liability
  - b) Calculate the amount of personal allowance available generally, and for people aged 65 and above
  - c) Compute the amount of income tax payable
- 6 The use of exemptions and reliefs in deferring and minimising income tax liabilities
  - a) Explain and compute the relief given for contributions to personal pension schemes, using the rules applicable from 6 April 2011

### C Corporation tax liabilities

- 2 Taxable total profits
  - e) Explain the treatment of interest paid and received under the loan relationship rules
  - g) Understand how trading losses can be carried forward
  - h) Understand how trade losses can be claimed against income of the current or previous accounting periods
  - i) Recognise the factors that will influence the choice of loss relief claim
  - k) Explain how relief for a property business loss is given
- 3 The comprehensive computation of corporation tax liability
  - a) Compute the corporation tax liability and apply marginal relief
- 4 The effect of a group corporate structure for corporation tax purposes
  - a) Define an associated company and recognise the effect of being an associated company for corporation tax purposes
  - b) Define a 75% group, and recognise the reliefs that are available to members of such a group ▶

THE ACCA EXAMS ARE DESIGNED TO BE ACHIEVABLE  
EVEN IF YOU HAVE NO RELEVANT EXPERIENCE AT ALL

IT IS IMPORTANT YOU MAKE THE RIGHT CHOICE OF WHICH TWO OPTIONS PAPERS TO TAKE. YOU WILL HAVE A GREATER CHANCE OF SUCCESS IF YOU CHOSE THE OPTIONS PAPERS BASED ON WHAT YOU FEEL MOST COMFORTABLE WITH

- ◀ c) Define a 75% capital gains group, and recognise the reliefs that are available to members of such a group
- d) Compare the UK tax treatment of an overseas branch to an overseas subsidiary
- e) Calculate double taxation relief

**D Chargeable gains**

- 1 The scope of the taxation of capital gains
  - b) Explain how the residence and ordinary residence of an individual is determined
- 2 The basic principles of computing gains and losses
  - a) Compute capital gains for both individuals and companies
- 3 Gains and losses on the disposal of movable and immovable property
  - d) Compute the exemption where a principal private residence is disposed of
- 5 The computation of capital gains tax payable by individuals
  - a) Compute the amount of capital gains tax payable
- 6 The use of exemptions and reliefs in deferring and minimising the tax liabilities arising on the disposal of capital assets
  - a) Explain and apply entrepreneurs' relief as it applies to individuals
  - b) Explain and apply rollover relief as it applies to individuals and companies
  - c) Explain and apply holdover relief for the gift of business assets
  - d) Explain and apply the incorporation relief that is available upon the transfer of a business to a company

**E Inheritance tax**

- 2 The basic principles of computing transfers of value
  - a) State, explain and apply the meaning of transfer of value, chargeable transfer and potentially exempt transfer

- b) Demonstrate the diminution in value principle
- c) Demonstrate the seven-year accumulation principle taking into account changes in the level of the nil rate band
- 3 The liabilities arising on chargeable lifetime transfers and on the death of an individual
  - a) Understand the tax implications of chargeable lifetime transfers and compute the relevant liabilities
  - b) Understand the tax implications of transfers within seven years of death and compute the relevant liabilities
  - c) Compute the tax liability on a death estate

**G Value added tax**

- 2 The VAT registration requirements
  - a) Recognise the circumstances in which a person must register for VAT
  - b) Explain the advantages of voluntary VAT registration
  - d) Explain how and when a person can deregister for VAT
  - e) Explain the conditions that must be met for two or more companies to be treated as a group for VAT purposes, and the consequences of being so treated
- 3 The computation of VAT liabilities
  - h) Explain the treatment of imports, exports and trade within the European Union
- 4 The effect of special schemes
  - a) Describe the cash accounting scheme, and recognise when it will be advantageous to use the scheme
  - b) Describe the annual accounting scheme, and recognise when it will be advantageous to use the scheme
  - c) Describe the flat rate scheme, and recognise when it will be advantageous to use the scheme

PAPER P7

Paper F8 to Paper P7 – essential knowledge

**A Audit framework and regulation**

- 4 Professional ethics and ACCA's Code of Ethics and Conduct

**B Internal audit**

- 3 The scope of the internal audit function

**C Planning and risk assessment**

- 2 Assessing the risks of material misstatement
- 3 Understanding the entity and its environment
- 4 Materiality, fraud, laws and regulations
- 5 Analytical procedures
- 6 Planning an audit

**D Internal control**

- 6 Communication on internal control

**E Audit evidence**

- 2 Audit procedures
- 3 The audit of specific items
- 6 The work of others

**F Review**

- 1 Subsequent events
- 2 Going concern
- 4 Audit finalisation and the final review

**G Reporting**

- 1 Audit reports

Paper P2 to Paper P7 – essential knowledge

**C Reporting the financial performance of entities**

- All sub headings excluding:
- 11 Reporting requirements of small and medium-sized entities (SMEs)

**D Financial statements of groups of entities**

- All subheadings

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# 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](http://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](http://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/](http://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.**





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# PER: PATHWAY TO MEMBERSHIP

**Becoming an ACCA-qualified accountant does not just involve passing your exams and the Professional Ethics module; you also need to complete the practical experience requirement (PER). It is not just accountants who must gain relevant practical experience – many other professions, such as doctors and lawyers, also have to gain experience to show that they are fit to practise.**

You can gain your practical experience before, during or after you complete the exams.

## WHAT IS PER?

PER provides a structure for you to follow by setting you a range of performance objectives. The performance objectives ensure you gain the experience to demonstrate that you have the abilities required to become an ACCA member.

Completing the performance objectives will allow you to:

- apply in practice the knowledge and techniques gained through your studies towards the ACCA exams
- observe and be involved in real-life work situations that help you to develop the skills, attitudes and behaviours you will need as a qualified accountant
- develop your judgment, encouraging you to reflect on the quality of your work and how you could improve your work performance in the future.

The performance objectives are closely linked to the exam syllabus and many students try to coordinate their studies and practical experience achievement to gain the most from both.

## WHAT DO I HAVE TO DO?

To begin achieving your PER, you need to be working in an accounting or finance-related role. You will need to:

- find a workplace mentor
- complete 36 months' employment in an accounting or finance-related role(s)
- achieve 13 performance objectives
- record your progress
- make a PER return each year.

If you think the opportunities to achieve your PER in your current role are limited, consider other options available to you before you choose to find

alternative employment. Aim to get your employer's support to help you gain your PER; consider work shadowing, secondment or an internship; and work closely with your workplace mentor.

## ARE YOU A FULL-TIME STUDENT?

If you are a full-time student or you are not working in a relevant role, start thinking about what steps you will need to take in the future to gain the practical experience you need in order to become a member.

For a more information on the practical experience requirement, read our *PER Guide for Trainees* available at [www2.accaglobal.com/students/acca/per/support](http://www2.accaglobal.com/students/acca/per/support)

## 36-MONTHS' PRACTICAL EXPERIENCE

It doesn't matter what sector or organisation you work in or choose to work in. ACCA trainees can work in any sector and size of organisation. What's important is to look for the opportunities to help you meet your PER and to obtain a total of 36-months' experience in a relevant role or roles.

Ideally, this means that you have a job where the majority of your time is spent on activities and tasks that are accounting, finance, audit and assurance related, or in other related technical areas such as taxation, insolvency and forensics.

Even if your job includes only a small amount of accountancy and finance work, it can count as long as you pro rata the time you spend on these activities.

For example, if only a quarter of your working time (equivalent to three months) during the year is spent in an accounting capacity, you may only claim three months as relevant time in your PER return. This may mean that it will take you more than three years to achieve the relevant experience because some of your experience is not relevant and will not count.

Your experience doesn't have to be gained in a single role or one continuous

period and relevant experience gained before you joined ACCA may be counted, providing it can be verified by a workplace mentor.

## PERFORMANCE OBJECTIVES

Performance objectives are ACCA's indicators of effective performance and set the minimum standard of work that you are expected to achieve and demonstrate in the workplace.

They describe the kind of work activities you may carry out and the values and attitudes you are expected to possess and demonstrate as a trainee accountant.

If you have ever taken part in a performance management or appraisal process at work, you may find ACCA's performance objectives are similar in structure to those work-related objectives and expectations agreed by you and your manager.

Performance objectives are divided into key areas of knowledge which are closely linked to the exam syllabus – reinforcing that any knowledge developed through the exams will have a clear application in the workplace.

You will demonstrate your achievement of the performance objectives to your workplace mentor by answering three unique challenge questions for each performance objective.

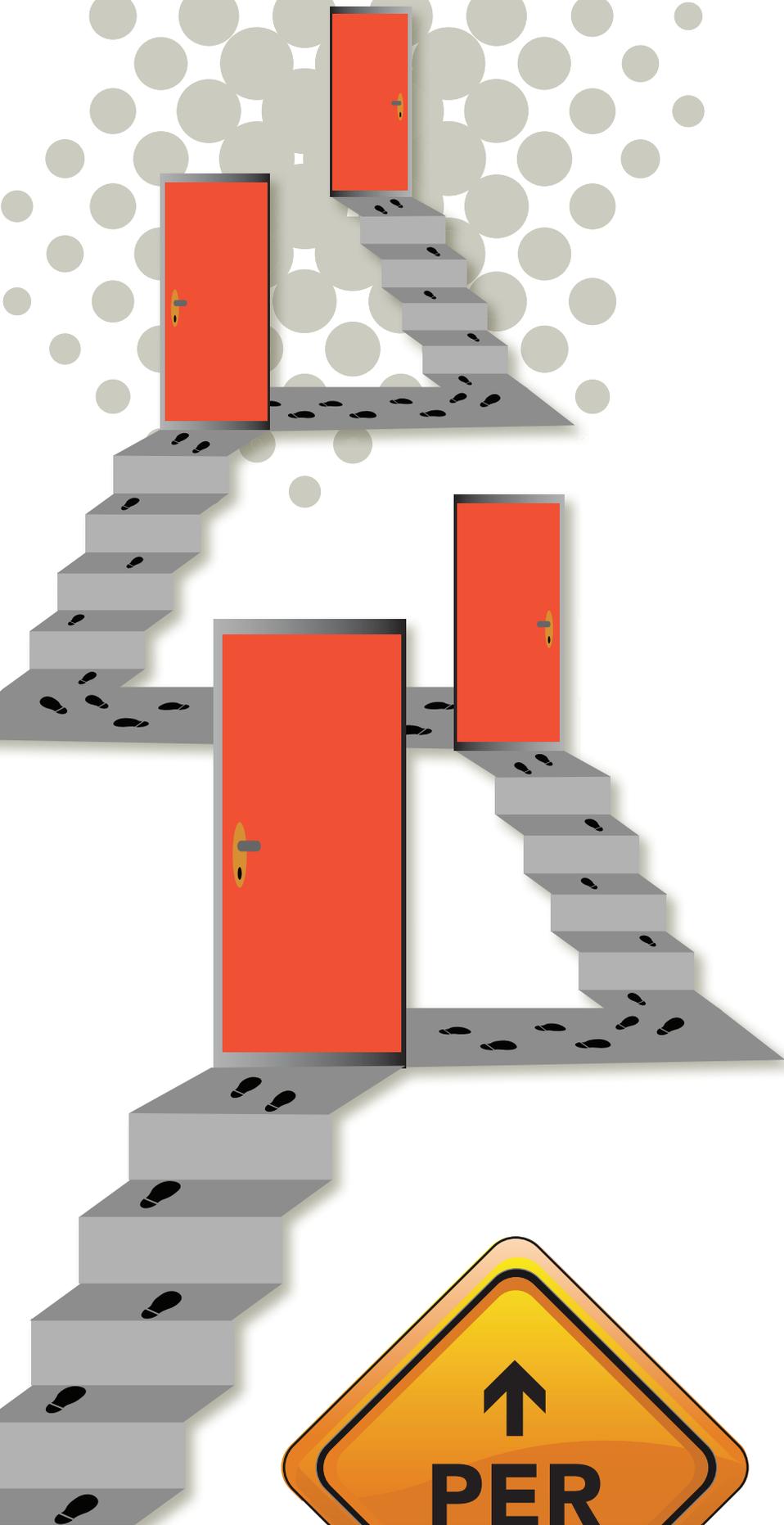
## CHALLENGE QUESTIONS

For each performance objective you complete you will need to answer three challenge questions which are then submitted to your workplace mentor for review and sign off.

The challenge questions help you summarise your work activity so your workplace mentor can evaluate whether you have achieved the standard required for that performance objective. This is the only way you can achieve a performance objective.

For more information on challenge questions, read ACCA's guide on

PER PROVIDES A STRUCTURE FOR YOU TO FOLLOW BY SETTING YOU A RANGE OF PERFORMANCE OBJECTIVES. THESE OBJECTIVES ENSURE YOU GAIN THE EXPERIENCE TO DEMONSTRATE THAT YOU HAVE THE ABILITIES REQUIRED TO BECOME AN ACCA MEMBER



answering challenge questions available at [www2.accaglobal.com/students/acca/per/support](http://www2.accaglobal.com/students/acca/per/support).

You are required to achieve 13 performance objectives in total:

- all nine Essentials – performance objectives one to nine, and
- any four Options – performance objectives 10 to 20.

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

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

# HOW TO BE GOOD

## PROFESSIONAL ETHICS

### RELEVANT TO ACCA QUALIFICATION STUDENTS

#### Values, ethics and governance are essential skills for finance professionals.

This is why ACCA has adopted a holistic approach to your ethical development via the exams syllabus, the practical experience requirements and the Professional Ethics module – requirements you need to complete in order to obtain your ACCA Qualification.

As an ACCA student, your ethical and professional development starts from day one – as soon as you have registered with ACCA.

#### PROFESSIONAL ETHICS MODULE

As part of your ethical development, students are required to complete the Professional Ethics module, developed by ACCA.

This will give you exposure to a range of ethical perspectives and includes several self-tests which require you to reflect on your own ethical behaviour and values.

You then apply what you have learned in a case study where you experience an audit situation from two points of view – that of the auditor and the corporate financial accountant.

#### MODULE CONTENT

So what can you expect the module to be like? It consists of nine units –

detailed below – each designed to help you understand what it means to think and act as a professional accountant. Sometimes, without you even realising, your personal values can get in the way of your professional ethics. As accounting students, you have been learning the technical aspects of your chosen profession, and may not have spent much time thinking about your own values, how you make decisions, and how you may be influenced in making those decisions. The Professional Ethics module includes some exercises to help you explore these issues. Then, when you are faced with a difficult decision and find yourself applying the fundamental principles of your profession, you will be better prepared to apply your professional judgment rather than your personal beliefs.

#### Professional Ethics module units

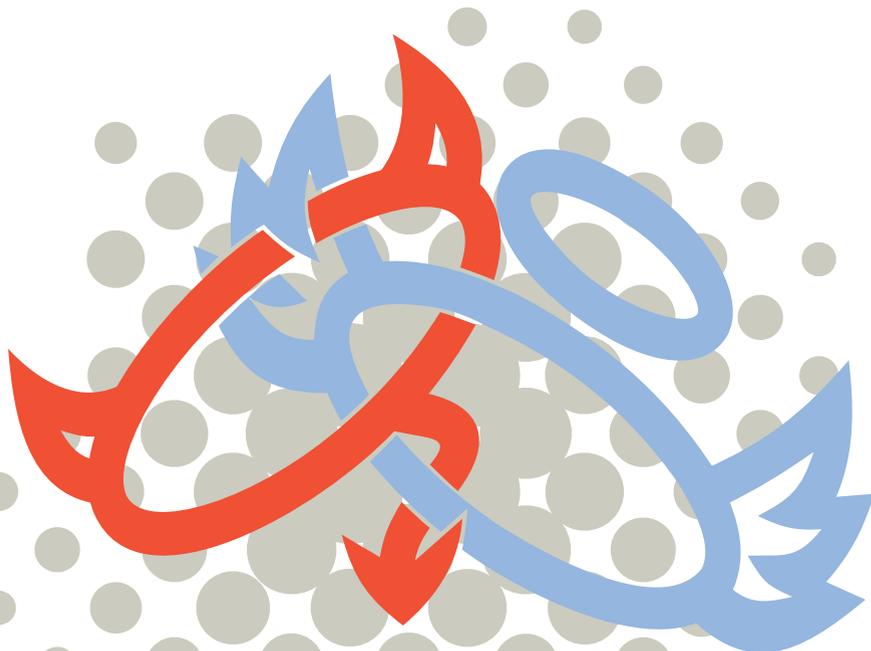
- 1 Start here
- 2 Judging the acceptability of arguments
- 3 What is ethics?
- 4 Rules vs principles
- 5 About ACCA's fundamental principles
- 6 The framework
- 7 Case study
- 8 Applying what you have learned
- 9 Tell us what you have learned

Looking at some of the units within the Professional Ethics module more closely:

- ▣ Unit 2 gives you the opportunity to judge the acceptability of arguments for and against some difficult decisions. It is important that you give careful consideration to these arguments, and there is great value in discussing these with your friends and colleagues. The objective is to help you see what kinds of arguments might make you change your mind. Providing you with this valuable knowledge about yourself will be useful when you are a qualified accountant, where you may be faced with a difficult decision and find that people are trying to influence your decisions or behaviour.
- ▣ Unit 3 contains a brief overview of ethical schools of thought to help you recognise your own personal values in the context of established theory.
- ▣ Unit 7 is an interactive case study. Based on a realistic scenario and using computer animation, the unit provides the opportunity to apply what you have learned from other units by evaluating information, assessing the consequences of your actions, and making ethical judgments. The case study is a chance for you to practice your ethical decision-making skills and will provide you with feedback on all the decisions you make.
- ▣ Unit 8 gives you further practice at making ethical decisions. Within this module you are presented with five situations. For each one, you are required to select what you think is the best solution, and obtain feedback on your decision.
- ▣ In Unit 9, you are required to write a short paragraph about what you have learned from completing the module.

You are given access to the Professional Ethics module as soon as you become eligible to take Paper P1, *Governance, Risk and Ethics*. It is recommended that you take the Professional Ethics module at the same time as, or before Paper P1.

While you have the flexibility to complete the Professional Ethics module in your own time, if you registered as a student after January 2007, you should note that ethics is now one of your requirements of membership. ACCA will now contact you as soon as you have met all of the requirements – exams, ethics, experience and performance objectives – and invite you to transfer to membership.



# FEEDBACK

## EXAMINERS' FEEDBACK

From the December 2011 exam session

Examiners' feedback provides guidance on past ACCA exam performance and suggests ways in which students can achieve higher exam results

**28 PAPER F4 (GLO), CORPORATE AND BUSINESS LAW**

**29 PAPER F5, PERFORMANCE MANAGEMENT**

**32 PAPER F6 (UK), TAXATION**

**36 PAPER F7, FINANCIAL REPORTING**

**41 PAPER F8, AUDIT AND ASSURANCE**

**45 PAPER F9, FINANCIAL MANAGEMENT**

## EXAM RESOURCES

Available at [www.accaglobal.com/students/](http://www.accaglobal.com/students/)

## TECHNICAL ARCHIVE ON THE ACCA WEBSITE

Access the technical article archive at [www2.accaglobal.com/students/student\\_accountant/archive/](http://www2.accaglobal.com/students/student_accountant/archive/)

## HOW TO PASS

Find *Syllabus* and *Study Guides*, past exam papers, examinable documents and examiner interviews at [www2.accaglobal.com/students/pass/](http://www2.accaglobal.com/students/pass/)



# EXAM FEEDBACK

## PAPER F4 (GLO)

### CORPORATE AND BUSINESS LAW

While many candidates performed well, it still has to be recognised that a significant number of candidates were less well prepared and disappointingly did not meet the required standard to pass the exam. As has been stated repeatedly, it is an unfortunate fact that reports such as this one tend to focus on what went wrong; it should be remembered that overall performance was satisfactory and a substantial number of candidates performed exceptionally well.

The structure of the exam paper, as usual, consisted of 10 compulsory questions, each carrying 10 marks. Again, the questions tended to be subdivided into smaller subsections and it is thought that this may have helped candidates to structure their answers. Although this structure may have had the consequence that candidates wrote more than necessary to gain the marks available, it is felt, nonetheless, that the structure was advantageous on the whole. The first seven questions were essentially knowledge-based, while the latter three were problem-based scenarios requiring both legal analysis and application of the appropriate law.

The number of candidates who did not attempt all of the questions remains lower than when the current syllabus and structure were initially introduced. This would appear to support the conclusion that candidates and teaching providers are coming to terms with the width of the syllabus. Regrettably, however, it has to be stated that the topic of tort remains a major weakness for candidates, especially given the readiness with which they approach contract questions.

Where candidates failed to attempt all of the questions, this appeared to be as a result of a general lack of knowledge in relation to particular questions, rather than based on any time pressure or structural difficulties in the questions. That being said, it is still a fact that the last three problem scenario-based questions continue to provide grounds for concern. Too many candidates were let down by their performance in those questions, which continues to suggest a general lack of analysis and application skills, if not general knowledge.

It also still remains the case that some candidates are engaging in question spotting and, as a result, produce prepared – but inappropriate – answers to some questions. This was particularly the case in response to Questions 7, 9 and 10, as will be considered further below in the detailed question analysis.

### SPECIFIC COMMENTS

#### QUESTION 1

This question was on arbitration. It has to be admitted that the potential linguistic ambiguity in this question required a wider approach to answering it than was intended. Nonetheless, it was recognised that candidates could not be penalised for adopting an approach that was not specifically prohibited.

On that basis the question was well done. There were plenty of marks available and more achieved full marks on this question than any other. Common mistakes, though, were saying that arbitration was cheap and that the award was not binding.

#### QUESTION 2

This question concerned a United Nations Convention for the International Sale of Goods (UNCISG) question, relating to the issue of how offers can be brought to an end. It was divided into three parts, which helped some, but revealed weaknesses in other answers.

By and large, the various parts were well done. The most common mistake, though, was to write an answer about ‘withdrawal of a contract’, ‘revocation of a contract’ and ‘rejection of a contract’.

There was some confusion between withdrawal and revocation, which is the conceptually difficult part of the question.

#### QUESTION 3

This question focused on one specific aspect of the UNCISG – the need to preserve goods in possession.

Those who identified the subject area correctly did well on it. Too many answers, though, used it as an opportunity to write all they knew about the convention. Some picked up a couple of incidental marks this way when they addressed the relevant part, but seemingly more by luck than judgment.

#### QUESTION 4

This was an agency question divided into three parts.

Part (a) didn’t pose too many problems for candidates and, at the very least, even the poorer candidates managed to write something relevant, usually relating to contract and authority being extended in writing or orally. However, the tautological repetition of the word ‘express’ did little to elucidate what was inherent in such a concept. Candidates should always be advised not to use the word they are to define in the core of their definition of that term.

In Part (b), implied authority caused a few more problems and while most were able to focus on the fact that this arose from the position, others left the question blank. It was noted, however, that candidates did not answer in the context of company law. This was something that the question specifically asked for. Instead, candidates used the estate agent relationship as an example of implied authority, without considering how it could be demonstrated by directors as an example.

In Part (c), ostensible/apparent authority caused a few problems. Candidates either repeated what had been written in Part (b), or stated that apparent authority was where a person was authorised to deal with a third party and everyone had knowledge that this was the case. Some candidates were well prepared and some sound answers were written which focused on holding out to have authority and the consequences for the principle which flowed from this. Others left this part out altogether.

#### QUESTION 5

This question concerned company law and focused specifically on issues relating to share capital. Part (a)(i) only carried one mark, as a signal test to see if candidates had assimilated the terminology of the Companies Act 2006.

In Part (a)(i), although most candidates were able to state that for the purposes of registration a company needed to state value, number, type and class of share, other answers described in great detail all of the documents which had to be sent to the registrar, without focusing on the statement of capital. Only a few focused on the application to subscribers.

In Part (a)(ii), most candidates were able to cite that the minimum amount of capital was £50,000. Other answers were quite confused and mentioned that

THE LAST THREE PROBLEM SCENARIO-BASED QUESTIONS CONTINUE TO PROVIDE GROUNDS FOR CONCERN.

a quarter had to be paid up and offered £25,000 as the answer.

Part (b) was done very well with sound comparisons between dividends, voting rights and treatment on winding up of each type of share. Most candidates managed to pick up some marks on this part.

#### QUESTION 6

This question concerned corporate governance relating to the roles of directors.

Answers to Part (a)(i) mentioned that the chairman was the figurehead of the company and that the chairman and chief executive should not be the same person. However, only a small number of candidates commented on what corporate governance was and how it operated.

Definitions for Part (a)(ii) were generally well done, with candidates being able to bring out the main points around chief executives being involved in the day-to-day running of the business. Many candidates mentioned that chief executives could 'hire and fire', but overall this caused no problems for candidates.

In Part (b), there was quite a bit of confusion, particularly in relation to shadow directors. Some candidates thought that to have a shadow director was illegal and that they did not have the same liability as other directors. In relation to this there was much general misunderstanding.

The definition of non-executive directors was done quite well, with the majority of candidates writing that they were not involved in the day-to-day running of the business, but tended to bring independence and expertise – all of which gained marks.

#### QUESTION 7

This question referred to the endorsement of International Bills of Exchange (IBEs). Unfortunately, it was very rarely answered as such.

This was one of the weaker questions. There were plenty of marks available and many candidates scored very highly when they recognised what the question was about. The main mistake seemed to be not reading the question. A small – but significant – number wrote about bills of lading. Probably about a third wrote all they knew about IBEs without mentioning endorsement – or thought that endorsement was the mechanism by which the payee presented the IBE to obtain payment. A significant number

also wrote about promissory notes, even though the question did not ask this.

#### QUESTION 8

This question involved the relationship of Incoterms and UNCISG, with, of course, the latter prevailing.

Common weaknesses:

- ❑ Using it as an excuse to write the pre-prepared INCOTERMS answer.
- ❑ Only considering ex works (EXW), so concluding that Bod must pay because the risk has passed to him.
- ❑ Writing in detail about how Bod should have inspected the consignment at Aldo's factory. (Some basic understanding needed about international trade: some candidates seemed to think that carrier should open the box and check that they were properly packed – or that Bod's agent in Italy should do this.)
- ❑ Correctly setting out the position on non-conformity and then concluding the answer as if EXW trumped this so that Bod became liable.

There were some sound answers, though, which specifically addressed the relationship between EXW and non-conformity.

#### QUESTION 9

This was a company law scenario question divided into two parts, but essentially both questions depended on an understanding and the application of the rules relating to the doctrine of separate personality.

It has to be said that candidates struggled to identify the issue in Part (a).

Whereas those who recognised the issue were well able to secure full marks, a significant number of candidates totally misunderstood this question. Answers ranged from being satisfactory, identifying the key points, or inadequate with a total misunderstanding of the question posed.

Candidates often described the process of liquidation and wrote at great length of the difference between voluntary and compulsory liquidation.

Others focused on contract law and the elements of a contract to conclude that there was actually a contract with Ed Ltd – something they had already been told in the question.

Others went down the route of discussing commercial contracts compared to social and domestic agreements, and concluded that as Ed and Doc were friends, there was no contract in place at all.

While all of these issues were apparent in the question, none of them was core to the question, which emphasised that the scenario had to be analysed from the perspective of company law.

It should be noted that, although not part of the answer as originally envisaged, candidates were rewarded for canvassing the possibilities of fraudulent/wrongful trading where the doctrine of corporate personality can be ignored.

In Part (b), only a minority of candidates identified that the issue in point was whether the veil of incorporation could be lifted. Others focused on the employee and employer relationship and how Fitt owed a duty of loyalty to Doc and Doc would have an action. This question posed real problems for candidates and displayed that there is an inability to apply their knowledge in company law questions. It is particularly unsatisfactory in that the scenario is based on one of the most central cases relating to separate personality.

#### QUESTION 10

This question concerned a problem scenario on money laundering.

This is a situation where, clearly, question spotting worked for the majority of candidates. Some reasonable marks were awarded and candidates were able to clearly define money laundering and the different phases involved, together with the various punishments.

Some answers thought that this was a question that related to insider dealing and produced answers that centred around that. Others picked up on the fact that Ian was an accountant and answered the question from an ACCA ethics point of view, describing how an accountant should act with integrity, independence and should avoid a conflict of interest. Others seemed to think they had been asked what action Lol could take against Ian and/or Jet. They said he should sue.

These approaches resulted in low marks.

### PAPER F5 PERFORMANCE MANAGEMENT

The structure of the paper remained the same as in previous sittings – five questions worth 20 marks each. The paper included a purely narrative question – Question 3 – and overall, the proportion of narrative to computational requirements was 46% to 54%.

The pass rate on this paper was very similar to the previous sitting. There didn't seem to be any one particular question that caused a problem to the majority of candidates. The biggest single reason for failure in the Paper F5 exam in December 2011 was definitely the big knowledge gaps that many candidates seem to have. This was obvious from the fact that a significant number of candidates made really good attempts at one or two questions but then, after that, it was obvious that they didn't know any of the other areas being examined. To their credit, many candidates seemed to have taken on board my advice to start with their best question first and then continue to answer the questions in the order of their best questions. This did mean that it always came as a surprise during marking when a candidate did two near perfect first questions, scoring maybe 36 out of 40, but then failed to secure the remaining 14 marks over the next three questions. As I've always said before, don't try and question spot in this exam. It's a dangerous approach and unlikely to work.

On the positive side, candidates also seem to be taking advice about getting the easy marks first on a question. This often meant that, for example, candidates answered the written requirement in Question 4(c) before tackling the numbers in Parts (a) and (b), which they may not have been quite so sure about.

#### SPECIFIC COMMENTS QUESTION 1

This was a nice, straightforward relevant costing question, which should have been well answered by most candidates. This was definitely not the case, however, and it proved to be one of the most poorly answered questions on the paper.

Part (a) asked candidates to prepare a cost statement using relevant costing principles, showing the minimum cost that a company should charge for a contract. The requirement also asked for detailed notes to explain the numbers being used. In this type of question it is very easy to focus purely on the numbers, without giving adequate weight to the words. This would have been a mistake because the words were actually worth eight marks compared to the six marks for the numbers. Some candidates definitely fell into this trap. However, the biggest problem with this question was that many candidates clearly don't

**AS HAS BEEN SAID MANY TIMES BEFORE, DON'T TRY AND QUESTION SPOT IN THIS EXAM. IT'S A DANGEROUS APPROACH AND UNLIKELY TO WORK.**

understand relevant costing, so they simply couldn't get either the numbers or the words right anyway. Out of the many scripts that I looked at, I only saw two candidates score full marks on Part (a).

Common weaknesses:

- Erroneously including the lost contribution from Contract X when calculating the three engineers' costs. The only relevant cost here was the \$500 fine for delayed completion of Contract X. The contribution from this contract was never going to be lost as the contract was only delayed and not lost altogether.
- Including the 120 telephone handsets that were held in inventory at their historical cost of \$16.80 each, rather than the replacement cost of \$18.20. Historical costs are never relevant because they are sunk. This was a really basic error.
- Erroneously including the site inspector's costs of \$400. The note stated that the site inspector charged the client directly for the work rather than invoicing the company in question. This error was down to poor reading.
- Few candidates managed to work out the cost of the computerised control system. It was simply a question of comparing the total lost sale proceeds and modification cost of Swipe 1 to the cost of buying the new Swipe 2, and selecting the cheapest option for the company.

Apart from these common errors, another problem was that the notes given by candidates didn't explain the figures being used well enough. Many candidates just wrote down that a cost was included because it was 'relevant' but didn't say why. This is not an explanation and didn't score marks.

Part (b) asked for an explanation of the costing principles used in Part (a) and of the implications of the minimum price that had been calculated. Answers to both parts of this requirement were poor. All that candidates had to do for the first part was explain that a relevant cost is a 'future incremental cash flow', saying what each one of those three words meant. Then, as regards the implications of the minimum price, the question just required the candidate to identify that this price didn't include a

profit element and a mark-up needed potentially to be added. Also, it could have been stated that the customer might expect this low price in the future. Again, out of all the scripts I saw, few candidates scored full marks here.

#### QUESTION 2

This question covered transfer pricing and really separated out the strong candidates from the weak ones. Part (a) contained the easy marks, with a simple requirement to prepare a profit statement under the current transfer pricing system. There were many perfect answers here because the requirement was not difficult. However, weaker candidates simply didn't know what the words 'profit statement' meant, and just produced some workings showing total profit for the company. These candidates scored very few marks.

Part (b) asked for a calculation of the maximum profit that could be earned if transfer pricing was optimised. 'Optimised' meant set at a level that would make the total company profit as high as possible. In order for this to be the case, the transfer price needed to be set somewhere between Division B's marginal cost of \$20 and the current market price of the fittings of \$65 per set. Any price between this range would make sure that Division A bought the fittings from Division B, provided that Division A was told that it could only buy the fittings from outside the group if the price was lower than the price being charged by Division B. If Division B was allowed to sell to the external market too, then the profit could be maximised at \$11,060.

This logic was totally lost on the majority of candidates. However, many of them managed to get to the maximum profit by having Division B selling 180,000 sets of fittings outside the group and then selling the remaining 20,000 sets of fittings to B at \$75. This was a half decent attempt at the question but the reality would be, of course, that – in the real world – Division A would not want to pay \$75 for the fittings if it could buy them from an external supplier for only \$65. This is not, therefore, optimisation of transfer pricing because this would require the company to have a policy of making Division A buy from B, even if fittings



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were cheaper elsewhere and this would cause behavioural issues, with Division A's manager becoming demotivated.

Part (c) was a narrative requirement and was generally poorly answered. There was a certain element of follow on from (b), although not entirely, so problems of a lack of understanding in (b) fed through to (c). It was surprising how many candidates attempted Part (c) before Parts (a) and (b). While it's always advisable to get the easy marks first where possible, and these are often the discussion marks, this is not possible where the narrative fully or partly follows on from the numbers.

#### QUESTION 3

Part (a) was where the bulk of the easy marks were on this paper: a requirement to identify and explain six objectives of a budgetary control system. A good number of answers scored full marks. On the whole, candidates either knew the answer or didn't; there wasn't much in between.

Part (b) was a little more challenging: a requirement to discuss the concept of participative budgeting in terms of the objectives identified in Part (a). Answers to this were mixed, with some good attempts but some poor ones too. A small number of candidates didn't know what participative budgeting was (the clue is in the title) so they scored nothing. Others managed to score marks by making some valid observations about it, even if they didn't necessarily tackle it in the best way, which was by using the objectives in Part (a) as headings in order to give the answer some structure.

#### QUESTION 4

This question covered life cycle costing. Part (a) read: 'calculate the life cycle cost per unit'. This was hardly a challenging calculation, as candidates largely had to simply add up three columns of numbers. Candidates tended to score either full marks or no marks here. Anyone who calculated a cost per unit for each of the three years totally missed the point of life cycle costing.

Part (b) was trickier. The question required candidates to calculate a revised life cycle cost per unit, taking into account the effect of the learning curve. There were some decent attempts at this, with many answers scoring eight or nine marks out of 10. Many candidates were easily able to score five marks for getting to the correct time per hour, after the first 100 units, of 0.33. It was after this that mistakes tended

to be made because some candidates didn't really know how to progress from here.

Part (c) was where the easy marks were, the wordy part on life cycle costing, and many candidates scored full marks for this, with a good number of candidates tackling this part first to get the easy marks. This was good to see.

#### QUESTION 5

Finally, the variance question. This was probably the best answered question on the paper. A significant number of candidates scored full marks for the materials usage, mix and quantity variance. However, some candidates seemed to think it was acceptable merely to calculate the variances in kilograms and not convert them into a monetary value using the standard costs for each ingredient. Variances need to be given a value in order to be used properly within a business. It's not sufficient to simply stop at a quantity.

The most common mistake when values were calculated was to use the costs of \$0.40 for honey, \$0.45 for sugar and \$0.25 for syrup given in the question. This was probably down to poor reading, since these costs were the total cost for 20g of honey, 15g of sugar and 10g of syrup. They needed to be converted into costs per kilogram.

The activity variances in Part (b) caused some problems. The most common error was to calculate the expenditure variance as the difference between the budgeted set-up costs of \$52,800 and the actual set-up costs of \$60,000. For an activity-based variance to be calculated, a new activity-based budgeted set-up cost of \$57,600 needed to be calculated, so that this could then be compared to the actual set-up cost of \$60,000.

Part (c) contained a couple of easy marks on the steps involved in allocating overheads using activity-based costing. Candidates who didn't know the steps decided to just explain everything they knew about activity-based costing instead although, to be fair, this often wasn't a lot.

#### CONCLUSION

While pass rates have not improved significantly since the last sitting, small improvements are being seen in the way candidates are setting out their answers, showing their workings and tackling written requirements. However, for a significant improvement to be seen, candidates need to learn all areas of the

syllabus rather than just assuming that a topic will come up because they have just read an article on it, or won't come up because it's just been examined. There is no easy way to pass Paper F5; hard work is the only answer.

## PAPER F6 (UK) TAXATION

**This was another good performance, although many candidates achieved a pass mark without particularly excelling.**

There are two aspects that are worth mentioning. The first is that candidates should sometimes stand back and think about their answers to see whether they make sense. For example, for Question 5 Part (c) it should have been fairly obvious that an answer with six marks attached to it was not simply that no inheritance tax was due.

The second aspect is that candidates should give particular attention to the requirements, especially any guidance that is given. In this paper, they would have seen that in Question 3 there was no need to calculate any CGT liability, in Question 4 they were given advice on how to lay out their answer, and in Question 5 they were told to ignore annual exemptions – making their answer much more straightforward.

#### SPECIFIC COMMENTS QUESTION 1

In Part (a), candidates had to calculate the respective income tax liabilities of three taxpayers. The first taxpayer was aged over 75, and his level of net income resulted in a reduced age allowance. The second taxpayer had net income in excess of £100,000 resulting in a reduced personal allowance. The third taxpayer received a company car and fuel benefit from his employer, and was subject to the additional rate of income tax. In Part (b), candidates had to calculate the respective National Insurance contributions, if any, suffered by the three taxpayers. Then, in Part (c), candidates had to explain how the income tax liability of the second taxpayer would have been reduced if he had contributed a sufficient amount into a personal pension scheme to reduce his net income to exactly £100,000, and second how the income tax liability of the third taxpayer would have been reduced if his contributions towards the company car and fuel benefits had been allocated on a more beneficial basis.

Part (a) was very well answered, particularly for the second and third taxpayers.

The only aspect which sometimes caused problems was the benefit calculations. For the car benefit it was not always appreciated that the list price was restricted to a maximum figure of £80,000. For the fuel benefit the contribution towards the cost of fuel was often incorrectly deducted. There were few problems in Part (b) as regards the calculation of the National Insurance contributions. Part (c) was the most difficult aspect on the paper, and it was pleasing to see several good attempts. For the second taxpayer most candidates appreciated that the basic rate tax band would be extended by the amount of the pension contribution, and several candidates realised that the amount of contribution was the exact amount required so that the personal allowance was not restricted. For the third taxpayer several candidates stated that tax could be saved if the whole of the contributions were set against just the car benefit, and marks were awarded for this approach. However, the most beneficial basis was to allocate additional contributions towards the fuel benefit so as to cover the full cost of fuel for private journeys – and a few candidates did take this approach.

#### QUESTION 2

In Part (a) of this question, candidates had to state when an accounting period starts and when an accounting period finishes for corporation tax purposes. In Part (b), candidates were required to calculate a company's tax adjusted trading loss for the three-month period ended 31 March 2011. This was the company's final period of trading. Then, in Part (c), candidates had to calculate the company's taxable total profits for the four-month period ended 31 March 2007, the years ended 31 March 2008, 2009 and 2010 and the nine-month period ended 31 December 2010. The company had also made a trading loss for the four-month period ended 31 March 2007, and computations were on the assumption that the company claimed relief for its trading losses on the most beneficial basis. In Part (d), candidates had to (i) calculate the

amount of VAT payable by the company in respect of its final VAT return for the quarter ended 31 March 2011, and (ii) how the answer to Part (i) would have differed if the company had instead sold its entire business as a going concern to another VAT registered business.

Surprisingly, Part (a) caused quite a few problems, with a number of candidates discussing long periods of account or, even worse, the basis period rules for unincorporated businesses. Some candidates just stated that an accounting period starts when trading commences, and ends when trading ceases – which would imply that all companies have just one long accounting period. Part (b) was very well answered, with many very good answers. The only aspect consistently answered incorrectly was the treatment of a purchased asset. In the final capital allowances computation no allowances are given, so the addition should simply have been added to the main pool. In Part (c), many candidates overlooked the trading loss for the final period of trading. The VAT calculation in Part (d) was generally well answered, although few candidates appreciated that output VAT would not be due on the sale of inventory and non-current assets if the business was sold as a going concern. Many candidates simply stated that no VAT would be due, which was too vague to score marks.

#### QUESTION 3

Candidates were required to calculate a taxpayer's taxable gains for the tax year 2010–11. During the year the taxpayer had disposed of a principal private residence, a wasting asset, a chattel and a motor car. The taxpayer had also made a part disposal of land, and a gift of unquoted shares at less than market value for which a holdover relief election was made.

This question was well answered, with only the principal private residence consistently causing problems.

However, quite a few candidates wasted time by calculating the taxpayer's tax liability when the

requirement was to simply calculate the taxable gains. The easiest approach to the principal private residence exemption was to start with the total period of ownership and then to deduct the exempt periods. Most of these were straightforward, being the periods of actual occupation, any period up to 36 months, working elsewhere in the UK up to 48 months, and the final 36 months of ownership. The only difficult aspect was a period working overseas which was not exempt as it was not followed by a period of actual occupation. The easy half-mark for deducting the annual exempt amount was often missed.

#### QUESTION 4

Part (a) required candidates to calculate a taxpayer's property business loss, and then in Part (b) they had to advise the taxpayer as to the possible ways in which the loss could be relieved. The taxpayer had a furnished holiday letting, an unfurnished leasehold property for which a premium had been received, and another unfurnished leasehold property where unpaid rent resulted in an impairment loss. The taxpayer also rented out a furnished room in her main residence.

Part (a) of this question was very well answered, with no aspect causing significant problems. However, several candidates claimed the wear and tear allowance for the furnished holiday letting rather than capital allowances. Although candidates were not penalised if they combined the property losses into just one calculation, not separating out the furnished holiday letting loss invariably meant that marks were then lost in Part (b) as marks were not awarded for vague details on loss relief if it was not clearly stated as to which reliefs were available for which type of loss.

#### QUESTION 5

In Part (a), candidates had to advise a holding company as to the maximum amount of group relief that could be claimed from a 100% subsidiary company. This required a comparison of the potential claim by the holding company with the maximum possible surrender from the subsidiary company. In Part (b), candidates were required to calculate a company's corporation tax liability after taking account of double taxation relief. The company had two overseas branches, and it was necessary to allocate Gift Aid donations on the most beneficial basis. Then, in Part (c), candidates had to calculate

**THE ONLY ASPECT CONSISTENTLY ANSWERED INCORRECTLY WAS THE TREATMENT OF A PURCHASED ASSET. IN THE FINAL CAPITAL ALLOWANCES COMPUTATION NO ALLOWANCES ARE GIVEN, SO THE ADDITION SHOULD SIMPLY HAVE BEEN ADDED TO THE MAIN POOL.**