FEEDBACK

EXAMINERS' FEEDBACK

From the December 2011 exam session

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EXAM FEEDBACK

PAPER P1
GOVERNANCE, RISK AND ETHICS

December 2011 was another successful exam for many Paper P1 candidates. As always, I congratulate successful candidates and their tutors. For those who did not pass this time, though, I hope the remarks in this report will be helpful when preparing for a future Paper P1 exam.

The format and rubric of the December 2011 paper was the same as previous diets. The paper was divided into two sections, with Section A comprising the compulsory Question 1 for 50 marks and Section B containing three 25-mark questions with candidates having to select two from three. There was no widespread evidence that candidates were pressed for time.

In this paper I examined two of the new (for June 2011) elements of the Paper P1 *Study Guide*: C3g on objective and subjective risk assessment appeared in Q1(c)(ii) and C3f on ALARP appeared in Q1(c)(iv). I wrote a technical article on these important *Study Guide* additions in May 2010 to emphasise their importance. I will discuss these below in more detail but just to mention here that some candidates did these question parts quite poorly. This should serve as a reminder that technical articles are written to help students to understand parts of the *Study Guide* and some may even help with answering questions in future exams. There are several technical articles on the ACCA website written by either myself, or other informed authors, and I strongly advise Paper P1 candidates to study these as a part of their exam preparations.

SPECIFIC COMMENTS
QUESTION 1

The case for the compulsory (50-mark) Question 1 was on Coastal Oil, a petrochemical company that had experienced difficulties with an explosion on a deep sea oil extraction rig. It was similar to a real-life case that arose with a company that had suffered an explosion on a rig with a resultant loss of life and a number of other negative consequences.

As in previous exams, I used the longer case in Question 1 to examine several areas of the *Study Guide* including content from the ethics component (Section E). Also, as before, a careful and detailed analysis of the case itself was essential to achieve good marks.

Part (a) asked about corporate codes of ethics for 10 marks. For five of the marks, candidates were asked to describe the general purposes of a corporate (not to be confused with a professional) code of ethics. These should have been relatively straightforward for most well-prepared candidates and, indeed, most candidates were able to collect some marks here. Many achieved all five marks.

For the second five marks of the 10, the requirement was to evaluate Coastal Oil's performance against its own stated ethical aims. These were clearly set out in the third paragraph in the case and many candidates were able to correctly identify these. Marks were awarded where candidates were able to show, from the case, how the company had failed to meet its own ethical standards. A common mistake was to list the five areas (full compliance with regulation, etc) but then to describe what the terms meant rather than searching the case for evidence to evaluate the company's performance.

Part (b) was about mandatory and voluntary disclosure and, in particular, the potential materiality of environmental risk disclosure at Coastal Oil. The first task was to explain what the two terms meant (voluntary and mandatory) and then to give some examples to demonstrate understanding. Most candidates were able to gain some marks here, although quite a lot were not able to say any more than that mandatory was required by law and that voluntary was not. This missed the point about how listing rules also place disclosure requirements on companies, including – in many jurisdictions – details of the company's corporate governance, executive remuneration, etc.

Part (c) was the multi-part requirement. Candidates were asked to answer each part, sequentially, in the form of a speech by Susan Ahmed, CEO of Coastal Oil. She was asked to appear before a special committee of the national legislature and wanted to use the speech to explain several things to the committee about the company's internal controls and risk management. In particular, she wanted to explain the IC failures and to respond to points made against the company in the controversy that had followed the explosion of the oil rig.

Questions involving the examination of a case to pick out and explain internal control failures have been used before on Paper P1 exams on several occasions. Part (c)(i) required Mrs Ahmed to explain to the committee where IC failures had occurred. The case itself, as in previous questions of this type, was seeded with the information required to provide a comprehensive answer. Because (in the last paragraph of the case) the Coastal Oil board agreed that she should provide a full and uncensored statement to the legislative committee, there was no reason for Mrs Ahmed to conceal or play down particular failures. Accordingly, the best answers were those that carefully and systematically explained (ie did more than just identify) each of the five major IC failures in the case. Those that explained internal controls in general terms, perhaps explaining the importance of ICs, received low or no marks because they failed to adequately analyse the case.

Part (c) requirements (ii) and (iv) were both from the new content on risk that I mentioned in the introduction to this report. Both were done with variable degrees of success. In Part (ii), most candidates were able to distinguish between subjective and objective risk assessment but fewer were able to gain the marks for arguing against Senator Jones's view. The point here was to explain to the committee that Senator Jones did not appreciate the subjective nature of risk measurements and that probabilities of risk events happening are often very difficult to estimate. Subjective assessments, importantly, are not invented or fabricated, but are based on less-than-scientific assessments which are sometimes difficult for some stakeholders to understand.

Part (iv) seemed to be difficult for many candidates. I covered the ALARP principle in a technical article in 2010, and while many candidates were able to show some evidence of knowing what it was (sometimes with the help of a simple graph), fewer were able to weave it into the speech as required.

IT IS IMPORTANT TO BE ABLE TO JUDGE THE TONE OF AN ANSWER BASED ON WHAT THE QUESTION ASKS IN TERMS OF FORMAT.

Part (iii) on health and safety risk required candidates to explain what it means, and then to explain what can increase this risk in an organisation. This should have been straightforward because it was mainly bookwork. Some candidates defined the term and then did not do so well on explaining the factors.

There was a full spread of marks awarded for the presentation itself. As usual there were four professional marks available. Some made no attempt to frame their answers in the form of a speech. Others (wrongly) began their answer with 'Dear committee' and ended with 'Yours faithfully'. Another error was to frame it as a memo with 'To: Committee, From: Mrs Ahmed' or similar. It is important to be able to judge the tone of an answer based on what the question asks in terms of format. I have raised this before in my examiner's reports and I would again encourage candidates and their tutors to work on these formats as a part of preparing for future Paper P1 exams.

QUESTION 2

The case in Question 2 was about a debate in Geeland over how corporate governance should be regulated. It contained a quotation on how a principles-based system might be applied and also one from Anson Company, which had a temporary compliance failure in respect of its executive chairman. Both of these quotations were based on real-life examples, slightly modified for the purposes of making them fit the exam paper. Most candidates attempted this question.

Part (a) first asked candidates to distinguish between rules and principles-based approaches to corporate governance. This has been examined before and is a central part of the Paper P1 *Study Guide*, and so I was pleased to see that most who attempted the question did quite well on that task. The more ambitious task followed, which was to critically evaluate the quotation in the case about the application of principles in corporate governance. The task was to explore the two sides of the debate, which some candidates did very well indeed while others seemed not to understand the task at all. This should have been a straightforward task for a candidate who had studied the debate over rules and principles but there was evidence that some candidates appeared not to grasp this important area of the *Study Guide*.

Part (b) also examined a central part of the corporate governance debate: the separation of the roles of chief executive and chairman. The case study described a situation at Anson Company in which Mr Klunker had temporarily adopted the role of executive chairman. In line with best practice in a principles-based jurisdiction, the company had made a 'comply or explain' statement in its annual report and this was the subject of Part (c). Part (b) was done quite well overall but some candidates struggled to actually assess the 'comply or explain' statement in Part (c). The task in Part (c) was not to explain what 'comply or explain' meant (this was a common mistake) but to take an informed view on the statement provided by Anson on explaining why it had an executive chairman and was thus in breach of the relevant code provisions.

QUESTION 3

This question used the example of a utility company privatisation to explore issues of executive remuneration, market risk and proxy voting. A number of governance issues can occur with organisational and environmental changes (such as privatisation) including the succession of senior officers in the company.

Part (a) was about CEO Helen Evans's reward package before and after the privatisation of Dale Gas. It seems when some candidates see questions such as this one, they enter into a description of the components of a reward package, even if it is clearly not required. This requirement had two clear tasks – to explain the purposes of a CEO's reward package (not its components) and then to review the factors that might influence the level of the rewards for Mrs Evans after the privatisation (ie once Dale Gas becomes a private sector organisation).

Most candidates were able to explain the ideas of attract, retain and motivate as the main purposes of a reward package, although those that only listed the terms without reference to the case did not receive good marks. More difficult for some candidates was the second part of the requirement. The case discussed a number of issues relating to Mrs Evans's pay, including her strategic skills, the views of shareholders, Mrs Evans's abilities, market rate (the case mentioned other companies of similar size), government regulations that had previously constrained her pay, and the opinions of some that believed the doubling of her reward to be unreasonable. So there was much in the case to use in answering this requirement. The secret to getting the marks was to carefully examine the case and to use that as the basis for the answer. Some merely listed the main points without explaining from the case and those answers were not so well rewarded.

Part (b) was less well done. Again, it contained two tasks. The first should have been straightforward as it was a simple definition, but it seemed to confuse many candidates. The study texts use a number of definitions of market risk but, in the context that Tom Nwede used it in the case, the relevant definition is market risk as it refers to the share value of Dale Gas (Tom Nwede was an institutional investor). One of the Paper P1 study texts defines it thus: *Market risk is a risk of loss due to an adverse move in the market value of an asset – a stock, a bond, a loan, foreign exchange or a commodity – or a derivative contract linked to these assets.*

The point is that the loss of a key executive can increase market risk because it can unsettle investors or threaten the value of those assets upon which future cash flows and, hence, market values depend.

A common problem with Part (c) on proxy voting was to recognise that it involved voting without attending the general meeting but then to fail to explain the advantages. For a fund manager like Tom Nwede, who may have many individual companies in a managed fund, it would simply be impossible to attend every company annual meeting. Most institutional investors that have confidence in the board of a particular company will be content to allow the chairman to vote on their behalf in order to avoid the need to study each motion and attend in person to vote.

QUESTION 4

This was the least attempted question in Section B of the paper. It covered the Gray, Owen and Adams continuum and the idea of social responsibility, both of which are important components of the ethics section of the Paper P1 *Study Guide*. The case concerned Biggo Manufacturing, a company that was managing a number of stakeholder issues associated with the construction of a factory extension. It addressed issues similar to those examined in earlier papers where a certain project would have positive and negative impacts.

Part (a) began with what should have been a fairly straightforward requirement, which was to explain the meaning of rights and responsibilities. This is a key part of the citizenship of a business (from *Study Guide* Section A7d) and is actually also a theme in earlier Fundamentals level ACCA papers. The more difficult task was to describe the ways in which rights and responsibilities are interpreted by pristine capitalists and deep greens, these being the two ends of the Gray, Owen and Adams continuum. A common mistake in this question was to list and describe the seven positions on the continuum. Again, a careful reading of the question should have helped candidates to avoid this error.

Part (a) is a good example of how theory (the Gray, Owen and Adams continuum) needs to be applied in a Paper P1 question. It is not sufficient just to know what they are. To gain high marks, candidates also need to be able to use what they know to describe the two positions from a particular perspective – in this case, in terms of what the two positions say about rights and responsibilities.

Part (b) was done better than Part (a) overall, which was pleasing. In this case, two people were clearly described in the case, and candidates had to use the evidence from the case to identify and justify which of the seven positions best described the two people. Robert Tens was expedient and Margaret Heggs was a pristine capitalist. Where candidates sometimes went wrong was to get Margaret Heggs right but Robert Tens wrong, sometimes identifying him as a social contractarian. Again, a close and detailed reading of the case should have prevented such an error.

Part (c) was sometimes treated as a bit of an afterthought, with some answers being very short despite it being worth nine marks. There were three tasks: to define social responsibility as used by Albert Doo in the case, and then to examine Biggo's decision about the play area from short-term and long-term perspectives. Most who attempted it were able to gain some of the marks for defining social responsibility. The tasks about short-term and long-term shareholder interests were often not done well. To achieve high marks, candidates had to engage with the case and to show how the decision would have different issues in the short term and, with the management of certain key stakeholders, in the longer term.

PAPER P2
CORPORATE REPORTING

Candidates' scripts were of varying quality and reflected the degree of understanding of the subject matter. There were elements of the paper where application of knowledge and understanding was of paramount importance and some candidates failed in this regard. Many candidates passed the exam because of strong performance on Question 1 and the questions answered best by candidates were Questions 1a, Questions 3(a/c), and Question 4(a)(i).

The general weakness among most candidates continues to be that they fail to make a reasonable attempt at all parts of the questions they choose. This can either be no response at all or answers that only briefly outline the subject area. There is a need for more comprehensive answers in order to justify a pass mark on the question.

In Section B, answers are often very general in nature with no relationship to the facts given in the scenario. This can involve just repeating information given in the question without explaining how it impacts on the financial statements or just quoting facts from standards without reference to the question. This can result in long answers that often don't address the issues in a scenario and may leave candidates bemused as to why they have failed when they have written so much. Often these scripts bordered on illegibility, which makes marking difficult. It is often better to explain a few points well than trying to regurgitate all the knowledge that the candidate possesses. There were, however, many excellent scripts, particularly in answering the technical aspects of group accounting and the issues surrounding intangible assets.

Finally, a small number of candidates answered all four questions. This occurrence seems to be increasing, but it is unwise as candidates are penalising themselves by not spending sufficient time on each question.

SPECIFIC COMMENTS
QUESTION 1

This question required candidates to prepare a consolidated statement of financial position for the Traveler Group. The question included the calculation of goodwill arising on the acquisition of subsidiaries using both the full and partial goodwill methods. Additionally, goodwill was impairment tested, thus candidates had to determine whether goodwill was impaired in situations where goodwill had been calculated using both methods set out in IFRS 3, *Business Combinations*.

Traveler also held a 10-year loan, which was held at amortised cost, but Traveler now wished to value the loan at fair value. Traveler had agreed for the loan to be restructured. Thus, candidates had to determine if, under IFRS 9, *Financial Instruments*, the loan could be fair valued and also had to impairment test the loan.

Candidates also had to use component accounting in relation to a non-current asset and had to account for the entity's pension scheme, which showed a surplus. The pension scheme also wished to reduce its contributions, which were paid shortly after the year-end.

On the whole, candidates demonstrated a good knowledge of the consolidation process together with calculation skills for the accounting adjustments needed to the parent's financial statements. A range of different methods was used to perform the consolidation and candidates were not penalised for using a different method to the model answer. It is important, however, to lay out answers in a logical and understandable manner.

Candidates performed well in the calculation of full goodwill but many did not complete the partial method of calculating goodwill successfully. This problem was exacerbated when candidates' impairment tested goodwill. Full goodwill was impairment tested correctly in most cases but the unrecognised goodwill on the non-controlling interest, which represents the grossing up of goodwill for the purpose of impairment testing partial goodwill, was not included in many candidates' answers.

The impairment loss on the financial asset was calculated by discounting the annual payments using the original effective interest rate. Most candidates recognised the need to discount the future cash flows but many used the incorrect discount rate. Candidates accounted for the defined benefit pension scheme very well but often did not recognise that there was a ceiling placed on the amount to be recognised as an asset. This element of the syllabus is quite difficult and, therefore, the mark allocation reflected this fact.

Traveler had a factory that required component accounting. The entity could not treat the roof and the building as a single asset and, therefore, should treat them separately. This procedure was not carried out successfully in many cases. The confusion seemed to arise over the relative length of lives of the two components and over the treatment of the residual value.

Candidates are generally performing well on the group accounting question in the paper but still seem to be spending a disproportionate amount of time on the question. Full goodwill is well calculated but the adjustments to the financial statements require candidates to deal with situations that may not be familiar to them. Candidates are required to use the principles which they have learned. Application of principles seems to be an issue for some candidates.

Common weaknesses of answers included:

- ignoring the change in ownership interest
- calculating impairment by simply comparing goodwill to recoverable amount without considering the net assets or fair value adjustment
- not calculating a movement in equity for the non-controlling interest change
- including OCI changes in retained earnings rather than other components of equity.

In Part (b), Traveler had three distinct business segments and the management was unsure as to how they should allocate certain common costs and whether they can exercise judgment in the allocation process. Candidates were required to advise the management of Traveler on these points. This part of the question was not well answered by candidates and some candidates failed to answer it at all. This is a mistake as marks can readily be gained by applying simple accounting principles in questions such as this. It is the ability to apply principles, which is being tested just as much as the principles themselves. This reinforces the point made in Question 1a. Many candidates wrote detailed answers about the requirements of IFRS 8 for identifying segments rather than the question set, or candidates wrote generally about allocation rather than addressing the specific issues in the question.

Part (c) required candidates to discuss how the ethics of corporate social responsibility disclosure are difficult to reconcile with shareholder expectations. The ethics of corporate social responsibility disclosure are difficult to reconcile with shareholder expectations as companies must remain profitable and there may be conflict. There is no 'correct' answer to such a question and, therefore, candidates can express their views within certain parameters and gain marks. Candidates cannot gain marks if they do not answer the question. Question 1(b) and (c) are critical to candidates. They often represent the difference between pass and failure, especially if they are not answered.

QUESTION 2

This question required candidates to prepare the individual entity statements of financial position after a proposed restructuring plan, to set out the requirements of IAS 27, *Consolidated and Separate Financial Statements* as regards the reorganisation and payment of dividends between group companies, and to discuss the implications of the restructuring plan.

This question tested restructuring for the first time under the revised syllabus. The numerical part of the question was similar in format to a past question but differed in terms of the adjustments required. This question required candidates to apply a series of accounting adjustments, which were laid out in the question. It did not require detailed knowledge of IFRS but the ability to apply accounting techniques. There were several adjustments to be made that were quite simple and required a logical and systematic approach.

Candidates performed quite well on the numerical part of the question but often seemed to find it difficult to apply the requirements and often made basic mistakes due to not reading the question thoroughly. For example, the holding company sold an investment in a subsidiary to another subsidiary. Many candidates left the investment sold in the financial statements of the holding company.

Part (a)(ii) of the question was poorly answered. The amended IAS 27 allows the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary rather than its fair value. This point is quite difficult and, again, the marks reflected this. However, it is important for candidates to understand that IAS 27 will require all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in its separate financial statements. The distinction between pre- and post-acquisition profits is no longer required and the payment of such dividends requires the entity to consider whether there is an indicator of impairment. This is a point fundamental to the preparation of group accounting and will be examined again.

Part (b) of the question required the key implications of the restructuring to be discussed. Candidates' answers were disappointing because many did not realise that the reconstruction only masked the problem facing the group. It did not solve or alter the business risk currently being faced by the group. As discussed above, application of principles was required here. Rote learning of IFRS would not have helped candidates in this question but understanding certainly would.

QUESTION 3

This question required candidates to discuss the validity of certain accounting treatments proposed by an entity in its financial statements. The question required candidates to deal with internally generated intangibles. Candidates automatically assumed that the accounting treatments were incorrect but, in this case, the entity was correctly expensing maintenance costs, as these did not enhance the asset over and above original benefits. Similarly, the decision to keep intangibles at historical cost is a matter of choice and, therefore, the accounting policy outlined in the question was acceptable. Candidates answered the part of the question, dealing with finite or indefinite life and impairment, very well. Similarly, candidates realised that the way in which the entity determined its value in use for impairment testing purposes did not comply with IAS 36, *Impairment of Assets*. However, the fact that the cash flow projections should be based on reasonable and supportable assumptions, the most recent budgets and forecasts, and should be assessed for reasonableness, was not often included in answers.

In Part (b) of the question, candidates realised that the calculation of the discount rate was not wholly in accordance with the requirements of IAS 36, but did not often set out that this was because the discount rate applied did not reflect the market assessment of the contributing factors and that, if a market-determined asset-specific rate is not available, a surrogate must be used.

Further again candidates felt that the entity had not complied with the

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disclosure requirements of IAS 36, but were not sure why this was the case.

Part (c) dealt with the identification of intangible assets in a football club in the form of registration rights of players and agents' fees. The definition of an intangible asset was expressed well by students and candidates realised in most cases that the players' registration rights met the definition of intangible assets. However, very few candidates stated that the agents' fees represented professional fees incurred in bringing the asset into use and, therefore, could be included in intangibles.

The final element of the question dealt with the situation where an entity purchases the rights to a proportion of the revenue that a football club generates from ticket sales. This part of the question was answered well with discussion as to whether the entity has acquired a financial asset. Candidates realised that where the entity has no discretion over pricing or selling of the tickets, and is only entitled to cash generated from ticket sales, this represents a contractual right to receive cash; but if the entity had purchased the rights to sell the tickets for a football club, and was responsible for selling the tickets, then this would create an intangible asset. The correct answer in fact was that the entity had a financial asset. However, where a candidate discussed the situation but came to the wrong conclusion, they still gained a significant proportion of the marks available.

QUESTION 4

This question required a discussion of the main weaknesses in the current standard on revenue recognition together with the reasons why it might be relevant to take into account credit risk and the time value of money in assessing revenue recognition. Part (b) of the question required candidates to discuss how transactions would be treated in financial statements under IAS 18, *Revenue* and also whether there would be a difference in treatment if the collectability of the debt and the time value of money were taken into account.

This question was well answered. There are many issues with IAS 18 and candidates' general discussion was good. Similarly, the discussions regarding credit risk and the time value of money often mentioned that, in many cases, the effect will not be material but that, in some contracts, the effect could be material. Also, candidates realised that the use of discount rates is always quite a subjective way of measuring transactions. However, some candidates often wrote general comments about recognition criteria for revenue and, again, these answers did not relate to the requirements of the question. Those candidates who knew the issues surrounding revenue recognition raised valid issues. However, these were often not in sufficient detail to justify full marks and the length and depth of the answers were often too short given the mark allocation for this question. Candidates should be aware of the amount of marks for a question part and answer accordingly.

In the second part of the question candidates did not appear to realise that IAS 18 already deems it is necessary to discount the consideration to present value in order to arrive at fair value. Other than this, this part of the question was quite well answered.

PAPER P3
BUSINESS ANALYSIS

The overall performance in this exam was much better than in the June 2011 sitting. Not only was the pass rate higher, but there was a significant number of excellent scripts. I personally marked three scripts that scored higher than 90%. Such scripts show what can be achieved on this paper. Overall, candidate answers seemed better focused than usual and some high scores were recorded in relatively short answer booklets. For example, a script that scored 94% only used 18 pages of the script booklet. I still feel that many of the 'time management' problems cited by candidates are actually self-inflicted. Too many scripts still describe, too fully, models or frameworks that need to be applied or used. Furthermore, small sub-questions (for example, Question 3(a) where each type of review was only worth two marks) are over-answered with some answers being over two pages long for a maximum of six marks.

The first part of the compulsory question was relatively well answered, although too much duplication of points and descriptive detail about models may have led to subsequent time problems. Candidates overwhelmingly elected to answer Questions 2 and 3 in the optional section, Section B. Of these questions, Question 2(b) and Question 3(a) and 3(c) were answered particularly well.

Question 3 was taken from a relatively new area of the syllabus and concerned pricing and linear regression. Both areas have been relatively well covered, with articles in *Student Accountant* and a *Pilot Paper* question along similar lines. However, few candidates attempted this question and even fewer did it well. A significant number of candidates who attempted the first part of this question (on pricing) made no attempt at the second part (on linear regression) at all.

SPECIFIC COMMENTS
QUESTION 1

The case study question concerned a private rail company (GET) that was under pressure in its home environment and is proposing to bid for a privatisation rail contract in another country.

The first part of this question was worth 20 marks and required candidates to analyse GET's strategic position from an internal and external perspective. Overall, this was answered well with some candidates getting full marks. Most candidates made good use of the financial data provided in the scenario. However, some answers – despite scoring well – displayed elements of poor exam technique that probably led to time problems later in the exam. Specifically, candidates were not required to describe selected models and frameworks in depth. Some answers described frameworks such as Porter's Five Forces at great length and this was not needed. The question requires application, not description. Second, the injudicious selection of frameworks often

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led to the same points being needlessly repeated (for example, in the PESTEL and the SWOT analysis) and marks can only be given once. Candidates are also reminded that not all elements of a PESTEL analysis are bound to appear in the case study scenario or that relevant points will be evenly spread among the six influences. Also, technology (in PESTEL) refers to external technological change, not to the internal technological resources of the organisation.

The second part of the first question was worth 16 marks and asked candidates to write a report evaluating GET's proposed business strategy. Four further professional marks were available for the appropriate structure, style and fluency of the report. This was less well answered than the first part of the question. Many candidates struggled to impose a structure on the answer and, although many used the suitability, acceptability and feasibility framework, they often repeated themselves and failed to make enough distinct points to get the marks on offer. Surprisingly few candidates tied their answer to their strategic position analysis, the first part of the question. The proposed strategy concerns an opportunity, and candidates might have considered this opportunity in the context of the strengths, weaknesses, threats and, indeed, alternative opportunities, identified in the previous part of the question. This would have revealed that some of the company's strengths are largely irrelevant in the proposed strategy (for example, the internet booking system) and some weaknesses (gearing and ROCE) might make funding such a proposal impossible. Similarly, candidates might have dwelt on how the proposed strategy addresses the threats to GET identified in their position analysis. Very few candidates identified that the nature of the proposed franchise (trains but not tracks) was fundamentally different to GET's home country experience and raised important elements of risk. Some candidates also made the mistake of perceiving GET as the franchisor, not the franchisee, and hence included much irrelevant comment on its strategy. Candidates must also stay within the bounds of the case study scenario. Nowhere does it say that SOFR will be 'hugely expensive to acquire'. Overall, the answers were average, and they should have been much better.

The final part of this question asked candidates to explain and discuss the concepts of critical success factors (CSFs) and key performance indicators (KPIs). Many candidates appeared to be unfamiliar with this part of the syllabus and this is reflected in the average mark for this part of the question. Some candidates merely changed the sequence of the words – stating that 'critical success factors are the factors that are critical to the success of the business', and then listed the strengths of GET. The focus of the answer really needed to be on what the customer values and where the organisation has to excel to outperform the competition. Some candidates did not consider the rail industry at all, framing their answer in the context of a manufacturing company or a university, for example.

QUESTION 2

Question 2 asked candidates to analyse the culture of a computer software company and to comment on the implications of their analysis for the future performance of the company. This part of the question was worth 13 marks. Most candidates appeared to be familiar with the cultural web, but they seemed happier to describe its constituent parts, rather than use it as a basis for analysis. Thus, many questions were long on description but short on analysis. For example, many candidates identified long working hours and certain social activities (computer games, football) as issues, but did not suggest that these were likely to discriminate against people with families and other interests and commitments. They failed to recognise that this young, male-oriented, environment was likely to lead to the high labour turnover that the company experiences, as well as the problem of recruiting and retaining female staff. High labour turnover leads to increased recruitment and training costs, which affects the overall profitability of the enterprise. Other problems are also likely to arise from an unbalanced workforce engaged in vacuous technical one-upmanship with their managers. The question asked for analysis and implications, not the classification of information given in the scenario into the constituent parts of the cultural web.

The second part of the question asked candidates to assess the suitability of the company's approach to three high-level processes. Most candidates used Harmon's process-strategy grid in their answer and they used it very well, leading to some excellent marks. The only significant issue in some answers was the unnecessary descriptive detail of the grid itself. The question does not ask the candidate to describe an appropriate framework, but to use it. A brief introduction to the framework would have sufficed. Again, too much description may have led to some candidates experiencing time pressure later in the paper. Some candidates tried to apply the suitability, acceptability and feasibility framework to this part question but the approach did not really work, leading to long theoretical answers that scored few points.

QUESTION 3

The third question focused on post-project reviews, post-implementation reviews and benefits realisation. The first part of the question asked the candidate to explain the purpose of each, and many candidates scored well in this six-mark question. However, a significant number of candidates were unable to distinguish between the different types of review, and so scored poorly.

The second part of the question asked candidates to evaluate the problems and lessons learned from a post-project review and a post-implementation review at the company described in the question scenario. This was worth 12 marks. Too many answers described what went wrong, rather than evaluated its effect and lessons learnt. Here is a possible approach that a candidate could have taken:

- Issue – late allocation of order administrators full-time to the project.
- Effect – caused project to slip as administrators still had to undertake normal duties.
- Effect – software was delivered two months behind schedule.
- Lesson learnt – user resources need to be allocated full-time to the project. They cannot perform their usual job and still fulfil project requirements

Too many answers just described the issue or one effect. Finally, the candidate was asked to identify potential benefits to the case study company of the electronic ordering system described in the scenario. This was relatively well answered, although too many answers described features not benefits. Speed of processing is a feature, not a benefit in itself. The candidate has to identify what benefit this feature offers the organisation. For example, it might reduce the cost of handling an order. Finally, some candidates tried to use the 6Is in their answer, but really these were not particularly relevant here.

QUESTION 4

As mentioned earlier, relatively few candidates attempted this question. Of those who did, a significant number only answered the first part of the question.

The first part of the question asked candidates to identify and discuss the factors that need to be taken into consideration when pricing the e-learning product described in the scenario. This was answered moderately well. Many answers were very theoretical and did not address the situation described in the scenario. For example, few candidates explored different pricing models for different sectors (individual consumers, large commercial companies, training intermediaries) or recognised that the product itself had not yet been launched. There is no data showing how demand for the product might react to price changes. Some candidates had obviously read the technical article in *Student Accountant*, but they were happier regurgitating its structure and content, rather than using it as a framework for considering the pricing of the particular product described in the scenario. Finally, many candidates strayed into a discussion about the benefits of e-learning to the learner, making points which were irrelevant to the pricing of the product.

The second part of the question asked candidates to evaluate how two sets of statistical data could assist the pricing of the e-learning product. Candidates were invited to highlight any limitations in the data. Very few candidates actually used the numbers in any constructive way. Answers relied on generalised statements about the model and its assumptions. This was very disappointing. Please look at the published model answer to see how these sets of data could have been used in framing an answer to this 10-mark part of the question. Very few candidates achieved a pass mark on this part question.

PAPER P4
ADVANCED FINANCIAL MANAGEMENT

The structure of the paper was similar to past papers with two compulsory questions in Section A, consisting of 64 marks in total, and three 18-mark questions in Section B, of which candidates had to do two for the remaining 36 marks.

The overall performance of the candidates was satisfactory.

THERE WAS EVIDENCE THAT SOME CANDIDATES SPENT TOO LONG ON QUESTION 1 AND THEN HAD TO RUSH THROUGH THE OPTION QUESTIONS.

In Section A, Question 1 consisted of 39 marks and Question 2 consisted of 25 marks. Four professional marks were allocated to Question 1. Both questions required candidates to undertake computations and discussion. In Section B, Question 5 was wholly discursive, while Questions 3 and 4 consisted of a mixture of computational and discursive elements.

Excellent answers were obtained from candidates who applied their knowledge to the scenario given in the question. The presentation of such answers was good, with clear labelling, structure and workings. Successful candidates attempted all parts of the questions and managed their time well between questions.

Like the previous sittings, there was evidence of some candidates employing poor time management techniques and not answering all the parts of a question or, in a minority of cases, not answering a question at all. There was evidence that some candidates spent too long on Question 1 and then had to rush through the option questions. A number of such candidates failed marginally, even though the questions they had answered fully were of a pass standard. It is important to make a reasonable attempt at each question and each part of each question.

It is imperative that candidates learn to manage their time effectively through practising past exam questions under timed and exam-style conditions. It is also evident that well-structured answers enabled candidates to manage their time effectively. For example, Question 1 was long and complex, and good time management augmented by clear presentation and structure to the answers resulted in high marks being achieved.

Some candidates showed poor preparation for the exam in terms of their knowledge and application. This was especially evident in Questions 2 and 3, and, to some extent, in Question 5. Candidates need to be aware that it is expected that they develop their knowledge and the ability to apply that knowledge. In a number of cases, candidates failed to achieve a pass mark due to lack of knowledge and not being able to apply that knowledge to the scenario in the question.

Paper P4 has a large syllabus and numerous technical areas. Candidates need to know the syllabus well in order to apply knowledge from it to the question scenario. A consistent, sustained study approach augmented by question practice and reading around the subject is much more likely to achieve success, as opposed to a last-minute intense study approach and attempting to question-spot.

Poor performance was also evident where candidates did not read the content and requirements of questions fully. Answers need to be directed at the scenario in the question; general answers do not gain many marks.

SPECIFIC COMMENTS
QUESTION 1

This question involved a company considering an international investment and required candidates to consider relevant cash flows, opportunity costs, inflation, exchange rates, adjusted present values, and financing side effects. It was essential that a structured approach was taken when answering the first and main part of the question.

The second and smaller part of the question asked candidates to consider other factors, including the possibility of a change in government and its implications on the company, before the final decision was taken. Some good responses considered this part before the first part and gained high marks.

On the whole, good answers inflated the cash flows correctly, calculated the taxation impact and converted the Gamalan cash flows into dollars just prior to calculating the present values. Although not many candidates got all the other relevant cash flows correct, the better answers made a good attempt at calculating these. Effective use of appendices and workings added to clarity. Many answers made a good attempt at the initial calculations.

Poor responses attempted to convert cash flows into dollars too soon and/or attempted to calculate the weighted average cost of capital, which is not correct for an APV computation. This approach led to unnecessary errors and also took a lot more time. Errors were also made in calculating inflation, additional contribution, tax shields and subsidy benefits.

ACCA PLANNER

USE THIS CALENDAR TO INSERT YOUR STUDY MILESTONES, PLAN YOUR REVISION, AND FACTOR IN SOME RELAXATION TIME

APRIL

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

MAY

S	M	T	W	T	F	S
		1	2	3	4	5
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27	28	29	30	31		

JUNE

S	M	T	W	T	F	S
					1	2
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10	**11**	**12**	**13**	**14**	**15**	16
17	**18**	**19**	**20**	21	22	23
24	25	26	27	28	29	30

Standard exam entry deadline

Late exam entry deadline

Exams!

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JULY

S	M	T	W	T	F	S
1	2	3	4	5	6	7
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29	30	31				

Why not think about your practical experience while you're waiting for results?

AUGUST

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
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Results month!

SEPTEMBER

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	**8**
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16	17	18	19	20	21	22
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30						

Early exam entry for December 2012

It was also disappointing that a number of responses did not provide a conclusion or recommendation, explain the assumptions (as opposed to merely stating them) and not answer Part (ii) in detail. Many answers focused on the change of government without considering other business factors. Answering these in sufficient detail would have resulted in high marks being achieved for the discursive element of Question 1. It was also very important that candidates attempt to maximise the professional marks they achieved by providing a good structure to their answer and employing a report format.

QUESTION 2

This question asked candidates to explain and employ hedging techniques to manage interest rate risk. In Part (a) candidates were asked to discuss the main advantage and main disadvantage of using interest rate collars instead of options when hedging interest rate risk. This part was generally done well with most candidates correctly identifying and discussing these. However, a small number of candidates focused on options and not on collars.

Part (b) required candidates to use derivative products (futures, options and collars) to hedge interest rate risk. Generally, this part was done adequately by many candidates, especially when assessing futures and options, but only a few candidates employed collars properly. In some cases, hedging using collars was ignored completely. A number of candidates found it difficult to calculate the number of contracts and the basis. A few candidates got confused between basis and basis risk, and incorrectly assumed that because the question referred to no basis risk, this meant that there was no basis. This is a fundamental error and should not really occur at this level. It was frustrating, given that there was a recent article in *Student Accountant* on interest rate hedging, that there were still a significant number of poor responses when employing futures and options.

The responses to Part (c) were mixed. Candidates who knew about basis risk explained it well, but did not then consider how it would impact the recommendation in Part (b).

QUESTION 3

Parts (a) and (b) asked candidates to calculate the value of bonds based on the particular yield curve and then consider how issuing a bond at a discount or a higher coupon would affect the company. In order to answer Part (b) properly, candidates would have needed to calculate the coupon payable if the bond were issued at par. Part (c) asked candidates to explain four criteria used by credit rating agencies and what factors would be used to assess each category.

Question 3 was the most popular question but it was also the least well done of the three optional questions. Most candidates did not employ the yield curve correctly in assessing the value of the bond in Parts (a) and (b), or in calculating the coupon payable in Part (b). This was especially disappointing given that an article on this area appeared in *Student Accountant*. It is important that candidates study and fully understand the full range of technical articles so that they can apply the principles explained and discussed to particular scenarios.

The inability of most candidates to correctly employ the yield curve to calculate the prices and coupons of the bonds meant that the discussion in Part (b) was little more than very superficial.

Part (c) was generally done adequately, although answers for industry risk and earnings protection were weaker than the answers for financial flexibility and company management.

QUESTION 4

This question was the most popular and probably the best answered of all the questions on the paper with many candidates gaining a high proportion of the marks for their answers. The question consider a management buy-out, and forecasting future earnings of the new company in order to assess the possibility of future breaches in debt covenants, implications of the breaches, and how to tackle these.

Generally, Part (a) was done well and many responses gained high marks. Some responses discussed the benefits to the management team and not just Proteus Co, which was not asked for. Part (b) was done well when candidates knew that they had to calculate the future earnings in order to calculate the future level of equity and, therefore, the debt-equity ratio to assess whether or not it would be breached. It was surprising that many answers included payment of debt capital within earnings before calculating retained earnings. This is clearly incorrect and resulted in an incorrect debt-equity ratio being calculated. In Part (c), most answers clearly identified possible actions that could be taken if the covenant was breached, but few discussed the implications of such a breach.

QUESTION 5

Question 5 was the least popular of the three optional questions, which is unlike previous sittings. It seems that many candidates did not study this area of the syllabus specifically and therefore could not answer the question.

Normally, where this question was attempted, it was done well. A number of candidates were able to discuss what TBL reporting involves, giving relevant examples of proxies and how TBL reporting helps management to focus on improving financial strength of the company. However, some candidates repeated points that had previously been made, gaining few marks.

PAPER P5
ADVANCED PERFORMANCE MANAGEMENT

In this report, my aim is to indicate areas of good and poor performance with the specific additional purpose of helping future candidates assess what is required of them.

The exam paper comprised two sections, A and B. Section A consisted of two compulsory questions for 60 marks in total. Section B consisted of three optional questions for 20 marks each from which candidates were required to answer two questions. (Candidates and tutors should be aware that this is in line with the broad plan for the allocation of marks on this paper but there is not an absolute rule that there will be 60 marks in Section A and 40 in Section B – see the *Study Guide* for the detailed rules on mark splits between sections and questions.)

GENERAL COMMENTS

In general, it was encouraging to see candidates applying good analytic reasoning and making use of the detail provided in the scenario. Most exams require a balance of memory work and evaluation/analysis. As one goes through the levels this balance changes from pure memory to more analysis. Good candidates distinguish themselves by being aware that if they come to this exam expecting to repeat memorised material, they will probably score only between 20% and 30%.

The basis of this paper is analysis and application. Candidates will need a foundation in the techniques of the syllabus, but should focus more on evaluation of these techniques and consideration of their usefulness to the given scenario. This is not difficult to revise as it is a mindset that can easily be encouraged by considering past papers as an integral part of the revision process. Candidates need to be aware that performance management is an area which, at an advanced level, is dependent on situation and environment. A good, professional-level answer will go beyond the mere repetition of how a technique works and focus on relating it to the entity's specific environment.

However, some candidates are not spending sufficient time on reading the question and understanding its requirements. This is an area on which the examiner and those who review the exam papers spend a great deal of time working. It should not be 'skim' read. There were numerous examples of answers which were directed at a different question requirement than the one actually asked and, therefore, they often only scored marks indirectly. Candidates should beware that this is a very inefficient use of limited time in the exam. An example of this was in Question 2 where the question asks for an assessment of KPIs compared to a modern performance measurement system and an evaluation of the system at the company in the scenario – it did not ask for an evaluation of the performance of the company in the scenario. Another example was in Question 4, where candidates were asked to assess the suitability of the branch information as a means of assessing the shop manager's performance – it did not ask for an assessment of either the shop or the manager's performance. Candidates did score some marks for illustrative calculations but generally wasted much time and ink in writing long lists of indicators that had gone 'up' and 'down'. Please read an article I have written titled 'Reading the question requirements at Paper P5' in the February 2012 issue of *Student Accountant*.

There was a surprising split in candidates' performance between the two sections. While it was pleasing to see candidates performing well in questions selected in Section B, the general performance in Section A was disappointing. A possible explanation of this is that candidates are question spotting (not a recommended revision approach). It could also be due to candidates learning facts and confusing this with an ability to apply them. At the final level of the ACCA Qualification exams, it is not enough to be able to define jargon. It is a central part of Paper P5 that all candidates can apply methods learned from previous exam papers and their Paper P5 studies.

A further reason for the poor performance in Section A (especially Question 1) could be that candidates treat the different exam levels as if they are independent modules rather than building up to a final comprehensive understanding and ability in the subject (so remember, Paper F5 underpins Paper P5). There was a general unfamiliarity with the application of methods for decision making under uncertainty (Question 1) and variance analysis (Question 4) that may evidence this fault.

I am delighted to report that most candidates score well in their professional presentation. However, I would remind all candidates to begin new questions (and, where suitable, new parts of a question) on a new page. Also, candidates could still benefit by giving more thought to the presentation of their answers – for example, with the use of subheadings and numbered points. This would not only improve the organisation of their answers but would also assist their marker.

SPECIFIC COMMENTS

QUESTION 1

The question considered a defence contractor (Mackerel) seeking advice on the choice of design package for a new vehicle that it was developing for its government. Additionally, Mackerel wanted advice on the risks and risk appetites appropriate to its situation.

Requirement (i) concerned the risks and risk appetites at Mackerel. This part was generally well done, although many answers could have been improved by looking at the likely risk appetites of the key stakeholders in order to form a view as to the best response by the management of Mackerel.

Requirement (ii) asked candidates to evaluate the new vehicle project using methods for decision making under risk and uncertainty. As this a Professional level paper, candidates were expected to apply their knowledge of these methods. Most candidates knew that they were being required to apply expected value, maximax, maximin and minimax regret but, unfortunately, they were not well practised in the application of these techniques. Some candidates wrote about sensitivity analysis, and this was given some credit, but could never offer a comprehensive answer as the scenario lacked the quantitative information to allow these comments to be made in any depth.

A significant minority of candidates misinterpreted the contract that the government was offering, which displayed a weakness in the reading of the scenario. The form of the contract is a common one where a government pays on a cost plus basis but places an upper-limit on the unit price of the product. Therefore, the revenue from the contract is calculated based on the cost plus basis, and the full cost per unit must be checked to ensure that it does not exceed the ceiling.

Requirement (iii) required a conclusion to be drawn on the methods used and, therefore, the contract. A good answer that was logically consistent with that analytic work in requirements (i) and (ii) was required here. However, many candidates chose to hedge their bets and failed to provide Mackerel with clear advice.

There were four professional marks on offer in this question and, happily, candidates are showing greater ability in this area with each diet. Candidates should be aware that these marks reward those who practise writing answers during their revision to improve their presentational skills.

QUESTION 2

The question asked about the performance measurement systems at an electrical motor manufacturer (Cod). Cod had recently rewritten its mission statement and wanted to

CANDIDATES COULD STILL BENEFIT BY GIVING MORE THOUGHT TO THE PRESENTATION OF THEIR ANSWERS – FOR EXAMPLE, WITH THE USE OF SUBHEADINGS AND NUMBERED POINTS. THIS WOULD NOT ONLY IMPROVE THE ORGANISATION OF THEIR ANSWERS BUT WOULD ALSO ASSIST THEIR MARKER.

review its performance measurement system in light of this by applying the performance pyramid.

Requirement (a) asked candidates to display their knowledge of the general features of a modern performance measurement system and compare this to the current system at Cod. This part was generally well done, although answers could have been improved by using illustrations of points from the scenario. For example, a modern system would expect to have both qualitative and quantitative indicators and Cod fails this as it focuses only on quantitative, financial indicators. Thus, Cod has no qualitative customer experience satisfaction measure which would help to address one of its mission statement objectives.

Requirement (b) asks for an explanation of how the performance pyramid could help Cod to align its performance measures with its mission. This part was generally well done as most candidates knew the standard diagram for the pyramid and understood how its structure helps to ensure coherence of vision between the strategic and operational levels of a company such as Cod.

Requirement (c) needed an evaluation of the current system at Cod applying the performance pyramid. This was generally poorly done as most candidates did not apply the pyramid. The candidates who did well in this part realised that the scenario provided the split of performance indicators into key (strategic) ones and others (operational) in the current system. Their answers then addressed these levels separately, making clear what was considered to be a key indicator and what was just an operational indicator. Those who performed poorly on this part took the pyramid as a tick list of indicator headings (rather than appreciating that it supplied a hierarchy of measures). Thus, far too many candidates simply provided wish lists of every indicator they thought appropriate to Cod and this would have the board drowning in a wave of data.

SECTION B
QUESTION 3

This question considered the management information systems at a school (Bluefin). The question described the current controls surrounding the system and its output (the pack) supplied to the key decision makers (the board of governors).

Requirement (a) asked for a discussion of controls and security procedures for a management information system using Bluefin as an example. This part was generally well done with candidates scoring highly by picking controls that were relevant to a school such as Bluefin.

Requirement (b) requested an evaluation of the information pack provided to the board of governors. Performance in this part was variable in quality. Good candidates often used the school ethos as a tool for judging whether the pack met the board's needs. Some weaker candidates dwelt extensively on the performance of the mathematics department, which failed to address the value of the information being supplied.

Requirement (c) asked for an evaluation of the introduction of two new features to the information systems at Bluefin, an internal network with a unified database and a connection of this network to the internet. Again, there were many good answers to this part, with those who identified how these improvements addressed the problems noted in the earlier parts of the question scoring most highly.

QUESTION 4

The question concerned the branch reporting system at a retail chain (Albacore) and its links to the performance appraisal and reward of its branch managers.

Requirement (a) asked about the suitability of the branch information in assessing the branch manager's performance. [As I have already commented, it did not ask for evaluation (a) of the branch's performance or (b) of the branch manager's performance.] Answers to this part were weak, with the better ones focusing on the issue of controllability for the manager of much of the information used. Many candidates noted that a major problem was that the budget was not changed to reflect the poor economic environment, but then did not flex the budget themselves to provide quantitative information on the impact of this failure. Very few candidates realised that a consideration of planning and operational variances would demonstrate clearly the uncontrollable nature of much of the poor branch performance. (I should state that variance analysis is a basic analytic tool at Paper P5 and not something that can be forgotten about just because it was covered in Paper F5.)

Requirement (b) was attempted much more satisfactorily, with generally good responses. However, poor analysis of the question requirement often lead to candidates missing out on possible marks. (The question required an analysis of the management style, and evaluation of the appraisal system and suggestions for improvements to the reward system.) Additionally, some candidates left marks unscored when they did identify relevant improvements to the areas in the requirement as they failed to offer any justification or explanation as to their relevance to Albacore.

QUESTION 5

The question tested the candidates' knowledge of various quality issues and techniques and their application to a car manufacturer (Tench). This question was both popular and generally done well.

Requirement (a) asked about the impact of collection and use of quality costs on the current costing systems. The better candidates began by realising and describing what is meant by the current standard costing method at Tench. Their subsequent comments then showed how it would be difficult to implement the collection and use of quality costing given this system.

Requirement (b) concerned the impact of Kaizen costing on two aspects of Tench – its costing systems and its employee management. Again, good candidates addressed the detailed requirement by considering the difficulties and opportunities of taking Tench from its old command and control style systems and culture into performance management style that is common in the current car industry.

Requirement (c) provided an opportunity to consider the use of just-in-time (JIT) manufacturing at Tench. Many answers wisely used the requirement to breakdown their comments into sections on JIT in purchasing and JIT in production. However, most answers were poorly connected to suitable performance measures.

PAPER P6
ADVANCED TAXATION (UK)

The performance in the December 2011 exam was not as strong as that of recent sittings. Having said that, there were many good scripts and the vast majority of candidates attempted all of the parts of four questions. In addition, the majority of scripts were relatively concise.

The most significant issues for weaker candidates were a tendency to address technical areas in general terms as opposed to in relation to the questions' requirements, and a lack of knowledge of certain technical areas.

It continues to be true to say that many candidates would benefit from thinking more and writing less.

GENERAL COMMENTS

The exam was divided into Section A and Section B. Section A consisted of two compulsory questions for a total of 66 marks. In Section B, candidates were required to answer two of the three questions worth 17 marks each. In Section B, Question 4 was the most popular and Question 3 was the least popular.

Candidates should pay particular attention to the following in order to maximise their chances of success in the exam in the future.

1. Know your stuff

- Successful candidates are able to demonstrate sufficient, precise knowledge of the UK tax system. For example, it was clear from answers to Question 2 that many candidates did not know the closing year rules for an unincorporated trader and that they were confused about certain aspects of the residency rules as they related to income tax and capital gains tax.
- This knowledge must be up to date. Candidates sitting the exam in 2012 must familiarise themselves with the changes introduced by the recent Finance Acts as summarised in the Finance Act articles published in *Student Accountant* magazine and on the website.

2. Practise questions from past exams with the aim of adopting the style of the model answers

3. Address the requirement

- Read the requirement carefully – in the Section A questions, the detailed tasks that you are to perform will be set out in one of the documents. It may be helpful to tick off the tasks as you address them. Marks are awarded for satisfying the requirements and not for other information, even if it is technically correct.
- The requirements of each question are carefully worded in order to provide you with guidance as regards the style and content of your answers. You should note the command words (calculate, explain, etc), any matters which are not to be covered, and the precise issues you have been asked to address.
- You should also note any guidance given in the question or in any notes following the requirement regarding the approach you should take when answering the question.
- Pay attention to the number of marks available – this provides you with a clear indication of the amount of time you should spend on each question part.

4. Don't provide general explanations or long introductions

- If you are asked to calculate, there is no need to explain what you are going to do before you do it; just get on with it – only provide explanations when you are asked to.
- Think before you write. Then write whatever is necessary to satisfy the requirement.
- Apply your knowledge to the facts by reference to the requirement.

5. Think before you start and manage your time

- Ensure that you allow the correct amount of time for each question.
- Before you start writing, think about the issues and identify all of the points you intend to address and/or any strategy you intend to adopt to solve the problem set.

If you are preparing to resit the exam, think about the number of additional marks you need and identify a strategy to earn them. For example:

- Identify those areas of the syllabus where you are weakest and work to improve your knowledge in those areas.
- Ask yourself whether you could improve the way you manage your time in the exam and whether you address all of the parts of all four questions, or whether you waste time addressing issues which have not been asked for.
- Make sure that you earn the professional skills marks and that you are prepared to address the ethical issues that may be examined.

MARKS AVAILABLE IN RESPECT OF PROFESSIONAL SKILLS

Marks were available for professional skills in Questions 1 and 2. In order to earn these marks, candidates had to provide clear explanations and coherent calculations in appropriately formatted documents.

On the whole, the performance of candidates in this area was good with the majority of candidates producing correctly formatted documents in a style that was easy to follow.

SPECIFIC COMMENTS QUESTION 1

Question 1 was in two parts. Part (a) was substantial and required candidates to prepare a memorandum with supporting calculations in connection with the purchase of a company and related matters. Part (b) required consideration of the ethical principle of confidentiality.

Part (a) was in two parts for a total of 23 marks.

Part (a)(i) required candidates to address the acquisition of a company (Rain Ltd) by either an individual (Drench) or by a company (Hail Ltd) owned by Drench. Depending on the circumstances, Rain Ltd would be either profitable or loss making such that there were four possibilities to consider.

The question asked for the tax implications to be compared, such that numbers should have been produced for each of the four possible situations. The question also stated that Drench was aware of the general implications of forming a group and that the comparison should focus on certain specific issues. It was important for candidates to be clear as to what they had been asked to do and also what they had been asked not to do. The answers to this question were not as good as expected.

The following general mistakes were made by a number of candidates:

- Many did not structure their answers to this part particularly well, such

IT WAS CLEAR FROM ANSWERS TO QUESTION 2 THAT MANY CANDIDATES DID NOT KNOW THE CLOSING YEAR RULES FOR AN UNINCORPORATED TRADER AND THAT THEY WERE CONFUSED ABOUT CERTAIN ASPECTS OF THE RESIDENCY RULES AS THEY RELATED TO INCOME TAX AND CAPITAL GAINS TAX.

that it was not always clear which of the four possible situations was being addressed.
- Despite the question instructing candidates to focus on specific issues, many candidates wasted time by addressing general issues. Accordingly, a considerable amount of unnecessary information was provided in connection with groups generally and the extraction of profits from companies.
- A minority of candidates reached an initial conclusion that Rain Ltd should be acquired by Hail Ltd, such that numbers were only prepared for that eventuality.
- When addressing the purchase of Rain Ltd by Drench, a minority of candidates erroneously relieved the company's losses against the income of Drench.

In addition to the general mistakes set out above, many candidates stated that the losses of Rain Ltd would have to be carried forward if the company were purchased by Drench due to the unavailability of group relief. This omitted the possibility of a current year offset against the chargeable gains in Rain Ltd. The other specific common error related to the effect of the acquisition on the accounting periods of Rain Ltd, with many candidates confusing the need to time apportion losses for the purposes of group relief with the need to prepare tax computations for separate accounting periods.

Matters done well included the identification of the degrouping charge (although many candidates neglected to include it in the company's corporation tax computations), the corporation tax payment dates and the calculations of the maximum possible group relief.

Part (a)(ii) concerned a loan from Hail Ltd to Drench and the VAT cash accounting scheme. This part was done reasonably well with many candidates demonstrating a good knowledge of the technical areas.

The question asked for the tax implications for Hail Ltd of the loan. Almost all candidates recognised that Hail Ltd was a close company, such that a 25% charge would be payable to HM Revenue & Customs. However, very few candidates identified that Hail Ltd would have to pay Class 1A National Insurance contributions in respect of the benefit relating to the loan. This is not an obscure point and would have been known to almost all candidates. It may be candidates need to think about the requirement and identify all of the possible issues before commencing writing in order to identify as many relevant points as possible.

BEFORE YOU START WRITING, THINK ABOUT THE ISSUES AND IDENTIFY ALL OF THE POINTS YOU INTEND TO ADDRESS AND/OR ANY STRATEGY YOU INTEND TO ADOPT TO SOLVE THE PROBLEM SET.

The majority of candidates were able to identify the advantages of using the VAT cash accounting scheme and to link the facts in the question to the scheme's limit in respect of annual taxable supplies; this part of the question was answered well.

The final part of the question concerned the ethical considerations relating to confidentiality and was done well by the majority of candidates.

QUESTION 2

Question 2 concerned the personal tax position of an individual, Mirtoon, and was in two main parts.

Part (a) concerned Mirtoon's financial position in view of his plans to sell his house, cease his business and leave the UK. It required a calculation of the total proceeds generated by the proposed transactions.

The sale of the house was handled well with almost all candidates identifying the availability of principal private residence relief and the need to restrict the relief to 80% of the gain arising. The crystallisation of the heldover gain in respect of the agricultural land (due to Mirtoon becoming non-resident and non-ordinarily resident), on the other hand, was spotted by only a small minority of candidates. However, this was an easy point to miss and it was possible to obtain a perfectly good mark without any reference to it.

The treatment of the losses arising on the cessation of the business was not handled well due to a lack of knowledge of the closing year rules. This meant that many candidates struggled to determine the assessment for the final years of trading. There was also a considerable number of candidates who erroneously treated the overlap profits brought forward as taxable profits in the final tax year as opposed to being part of the allowable loss. The unincorporated trader is examined with great regularity and candidates are likely to benefit from knowing, in particular, the opening and closing years' rules.

A minority of candidates demonstrated a lack of precision when considering the tax due in respect of the sale of the house and the tax saving in respect of the offset of the trading losses. This lack of precision included a failure to take account of the capital losses brought forward and/or the annual exempt amount and the omission of the personal allowance from the income tax computations. It was important to consider the personal allowance as Mirtoon's income exceeded £100,000, such that the personal allowance was restricted.

Part (b) was in three parts and produced a wide variety of answers. Part (i) concerned the VAT implications of Mirtoon ceasing to trade. This part was done reasonably well, although perhaps not as well as expected. Some candidates made it hard for themselves by writing generally rather than addressing the facts of the question. In particular, many candidates wrote at length about the sale of a business as a going concern. However, the question made it clear that the business was to cease with the assets then being sold. The vast majority of candidates identified the need to deregister. However, a considerably smaller number pointed out the possible need to account for output tax on business assets owned as at cessation.

Part (ii) concerned Mirtoon's liability to income tax and capital gains tax while living overseas. There were some good answers to this part but also two particular areas of confusion.

The first area of confusion related to the taxation of income where an individual is not resident in the UK. It needs to be recognised that where an individual is not resident in the UK, any foreign income will not be subject to UK income tax. Where many candidates went wrong was to imagine that the remittance basis was relevant here (perhaps because Mirtoon was non-ordinarily resident but continued to be domiciled in the UK). This led candidates to write at length about the remittance basis, thus wasting time.

The second area of confusion concerned the temporary non-resident rules. These rules relate to capital gains tax and cause gains that would otherwise not be taxable in the UK to be so taxable if the individual returns to the UK within five tax years of leaving. However, a minority of candidates incorrectly treated these rules as an extension of the residency rules as they relate to income tax.

Part (iii) concerned two areas of inheritance tax: associated operations and gifts with reservation. The good news was that the vast majority of candidates knew all about gifts with reservation and answered this part of the question well. Knowledge of associated operations was less common but this was to be expected.

The bad news, however, was that many candidates did not restrict their answers to the above two areas but wrote at length about inheritance tax generally. Candidates must take care in identifying what has been asked and try to avoid addressing other areas.

QUESTION 3

This question concerned a Save As You Earn share option scheme, a medical care scheme and payments to employees for driving their own cars on business journeys. It was in two main parts.

Part (a) required a detailed knowledge of Save As You Earn share option schemes in order to comment on the acceptability, or otherwise, of a proposed set of rules and to calculate the income tax and National Insurance liabilities in respect of shares acquired.

In order to score well it was important for candidates to address each of the detailed rules in the question as opposed to writing generally about share option schemes. Many candidates who attempted this question were knowledgeable about Save As You Earn schemes, but only a minority took a sufficiently disciplined approach to score well.

The explanation of the tax liabilities in respect of the shares acquired under the scheme was not done particularly well. Many candidates lacked precise knowledge of this area, such that they did not know that no tax would be charged until the shares were sold. In addition, it needed to be recognised that the position of each employee would vary depending on whether or not they had made any other capital gains and on the level of their taxable income; very few candidates considered these matters.

Part (b) concerned the medical care scheme and the payments to employees for driving their own cars on business journeys.

The medical care scheme was not handled particularly well in that many candidates incorrectly stated that the provision of health insurance would be an exempt benefit for the employees. However, this was not too important as it was only a minor part of the answer. The provision of an interest free loan was also not dealt with as well as might have been expected. The question stated that the loan would be 'up to £7,500', so it was necessary to point out that loans of no more than £5,000 would be exempt.

The explanation of the implications of the payments to employees for driving their own cars was handled well. The only common error was the failure to recognise that there would be no National Insurance implications.

The question asked for the tax implications 'for the employees' as opposed to the tax implications generally. Accordingly, it was necessary to consider the National Insurance issues for the employees (but not the employer) and there was no need to address the ability of the employer to obtain tax relief for the costs incurred.

QUESTION 4

This question concerned the tax implications of the creation of a discretionary trust and the inheritance tax liability arising on a death. The question was in two parts.

Part (a) required an outline of the capital gains tax implications of various transactions relating to the trust and the inheritance tax charges that may be payable in the future by the trustees. It was important for candidates to be methodical in their approach to this question. There were three transactions to be addressed in relation to capital gains tax, whereas the inheritance aspects of the question were more open-ended.

The majority of candidates knew some of the capital gains tax implications of the transactions but very few knew all of them. In particular, there was a lack of understanding that capital gains would arise when the trustees transfer trust assets to the beneficiaries of the trust. As always, when dealing with capital gains tax, it is vital to consider the availability of reliefs; gift relief is available when assets are transferred to a discretionary trust and again when they are transferred to the beneficiaries.

The inheritance aspects of Part (a) were not handled as well as the capital gains tax aspects. The majority of candidates failed to mention the 10-yearly charges and exit charges payable out of the trust's assets.

Part (b) required a calculation of the inheritance tax liability arising on the death of an individual who had made a number of lifetime gifts. This was a fairly straightforward question, albeit with a couple of tricky points within it, but it was not handled particularly well.

There was a lack of appropriate structure to candidates' answers that indicated that, perhaps, there had been insufficient practise of this area. Inheritance tax computations should all look the same, starting with the tax on any chargeable lifetime transfers, followed by the consideration of gifts within seven years of death and ending with the death estate. However, many candidates began with the death estate and worked their way backwards towards the lifetime gifts – a method that was never going to be successful.

There was confusion as to which gift benefited from the annual exemptions and in respect of the utilisation of the nil rate band. There was also a general lack of knowledge of the impact of related property on the valuation of a gift. Other technical errors, made by a minority of candidates, included the treatment of cash as an exempt asset and business property relief being given in respect of the shares owned by the taxpayer.

On the positive side, the majority of candidates identified the availability of the husband's nil rate band and the death estate was handled well.

QUESTION 5

This question concerned the minimisation of the corporation tax liability in respect of a chargeable gain in a capital gains group, the tax relief available in respect of loan interest payable by a company and group registration for the purposes of VAT. It was in three parts.

Part (a) required candidates to identify the companies in a group

THE EXPLANATION OF THE IMPLICATIONS OF THE PAYMENTS TO EMPLOYEES FOR DRIVING THEIR OWN CARS WAS HANDLED WELL. THE ONLY COMMON ERROR WAS THE FAILURE TO RECOGNISE THAT THERE WOULD BE NO NATIONAL INSURANCE IMPLICATIONS.

to which a chargeable gain could be transferred and the most advantageous strategy. This was done well by the vast majority of candidates who attempted this question. A small minority of candidates incorrectly included Wahl Ltd, a 60% subsidiary, in the capital gains group. This appeared to be due to confusion over the relevance of the 50% element of the definition of a gains group. A gains group consists of a principal company together with its 75% subsidiaries and their 75% subsidiaries, and so on. There is then an additional rule that requires the principal company to have an effective interest of more than 50% in all of the companies in the group. Other candidates failed to exclude Teton Inc from their strategy or failed to explain why it was not included. The question required candidates to 'explain in detail'; the majority of candidates followed this instruction.

Part (b) concerned loan relationships and was not answered as well as Part (a). A minority of candidates did not give themselves time to think, such that they did not identify the fundamental issues involved and simply stated, incorrectly, that the interest payable would be deducted from the rental income. A minority of those who realised that the appropriate technical area was loan relationships did not think to address the possible reliefs available in respect of the non-trading loan relationship deficit that would arise due to the circumstances in the question. A minority of candidates produced short, precise answers that scored full marks.

Part (c) required an explanation of the effects of registering two of the companies as a group for the purposes of VAT. Candidates clearly had plenty of knowledge of VAT groups but many did not take sufficient care to address the specifics of the requirement and simply wrote down everything they knew.

The question asked for two specific areas to be addressed – the total input tax recovered by the group and the monthly management charge – but very few candidates addressed these points directly. Instead, many candidates wasted time explaining whether or not the two companies could be registered as a group and discussing the various advantages and disadvantages of so doing. Finally, a minority of candidates confused the treatment of exempt supplies with zero-rated supplies in that they described Byrd Ltd as being in a repayment situation as opposed to being unable to register and, therefore, unable to recover any input tax.

PAPER P7
ADVANCED AUDIT AND ASSURANCE

Candidates' performance in December 2011 was again unsatisfactory. The paper was quite practical, involving analytical review and an audit completion review, as well as typical requirements involving audit evidence and audit reports.

The exam comprised two compulsory questions in Section A, and three questions in Section B of which two should be attempted. Both Section A questions were based on detailed scenarios, and contained several requirements covering different syllabus areas.

Each optional 18-mark question in Section B included one or more short scenarios, and several requirements. Of the Section B questions, Question 4 was the most popular.

Similar factors as detailed in previous examiner's reports continue to contribute to the unsatisfactory pass rate. These are:

- failing to answer the actual question requirements
- not applying knowledge to specific points from the question scenarios
- not answering all question requirements
- lack of knowledge on certain syllabus areas
- illegible handwriting and inadequate presentation.

The rest of this report contains a discussion of each question, highlighting the requirements that were answered well and the areas that need improvement.

SPECIFIC COMMENTS
QUESTION 1

This question was for 39 marks and was based on an audit planning scenario, as is typical for Question 1. The audit client had provided financial information in the form of a statement of financial position and a statement of comprehensive income, extracted from management accounts, along with accompanying notes. Less written background information had been provided than in some previous audit planning questions, encouraging candidates to focus their answers on the financial information provided.

The first requirement, for 23 marks, was to perform a preliminary analytical review, and then to identify and explain principal audit risks. A reasonable proportion of candidates responded quite well to the requirement regarding analytical review, with most at least calculating some simple trends, usually focusing on revenue and expenses. Sound answers calculated a range of trends and/or ratios and used this analysis to explain a range of audit risks relevant to each of the elements of the financial statements. Some answers mainly ignored the analytical review, and just discussed audit risks. This certainly would generate some marks, but many of the audit risks could only be clearly identified and explained by reference to some analytical review. It was very common for some answers to calculate a trend but then just state the trend in words – for example, calculating that revenue had decreased by 12% and then just stating that 'revenue has gone down' with no discussion of any risk at all. Some answers identified an audit risk but then failed to explain why it is an audit risk – for example, many candidates calculated that the warranty provision had decreased by 20%, and went on to suggest a risk of understatement of the provision. This is correct, but it does not really explain the risk (an answer should link the movement in the provision to the movement in revenue and explain the risk on that basis). The weakest answers contained incorrectly calculated trends, little or no discussion of audit risk and very inadequate presentation.

Candidates also need to avoid repetition – many answers discussed going concern as an audit risk, which was correctly identified, but rather than discuss it as a discrete risk, it was just referred to as a risk at the end of every paragraph. This wastes time, and also detracts from the professionalism of the answer.

Many candidates also wasted time at the start of their answers by writing a page or more discussing irrelevant matters such as a definition of audit risk and its components, general descriptions of how to plan an audit, and describing how to calculate materiality in great depth. Candidates should note that such discussions do not earn marks and are not a suitable 'introduction' to an audit risk question. Another waste of time was to suggest audit procedures for each area being discussed. It was not uncommon for a candidate to calculate a trend, identify a risk, and then spend half a page discussing what they thought would be a good audit strategy for the risk identified, or to suggest a number of specific audit procedures. None of this is asked for, and so does not earn marks.

The other common problem were answers that focused on business risks rather than audit risks, leading to long discussions of operational or financial problems that the client was facing, but again failing to develop the point into a specific audit risk.

There were two risks specific to items which appeared to have been incorrectly accounted for – a share-based payment scheme and a leased asset. Many candidates produced reasonable answers, especially regarding the leased asset, explaining why the accounting treatment seemed incorrect, resulting in a clear conclusion as to the relevant audit risk. However, some answers focused entirely on explaining the accounting treatment and failed to develop the point into an audit risk. Looking at accounting issues in general, many candidates clearly have a sound knowledge of financial reporting standards, which is essential for this paper. But candidates should be aware that simply quoting financial reporting rules is not enough – they need to apply the rules to the scenario and to the specific question requirement in order to score marks. The share based payment scheme was a difficult issue, but relatively easy marks were available for discussing the inherent risk created by the complexity of the accounting treatment.

The second requirement, for eight marks, related specifically to the share-based payment plan and the leased asset, asking candidates to recommend the principal audit procedures to be performed in respect of the two items. Specifically, procedures relating to the recognition and measurement of the share-based payment plan, and the classification of the lease, were required. Unfortunately answers to this requirement were inadequate. Most candidates could do little more than repeat the necessary accounting treatment, and then request a management representation that the correct treatment has been carried out. Some answers recommended a wider range of procedures, but some were often irrelevant to the specific requirement – for example, not focusing on the classification of the lease.

The procedures recommended were often too vague to score credit – for example, many candidates recommended that the lease document should be obtained, but did not say what the auditor should do with it other than sometimes suggesting a 'review'.

IT WAS ENCOURAGING TO SEE THAT MANY CANDIDATES ALLOCATED THEIR TIME WELL WHILE ANSWERING QUESTION 1. IT WAS RARE TO SEE REQUIREMENT (B) NOT ATTEMPTED, WHICH ALLOWED CANDIDATES TO OBTAIN SOME OF THE MORE STRAIGHTFORWARD MARKS ON THIS QUESTION.

Candidates should note that obtaining a document is not, in itself, an audit procedure.

There were two professional marks available in connection with requirement (a). Most candidates attempted an appropriate format by included an appropriate heading and introduction, and it was pleasing to see a reasonable proportion of answers including a conclusion as to the overall level of audit risk identified. When producing figures as for the required analytical review, it is good practice to present the trends and ratios calculated in a tabular format, which can then be referred to in the main body of the answer. Candidates are reminded that resources are available on ACCA's website providing guidance on the importance of professional marks.

The second task, in requirement (b), required candidates to comment on practice management and quality control issues raised by another audit manager's suggestions to help the audit firm's profitability, for six marks. Most candidates scored well on this requirement, working through the manager's suggestions and commented that each would impact on quality control in a detrimental way. There were fewer comments on practice management issues, but many candidates at least mentioned that the suggestions could in fact lead to the audit firm losing audit clients rather than gaining new clients. Many answers correctly made the link between quality control and ethical issues, but some took this too far, and almost exclusively discussed general ethical issues rather than the specifics of the question scenario.

It was encouraging to see that many candidates allocated their time well while answering Question 1. It was rare to see requirement (b) not attempted, which allowed candidates to obtain some of the more straightforward marks on this question.

QUESTION 2

This question was for 25 marks, and was based on audit completion issues. The candidate was placed in a role as audit manager of a client, with the first task in requirement (a) of reviewing the notes left by the audit senior in relation to three specific matters. Specifically, the requirement was to assess the audit implications of three matters (inventory valuation, provision for a legal case, and a loan made to a related party) – considering the adequacy of the evidence obtained, explaining any adjustments necessary to the financial statements, and describing the impact on the audit report if those adjustments were not made. Further audit procedures were also asked for. This was for 15 marks.

Candidates responded well to the practical nature of this question, and a proportion of answers scored very well. These answers went through each of the three issues, and logically answered each part of the requirement, starting with a consideration of materiality (the materiality level was given in the question), then commenting on the appropriateness of the audit evidence already obtained and suggesting further audit procedures, and finally discussing the impact of the issue on the financial statements and the audit report. There was a lot to do for the marks available, and students who realised this made their answers succinct, but well explained, and avoided irrelevant matters. Good answers commented that the first two audit issues were immaterial by monetary value on an individual basis, but when aggregated the total adjustment to the financial statements would become material, therefore having an implication for the auditor's opinion.

However, there were several common weaknesses in answers. First, a sizeable proportion of candidates did not realise that a materiality level had already been determined and given in the question. They then incorrectly calculated materiality on the wrong basis, leading to irrelevant discussions of qualifications to the auditor's opinion for the first two issues in isolation. Second, many candidates did not answer the full set of requirements for each issue, with the most common problem being that no further audit procedures were recommended at all, limiting the marks available.

A further issue was that a significant number of candidates who had correctly identified that a matter such as the inventory valuation was immaterial in isolation then went on to state that the audit opinion should be modified because of that issue. This type of comment indicates that the candidate either does not understand when an audit opinion should be modified, or lacks the courage to base their comment on audit report implications on what they have already discussed. A number of candidates suggested that a breach of an accounting standard of any kind was 'material by nature'. This raises the concern that such candidates have no clear understanding of what is meant by materiality.

It is concerning that many candidates do not seem to have the fundamental knowledge needed on audit reports. Many answers confused qualified opinions with disclaimers, suggested adverse opinions for immaterial matters, and even more thought that an Emphasis of Matter or Other Matter paragraph could be used to communicate just about any audit issue at all with shareholders. Candidates should be aware from reading past papers and examiner reports that audit reports are a very important part of the Paper P7 syllabus, and can be examined in the compulsory questions. There is, therefore, no excuse for a lack of knowledge in this area.

Candidates are also encouraged to take time to carefully read through the scenario. Reading too quickly and not stopping to think before starting to write the answer may have caused a lot of candidates to misunderstand the information given about materiality, as discussed above, and also about the loan made to the financial controller, which many candidates suggested should be reclassified as a current liability rather than a current asset.

Requirement (b), for eight marks, focused on matters to be reported to the audit committee. A brief description of four matters that had arisen on the audit was given, and candidates were required to explain the matters that should be brought to the attention of the audit committee. Most candidates seemed comfortable with some of the issues in this requirement, especially the parts on ethical issues, and on control deficiencies. The main problem was that many answers failed to really explain why the client's audit committee would need to be informed of such matters, and instead just discussed how the audit firm should react to the issues raised (for example, the audit team need to be trained on ethical matters – not something of relevance to the client's audit committee). Some answers tended to repeat the information from the question with no further development, and then say 'the audit committee needs to be told about this'. Regarding the issue to do with a potential change in accounting policy, most answers just stated the accounting treatment they thought would be necessary (usually incorrectly) but did not view this as an issue that the audit client would need some advice on.

Two professional marks were available for the requested briefing notes, and the vast majority of candidates attempted to produce their answer in the required format. This is an improvement on previous sittings.

The (UK) and (IRL) adapted papers had slightly different wording in the question requirement, and the requirements were not split into (a) and (b). This less prescriptive requirement allowed for a potentially slightly wider range of matters to be discussed, and candidates responded very well to this.

QUESTION 3

This question focused on the audit issues pertaining to fair values and estimates, and contained three short scenarios. Unfortunately for many candidates, it was an inadequate choice of question, as answers to at least two of the three parts of the question were generally unsatisfactory.

The first scenario, for eight marks, described an audit client involved in energy production, and the accounting issue was a provision for decommissioning of its nuclear power stations. The requirement (a) was to comment on the matters that should be considered, and to explain the audit evidence that should be found in a file review in respect of the decommissioning provision. This is standard wording for a requirement and should have been familiar to candidates.

Candidates performed best on this requirement of Question 3, but answers were still lacking in substance. Many answers discussed the appropriate accounting treatment for the provision correctly, including the issue of measuring the provision at present value. But few identified that the reduction in the provision was a key issue, or that estimates generally give rise to audit risk due to their subjective nature, especially when dealing with a provision that will not give rise to a cash outflow for another 20 years. Most of the evidence that was suggested should be on file focused on an expert's report and the inevitable written representation from management that the provision had been correctly accounted for. Very few answers used the approach of ISA 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures* in challenging the assumptions used by management in developing the estimate of decommissioning costs. Few answers considered the lack of disclosure of the provision, or that a provision may not even be needed at all.

Requirement (b), for five marks, focused on the use of an auditor's expert in obtaining evidence in respect of the fair value of a portfolio of financial instruments. Unfortunately, very few answers performed satisfactorily on this requirement, which was to explain the procedures that should be performed in evaluating the adequacy of the auditor's expert's work. Most answers ignored the requirement as given in the question and instead discussed how the audit firm should evaluate the independence and competence of the expert – though the question stated that this had already been confirmed by the audit firm. This is a classic example of candidates answering the question they would like to have been asked, rather than what was actually asked for, and meant that many answers scored no marks at all on this requirement.

The few who answered this requirement appropriately tended to score highly, with answers mirroring the requirements of ISA 620, *Using the Work of an Auditor's Expert*. Among the issues discussed were the need to evaluate the assumptions used by the expert, to confirm the work accords with instructions given by the auditor, and to verify the reliability of the source data used by the expert.

Requirement (c) dealt with changes in accounting policies and estimates. The scenario described an adjustment put through a client's financial statements as a result of a change in accounting estimate – the extension of the useful life of 120 properties. For five marks the candidates were required to explain the impact on the auditor's report of the accounting treatment of the change in the accounting estimate. However, instead of focusing on whether the accounting treatment was correct (it was not) and the implications for the audit report, most candidates focused on whether the client should have been 'allowed' to change the estimate of useful lives and whether this amounted to some kind of fraud. This led to irrelevant discussions that failed to answer the question requirement. Few candidates understood that the accounting treatment was incorrect, but those that did tended to explain their point well and link it to a potential qualification of the audit opinion. Some candidates described how this qualification would impact on the auditor's report, as asked for, by describing the paragraphs used to explain the reason for the qualification. As in Question 2, however, many answers displayed a lack of understanding of auditor's reports, with many claiming that an Emphasis of Matter or Other Matter paragraph should be used to highlight the 'lack of integrity' or 'fraudulent reporting' that they alleged was occurring.

QUESTION 4

This was the most popular of the optional questions, and focused on a forensic investigation into a fraud that had been uncovered at an audit client. One of the requirements focused on ethical issues, probably explaining the popularity of this question.

Requirement (a), for six marks, required an assessment of the ethical and professional issues raised by the request from the audit client to investigate the fraudulent activity. Most answers were satisfactory, identifying the main ethical threats (advocacy, self-review, etc) raised by the scenario and explaining them to an extent. Some answers also discussed whether the audit firm would have the necessary skills and resources to perform such a specialist piece of work. Some answers, however, tended to focus on why the audit firm had not discovered the fraud during the previous audit, and the possibility of the audit firm being sued for negligence or the need to 'discipline' the audit manager. Some answers also contained irrelevant discussions of the responsibilities of management and auditors in relation to fraud, and other answers used the fundamental principles as a framework for their answer, probably as this had been set on a previous exam paper, but with a completely different question requirement.

Requirement (b), also for six marks, asked candidates to explain the matters that should be discussed in a meeting with the client, in terms of planning the forensic investigation. Some answers were very satisfactory, covering a wide range of matters including the timeframe, the required output of the investigation, access to the client's accounting systems among others. Some answers, however, tended to simply list out the procedures that would be performed in conducting the investigation, or explain to the client's management the controls that should have been in place to stop the fraud in the first place.

Requirement (c), also for six marks, focused more theoretically on the debate over whether audit firms should be prohibited from providing non-audit services to their audit client. Although most candidates seemed prepared for a question of this type, most approached the question by discussing the pros and cons of audit firms offering non-audit services to their clients, rather than discussing whether prohibition would be desirable. There is some overlap between the two approaches, but the way that candidates tackled this requirement indicated that a rote-learnt answer had been provided, rather than evidence of candidates thinking on their feet and coming up with their own opinion on the matter. Many answers simply explained several ethical threats and concluded that because threats may exist auditors should not provide non-audit services to their clients. This is not a broad enough response to the question requirement.

QUESTION 5

The final question was in two parts. Requirement (a) for 12 marks was based on a scenario which described matters arising as an audit was drawing to a close. There were essentially three matters to deal with – a potentially incorrect accounting treatment, a going concern issue, and an inconsistency in the chairman's statement (director's report for (UK) and (IRL) adapted papers). The requirement was to consider the implications of these issues on the completion of the audit and for the auditor's report, and to recommend any further actions to be taken by the auditor. Answers on the whole were satisfactory. Most answers successfully identified and explained the three issues, with most answers focusing more on the accounting treatment of research and development costs, which potentially needed an adjustment. In answering this requirement candidates tended to be more comfortable with the audit report implications than in Question 2, usually correctly identifying the use of an Other Matter paragraph regarding the inconsistency, and an Emphasis of Matter paragraph regarding the going concern issue. The only area which many answers failed to deal with was the further audit procedures needed regarding the development costs and the going concern issues.

Requirement (b), for six marks, contained two short requirements concerning the auditor's report. The first issue concerned whether the auditor's report should be issued prior to receiving written representations from management, and the second dealt with whether an auditor's report should refer to a matter in the previous year's financial statements, which caused a modification of the previous year's auditor's opinion, but which had since been resolved. Candidates were more comfortable with the first issue, usually correctly identifying that the written representation is a necessary piece of audit evidence, and that a verbal confirmation is not sufficient. On the second issue many answers were just too brief – often little more than a few words – usually saying that no reference need be made. These requirements were fairly knowledge-based, and it was apparent that many candidates who chose to attempt Question 5 did so on the basis of requirement (a) and not requirement (b).

The UK adapted paper had a different second scenario in requirement (b), focusing on the pros and cons of audit reports cross-referencing to the Auditing Practices Board's website. Answers were satisfactory, with candidates providing a proper evaluation and, in come cases, a conclusion to the matter.

CONCLUSION

As I have written in previous examiner reports, candidates must develop their application skills to perform well in Paper P7. Of course, underpinning knowledge of auditing and financial reporting standards is essential, but candidates must be able to apply their knowledge and properly analyse the information provided in question scenarios. Candidates must also take time to carefully read not only the scenario, but the question requirements as well. As in the previous sitting, many candidates who failed to achieve a pass mark did so through not answering the question requirement as set.

UK and IRL candidates are reminded that the syllabus now examines International Financial Reporting Standards rather than UK and Irish accounting standards. Notes should not be made in answer booklets about which set of accounting standards are being used in answering questions.

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 practice.

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.

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.

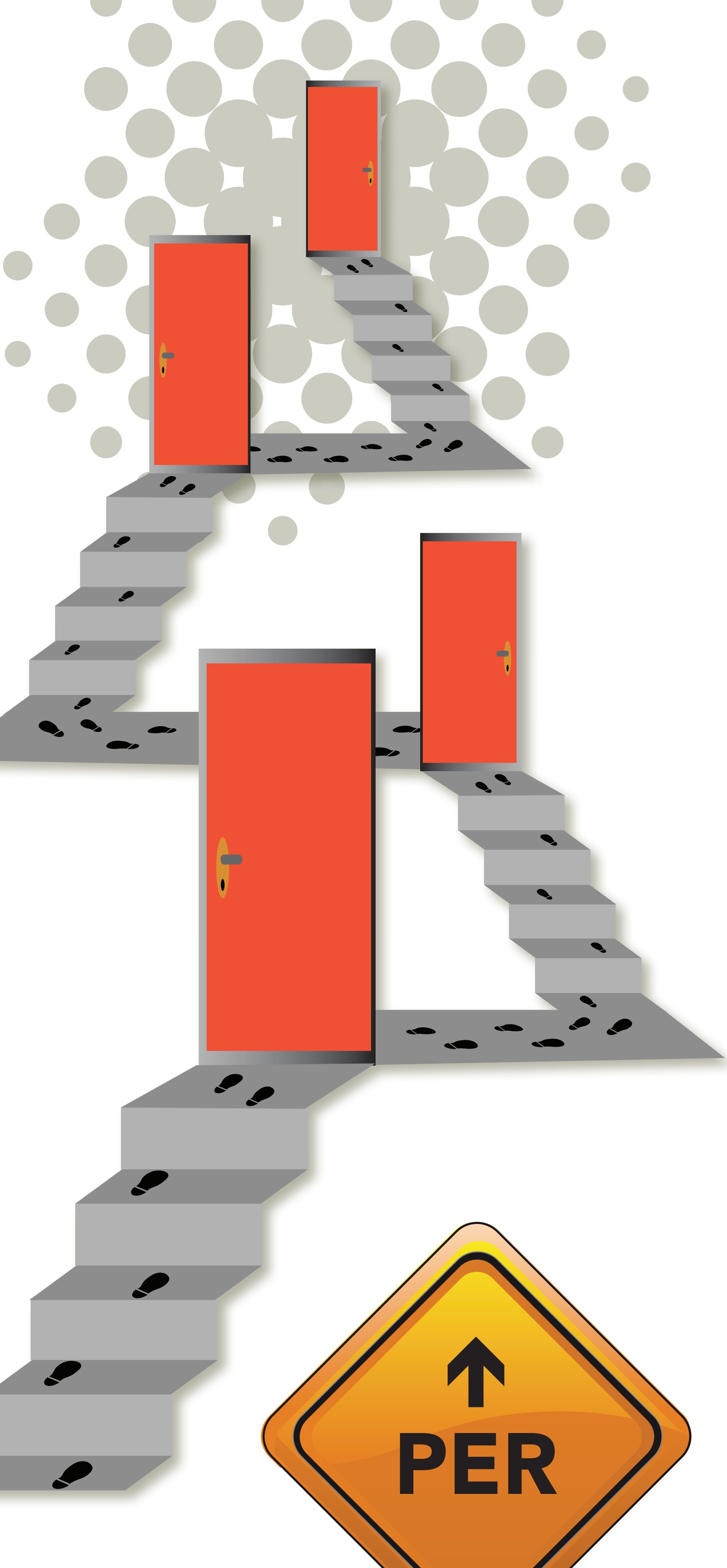
CHALLENGE QUESTIONS

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

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



questions, read ACCA's guide on answering challenge questions available at 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 on-going 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

EXAM NOTES

EXAMINABLE DOCUMENTS

Relevant to the June 2012 exam session

Exam notes provide guidance on ACCA examinable material, including any relevant accounting and auditing documents. Use them in conjunction with your studies and revision

To access *Syllabus*, *Study Guides*, past papers, examiner feedback, and examiner resources, visit the links below:

PAPER P1
www2.accaglobal.com/students/acca/exams/p1

PAPER P2
www2.accaglobal.com/students/acca/exams/p2

PAPER P3
www2.accaglobal.com/students/acca/exams/p3

PAPER P4
www2.accaglobal.com/students/acca/exams/p4

PAPER P5
www2.accaglobal.com/students/acca/exams/p5

PAPER P6
www2.accaglobal.com/students/acca/exams/p6

PAPER P7
www2.accaglobal.com/students/acca/exams/p7

EXAM NOTES
WHAT YOU NEED TO KNOW

TAX

PAPER P6 (UK), ADVANCED TAXATION

The following notes refer to Paper P6 (UK) only. Guidance for other variant papers – where available – is published on the ACCA website.

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

FINANCE ACT

The latest Finance Act which will be examined in Paper P6 (UK) at the June and December 2012 sessions is the Finance Act 2011.

With regard to prospective legislation when, for example, provisions included in the Finance Act will only take effect at some date in the future, such legislation will not normally be examined until such time as it actually takes effect. The same rule applies to the effective date of the provisions of an Act introduced by statutory instrument.

SUPPLEMENTARY INSTRUCTIONS, TAX RATES AND ALLOWANCES

The following supplementary instructions and tax rates and allowances will be reproduced in the exam paper in the June and December 2012 exams and are examinable in Paper P6 (UK). In addition, other specific information necessary for candidates to answer individual questions will be given as part of the question.

- You should assume that the tax rates and allowances for the tax year 2011/12 and for the financial year to 31 March 2012 will continue to apply for the forseeable future unless you are instructed otherwise.
- Calculations and workings need only be made to the nearest £.
- All apportionments should be made to the nearest month.
- All workings should be shown.

Income tax

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

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

Personal allowances

		£
Personal allowance	Standard	7,475
	65–74	9,490
	75 and over	10,090

Income limit for age related allowances	24,000
Income limit for standard personal allowance	100,000

Car benefit percentage

The base level of CO_2 emissions is 125 grams per kilometre (g/km).

	%
Petrol cars with CO_2 emissions of 75 g/km or less	5
Petrol cars with CO_2 emissions between 76 and 120 g/km	10

Car fuel benefit

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

Individual savings accounts (ISAs)

Overall investment limit	£10,680
Amount of which can be invested in a cash ISA	£5,340

Pension scheme limits

Annual allowance	£50,000
Lifetime allowance	£1,800,000
The maximum contribution that can qualify for tax relief without evidence of earnings	£3,600

Authorised mileage allowances: cars

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

CAPITAL ALLOWANCES: RATES OF ALLOWANCE

Plant and machinery

	%
Main pool	20
Special rate pool	10

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

CO_2 emissions up to 110 grams per kilometre	100
CO_2 emissions between 111 and 160 grams per kilometre	20
CO_2 emissions over 160 grams per kilometre	10

Annual investment allowance

First £100,000 of expenditure	100

Corporation tax

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

Marginal relief

Standard fraction x (U–A) x N/A

Value added tax

Standard rate – up to 3 January 2012	20%
Standard rate – from 4 January 2012 onwards	20%
Registration limit	£73,000
Deregistration limit	£71,000

Inheritance tax: tax rates

		%
£1–£325,000		Nil
Excess	– Death rate	40
Excess	– Lifetime rate	20

Inheritance tax: nil rate bands and tax rates

	£
6 April 2011 to 5 April 2012	325,000
6 April 2010 to 5 April 2011	325,000
6 April 2009 to 5 April 2010	325,000
6 April 2008 to 5 April 2009	312,000
6 April 2007 to 5 April 2008	300,000
6 April 2006 to 5 April 2007	285,000
6 April 2005 to 5 April 2006	275,000

6 April 2004 to 5 April 2005	263,000
6 April 2003 to 5 April 2004	255,000
6 April 2002 to 5 April 2003	250,000
6 April 2001 to 5 April 2002	242,000
6 April 2000 to 5 April 2001	234,000
6 April 1999 to 5 April 2000	231,000
6 April 1998 to 5 April 1999	223,000
6 April 1997 to 5 April 1998	215,000

Rate of tax on excess over nil rate band	– Lifetime rate	20%
	– Death rate	40%

Inheritance tax: taper relief

Years before death:	Percentage reduction
More than 3 but less than 4 years	20
More than 4 but less than 5 years	40
More than 5 but less than 6 years	60
More than 6 but less than 7 years	80

Capital gains tax

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

National Insurance contributions (not contracted out rates)

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

Rates of interest (assumed)

Official rate of interest	4%
Rate of interest on underpaid tax	3%
Rate of interest on overpaid tax	0.5%

Stamp duty land tax

£150,000 or less[1]	Nil
£150,001–£250,000[2]	1%
£250,000–£500,000	3%
£500,001–£1,000,000	4%
£1,000,001or more[3]	5%

1 For residential property, the nil rate is restricted to £125,000.
2 From 25 March 2010 to 24 March 2012 there is an exemption for first-time buyers purchasing residential properties for no more than £250,000.
3 The 5% rate applies to residential properties only

Stamp duty

Shares	0.5%

FINANCIAL REPORTING – INTERNATIONAL AND UK

PAPER P2, CORPORATE REPORTING (UK)

Knowledge of new examinable regulations and legislation issued by 30 September will be required in examination sessions being held in the following calendar year. Documents may be examinable even if the effective date is in the future.

The documents listed as being examinable are the latest that were issued prior to 30 September 2011 and will be examinable in June and December 2012 examination sessions.

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

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

IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 7	Statement of Cash Flows
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events after the Reporting Period
IAS 11	Construction Contracts
IAS 12	Income Taxes
IAS 16	Property, Plant and Equipment
IAS 17	Leases
IAS 18	Revenue
IAS 19	Employee Benefits
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 23	Borrowing Costs
IAS 24	Related Party Disclosures
IAS 27	Separate Financial Statements
IAS 28	Investments in Associates and Joint Ventures
IAS 32	Financial Instruments: Presentation
IAS 33	Earnings per Share
IAS 34	Interim Financial Reporting
IAS 36	Impairment of Assets
IAS 37	Provisions, Contingent Liabilities and Contingent Assets
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement
IAS 40	Investment Property
IFRS 1	First-Time Adoption of International Financial Reporting Standards
IFRS 2	Share-based Payment
IFRS 3	Business Combinations (revised)
IFRS 5	Non-Current Assets Held for Sale and Discontinued Operations
IFRS 7	Financial Instruments: Disclosures
IFRS 8	Operating Segments
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IFRS for SMEs	IFRS for small and medium-sized entities

Other Statements

	The conceptual Framework for Financial Reporting
Practice Stmt	Management Commentary

EDs, Discussion Papers and Other Documents

ED2009/12	Financial Instruments: Amortised Cost and Impairment
ED 2010/01	Measurement of Liabilities in IAS 37
ED 2010/06	Revenue from contracts with customers
ED 2010/09	Leases
ED 2010/13	Hedge Accounting
ED 2011/1	Offsetting Financial Assets and Liabilities
ED 2011/2	Improvements to IFRSs
ED 2011/4	Investment Entities

Note:
The accounting of financial assets and financial liabilities is accounted for in accordance with IFRS 9 to the extent that this standard was in issue as at 30 September 2011. For any elements of the study guide deemed as examinable and not covered by IFRS 9, these elements should be dealt with by studying IAS 39.

ADDITIONALLY EXAMINABLE FOR UK AND IRISH PAPERS ONLY
Indicated below are the main areas of difference between IFRS and UK standards/legislation and whether these differences are examinable in Paper P2 (UK).

International Standard	UK Standard	UK difference	Is the difference examinable in Paper P2?
IAS 1	Co Act	Difference in terminology	No
	FRS 3	Disclosure of certain exceptional items on face of income statement not specified by IAS 1 although some picked up by IFRS 5	No
	FRS 3	Separate presentation of STRGL and income statement whereas International combines statements	No
	FRS 18	Less extensive disclosure requirements for estimation techniques	No
IAS 2	SSAP 9	Slight wording differences which mean that LIFO could be allowable whereas this doesn't appear within International	No
IAS 7	FRS 1	Format more detailed	No
	FRS 1	Cash and cash equivalents more strictly defined	No
	FRS 1	Exemptions available from preparing cash flow	Yes
IAS 8	FRS 3	Fundamental errors vs International's material errors although broadly similar	No
IAS 10	FRS 21	No examinable differences	No
IAS 11	SSAP 9	Services fall within scope whereas in International this is addressed by IAS 18, although principle broadly the same	No
	SSAP 9	Disclosure of year end balance split into recoverable on contracts and long-term contract balances	No
IAS 12	FRS 19	Timing differences rather than temporary differences	Yes
	FRS 19	Permits discounting	Yes
	FRS 19	Revaluation less likely to create deferred tax balance	Yes
IAS 16	FRS 15	Revaluation frequency specified by time (every five years) whereas International solely based on material changes in fair value as frequency indicator	Yes
	FRS 15	Different methods of revaluation dependent on the asset type	Yes
	FRS 15	Treatment of revaluation gains and losses especially with reference to clear consumption of economic benefit	Yes
IAS 17	SSAP 21	90% test included as part of guidance in lease classification	Yes
	SSAP 21	Encourages land and buildings to be accounted for separately.	Yes
	SSAP 21	Sale and finance leaseback requires asset to be disposed with new finance lease created and disposal profit to be deferred over lease term. Additionally UK rules allow funds to be treated as a secured loan per FRS 5	Yes
	SSAP 21	Operating lease incentives to be spread over shorter of lease term and period of next rent review. International spreads over lease term	Yes
IAS 18	FRS 5	In principle similar	No
IAS 19	FRS 17	Restricted scope as only covers retirement benefits whereas International covers various short-term and long-term employee benefits	Yes
	FRS 17	No deferral method as per IAS 19	Yes
	FRS 17	Deferred tax balances netted off net pension asset/liability, whereas shown separately under International	No
IAS 20	SSAP 4	Cannot net off grant against non-current asset to which it relates (although CoAct disallows not the standard)	No

International Standard	UK Standard	UK difference	Is the difference examinable in Paper P2?
IAS 21	FRS 23	No examinable differences	No
IAS 23	FRS 15	Choice as to whether to capitalise borrowing costs	Yes
IAS 24	FRS 8	Materiality considered from perspective of company and related party	Yes
	FRS 8	Requires disclosure of names of related party where transaction has occurred	Yes
	FRS 8	Wholly owned UK subs exempt from disclosing in their own accounts transactions with parent	Yes
	IAS 26	No UK equivalent	No
IAS 27	FRS 2	Disposals not resulting in a loss of control, gain or loss to be shown in income statement whereas under International this is shown in equity as an owners transaction	Yes
	FRS 2	Partial disposals resulting in loss of control, remaining shareholding not required to be valued at fair value	Yes
IAS 28	FRS 9	Equity accounting in income statement shows associate split out across a number of lines whereas International show associate as one balance	No
IAS 29	FRS 24	No examinable differences	No
IAS 32	FRS 25	No examinable differences	No
IAS 33	FRS 22	No examinable differences	No
IAS 34	Statement on Interim reports	No examinable differences	No
IAS 36	FRS 11	Impairment on IGU specifically allocated to specifically damaged asset then to goodwill, intangibles and then tangible assets. International does not separate intangibles from tangibles	Yes
IAS 36	FRS 11	Allocation of impairment loss on clear consumption to income statement irrespective of revaluation balance relating to asset	Yes
IAS 36	FRS 11	Reversals of goodwill and intangibles only if external event clear demonstrates reversal of impairing event. UK standard more restrictive. Goodwill impairments will realistically not be reversed whereas International specifically disallows reversals of goodwill impairments.	Yes
	FRS 11	Requires future cash flows to be monitored for next five years to ensure that asset not further impaired.	No
IAS 37	FRS 12	No examinable differences	No
IAS 38	SSAP 13	Choice as to whether capitalise development costs or write off to income statement	Yes
	FRS 10	Only separable intangibles can be capitalised whereas International allows capitalisation if non separable but legal or contractual rights are held	Yes
IAS 39	FRS 26	Treatment of financial asset differences due to IFRS 9 otherwise no examinable differences. See IFRS 9	No
IAS 40	SSAP 19	No choice between cost model or fair value model	Yes
	SSAP 19	Treatment of revaluation gains and losses to revaluation reserve unless permanent diminution	Yes
IAS 41		No UK equivalent	No
IFRS 1		No UK equivalent	No
IFRS 2		No examinable differences	No
IFRS 3	FRS 6	Merger accounting where applicable	No
	FRS 6	Merger accounting on reconstructions	Yes
	FRS 7	NCI only calculated under partial method	Yes
	FRS 7	Acquisition costs capitalised	Yes
		Changes in contingent consideration capitalised within cost of investment	Yes
	FRS 7	Only separable intangibles can be capitalised	Yes
	FRS 10	Goodwill amortised with rebuttable assumption of life not exceeding 20 years	Yes
	FRS 10	Negative goodwill capitalised and amortised over life of assets to which they relate	Yes
	FRS 7	Goodwill calculation difference on piecemeal acquisitions	Yes
IFRS 4	FRS 27	Covers life assurance businesses although principles are similar	No
IFRS 5	FRS 3	Discontinued criteria difference meaning that UK likely to show discontinuance later that International	Yes
	FRS 3	Both continuing and discontinued must be analysed on face of profit and loss account	Yes
	FRS 3	Encourages separate disclosure of acquisitions	No
IFRS 6	SORP	Covers oil and gas, with similar principles of capitalisation and impairment	No

AUDIT

International Standard	UK Standard	UK difference	Is the difference examinable in Paper P2?
IFRS 7	FRS 29	No examinable differences	No
IFRS 8	SSAP 25	Identification of segments based on risks and returns approach whereas International based on management information and decision-making process	Yes
	SSAP 25	Disclosure for both business and geographical segments unlike International which is based on management decision-making process	Yes
	SSAP 25	Segment information prepared in accordance with accounting policies whereas International based management information	Yes
	SSAP 25	Seriously prejudicial exemption available	Yes
IFRS 9	FRS 26	Not yet updated to changes in financial asset classification categories and therefore recognition differences	No
IFRS for SMEs	FRSSE	Differences in principle not actual accounting differences examinable between FRSSE and IFRS for SME	Yes

Additionally for Paper P2 (UK) the following basic Companies Act requirements surrounding when:
- single and group entity financial statements are required and when exemptions may be claimed from the preparation.
- a subsidiary may be excluded from the group financial statements are also examinable.

AUDIT – INTERNATIONAL

PAPER P7, ADVANCED AUDIT AND ASSURANCE

Knowledge of new examinable regulations issued by 30 September will be examinable in exam sessions being held in the following calendar year. Documents may be examinable even if the effective date is in the future. This means that all regulations issued by 30 September 2010 will be examinable in the December 2011 exam.

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

ACCOUNTING STANDARDS

The accounting knowledge that is assumed for Paper P7 is the same as that examined in Paper P2. Therefore, candidates studying for Paper P7 should refer to the Accounting Standards listed under Paper P2. Note: Paper P7 will only expect knowledge of accounting standards and financial reporting standards from Paper P2. Knowledge of exposure drafts and discussion papers will not be expected.

International Standards on Auditing (ISAs)

	Glossary of Terms
	International Framework for Assurance Assignments
	Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services
ISA 200	Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with ISAs
ISA 210	Agreeing the Terms of Audit Engagements
ISA 220	Quality Control for an Audit of Financial Statements
ISA 230	Audit Documentation
ISA 240	The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements
ISA 250	Consideration of Laws and Regulations in an Audit of Financial Statements
ISA 260	Communication with Those Charged with Governance
ISA 265	Communicating Deficiencies in Internal Control to Those Charged with Governance and Management
ISA 300	Planning an Audit of Financial Statements
ISA 315	Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment
ISA 320	Materiality in Planning and Performing an Audit
ISA 330	The Auditor's Responses to Assessed Risks
ISA 402	Audit Considerations Relating to an Entity Using a Service Organisation
ISA 450	Evaluation of Misstatements Identified During the Audit
ISA 500	Audit Evidence
ISA 501	Audit Evidence – Specific Considerations for Selected Items
ISA 505	External Confirmations
ISA 510	Initial Audit Engagements – Opening Balances
ISA 520	Analytical Procedures
ISA 530	Audit Sampling
ISA 540	Auditing Accounting Estimates, Including Fair Value Accounting Estimates and Related Disclosures
ISA 550	Related Parties
ISA 560	Subsequent Events
ISA 570	Going Concern
ISA 580	Written Representations
ISA 600	Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)
ISA 610	Using the Work of Internal Auditors
ISA 620	Using the Work of an Auditor's Expert
ISA 700	Forming an Opinion and Reporting on Financial Statements
ISA 705	Modifications to the Opinion in the Independent Auditor's Report
ISA 706	Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report
ISA 710	Comparative Information – Corresponding Figures and Comparative Financial Statements
ISA 720	The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements

International Auditing Practice Statements (IAPSs)

IAPS 1000	Inter-bank Confirmation Procedures
IAPS 1013	Electronic Commerce: Effect on the Audit of Financial Statements

International Standards on Assurance Engagements (ISAEs)

ISAE 3000	Assurance Engagements other than Audits or Reviews of Historical Financial Information
ISAE 3400	The Examination of Prospective Financial Information
ISAE 3402	Assurance Reports on Controls at a Service Organisation

International Standards on Quality Control (ISQCs)

ISQC 1	Quality Controls for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements

International Standards on Related Services (ISRSs)

ISR 4400	Engagements to Perform Agreed-Upon Procedures Regarding Financial Information

International Standards on Review Engagements (ISREs)

ISRE 2400	Engagements to Review Financial Statements
ISRE 2410	Review of Interim Financial Information Performed by the Independent Auditor of the Entity

Exposure drafts (EDs)

Auditing Complex Financial Statements
Proposed ISA 315 (Revised) Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment
Proposed ISA 610 (Revised) Using the Work of Internal Auditors

Other Documents

ACCA's 'Code of Ethics and Conduct'
IFAC's 'Code of Ethics for Professional Accountants' (Revised July 2009)
ACCA's Technical Factsheet 94 – Anti Money-Laundering (Proceeds of Crime and Terrorism)
The UK Corporate Governance Code as an example of a code of best practice in relation to audit committees
IAASB Practice Alert Challenges in Auditing Fair Value Accounting Estimates in the Current Market Environment (October 2008)
IAASB Practice Alert Audit Considerations in Respect of Going Concern in the Current Economic Environment (January 2009)
IAASB Applying ISAs Proportionately with the Size and Complexity of an Entity (August 2009)
IAASB Practice Alert Emerging Practice Issues Regarding the Use of External Confirmations in an Audit of Financial Statements (November 2009)
IAASB XBRL : The Emerging Landscape (January 2010)
IAASB Auditor Considerations Regarding Significant Unusual or Highly Complex Transactions (September 2010)

Note:
Topics of exposure drafts are examinable to the extent that relevant articles about them are published in *Student Accountant*.

AUDIT – UK

PAPER P7, ADVANCED AUDIT AND ASSURANCE

Knowledge of new examinable regulations issued by 30 September will be examinable in exam sessions being held in the following calendar year. Documents may be examinable even if the effective date is in the future. This means that all regulations issued by 30 September 2010 will be examinable in the December 2011 exams.

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

Should you wish to practise as a registered auditor within the UK and/or Ireland (obtain the audit qualification/audit practising certificate), you must attempt the P2 UK/Irish and P7 UK/Irish papers from June 2011 onwards. This is not a retrospective ruling, so any International papers you have already passed will be unaffected by this ruling.

Read page 60 for a schedule of differences between *Study Guide* and examinable documents for:
- 2010 P7 International paper to 2011 P7 UK/IRL paper
- 2010 P7 UK/IRL paper to 2011 P7 UK/IRL paper.

All UK and Irish professional accountancy bodies are governed by the requirements of the Statutory Audit Directive (SAD). In order to comply with the requirements of SAD– and to practise as an auditor – certain elements of UK/Irish legislation and regulation should be examined. The revised Papers P2 (UK/IRL) and P7 (UK/IRL) fully meet regulatory and business environment requirements for those wishing to obtain the UK/Irish audit qualification and hence practise as a registered auditor in the UK/Ireland.

All questions set in the UK auditing papers from June 2011 will be based on International Financial Reporting Standards.

THE *STUDY GUIDE* OFFERS MORE DETAILED GUIDANCE ON THE DEPTH AND LEVEL AT WHICH THE EXAMINABLE DOCUMENTS WILL BE EXAMINED.

ACCOUNTING STANDARDS

The accounting knowledge that is assumed for Paper P7 is the same as that examined in Paper P2. Therefore, candidates studying for Paper P7 should refer to the Accounting Standards listed under Paper P2. Note: Paper P7 will only expect knowledge of accounting standards and financial reporting standards from Paper P2. Knowledge of exposure drafts and discussion papers will not be expected.

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

	Summary of changes to the new ISAs (UK and Ireland)
	Glossary of terms 2009
ISA 200	Overall objectives of the independent auditor and the conduct of an audit in accordance with ISAs (UK and Ireland)
ISA 210	Agreeing the terms of audit engagements
ISA 220	Quality control for an audit of financial statements
ISA 230	Audit documentation
ISA 240	The Auditor's responsibilities relating to fraud in an audit of financial statements
ISA 250A	Consideration of laws and regulations in an audit of financial statements
ISA 260	Communication with those charged with governance
ISA 265	Communicating deficiencies in internal control to those charged with governance and management
ISA 300	Planning an audit of financial statements

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ISA 315	Identifying and assessing the risks of material misstatement through understanding the entity and Its environment
ISA 320	Materiality in planning and performing an audit
ISA 330	The auditor's responses to assessed risks
ISA 402	Audit considerations relating to entities using a service organisation
ISA 450	Evaluation of misstatements identified during the audit
ISA 500	Audit evidence
ISA 501	Audit evidence – specific considerations for selected items
ISA 505	External confirmations
ISA 510	Initial audit engagements – opening balances
ISA 520	Analytical procedures
ISA 530	Audit sampling
ISA 540	Auditing accounting estimates, including fair value accounting estimates and related disclosures
ISA 550	Related parties
ISA 560	Subsequent events
ISA 570	Going concern
ISA 580	Written representations
ISA 600	Special considerations – audits of group financial statements (including the work of component auditors)
ISA 610	Using the work of internal auditors
ISA 620	Using the work of an auditor's expert
ISA 700	The auditor's report on financial statements
ISA 705	Modifications to opinions in the independent auditor's report
ISA 706	Emphasis of matter paragraphs and other matter paragraphs in the independent auditor's report
ISA 710	Comparative information – corresponding figures and comparative financial statements
ISA 720A	The auditor's responsibilities relating to other information in documents containing audited financial statements
ISA 720B	The auditor's statutory reporting responsibility in relation to directors' reports

International Standards on Quality Control (ISQC)

ISQC 1	Quality control for firms that perform audits and reviews of financial statements and other assurance and related services engagements

Practice Notes (PNs)

PN 12	(Revised) Money Laundering – Guidance for auditors on UK legislation (September 2010)
PN 16	Bank reports for audit purposes in the United Kingdom (Revised)
PN 23	(Revised) Auditing complex financial instruments – interim guidance (October 2009)
PN 25	Attendance at stocktaking
PN 26	(Revised) Guidance for smaller entity audit documentation (December 2009)

Ethical Standards (ESs)

ES	(Revised – April 2008) Provisions available for small entities
ES1	(Revised – April 2008) Integrity, objectivity and independence
ES2	(Revised – April 2008) Financial, business, employment and personal relationships
ES3	(Revised – October 2009) Long association with the audit engagement
ES4	(Revised – April 2008) Fees, remuneration and evaluation policies, litigation, gifts and hospitality
ES5	(Revised – April 2008) Non-audit services provided to audit clients
	Glossary

Bulletins

2001/03	E-business: identifying financial statement risks
2008/01	Audit issues when financial market conditions are difficult and credit facilities may be restricted
2008/06	The 'senior statutory auditor' under the United Kingdom Companies Act 2006
2008/10	Going Concern Issues During the Current Economic Conditions
2009/2	Auditor's Reports on Financial Statements in the United Kingdom
2010/1	XBRL tagging of information in audited financial statements – guidance for auditors

Statement of Standards for Reporting Accountants (SSRAs)

ISRE (UK and Ireland) 2410	Review of Interim Financial Information Performed by the Independent Auditor of the Entity

Exposure drafts (EDs) (UK and Ireland)

Consultation Paper: Revised Draft Ethical Standard for Auditors
Consultation Draft: Practice Note 25 Attendance at Stocktaking (Revised)
Consultation Draft: Practice Note 16 Bank reports for audit purposes in the United Kingdom
Discussion Paper Auditor Scepticism: Raising the Bar
Consultation Draft: ISA (UK and Ireland) 700 The auditor's report on financial statements
The Provision of Non-Audit Services by Auditors Consultation Paper on Revised Draft Ethical Standards for Auditors

Other Documents

ACCA's 'Code of Ethics and Conduct'
IFAC's 'Code of Ethics for Professional Accountants' (Revised July 2009)
The UK Corporate Governance Code
The UK Corporate Governance Code in relation to audit committees
Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009
Scope and Authority of APB Pronouncements (Revised) – October 2009
ACCA's Technical Factsheet 94 – Anti-Money Laundering (Proceeds of Crime and Terrorism)
IAASB Practice Alert Challenges in Auditing Fair Value Accounting Estimates in the Current Market Environment (October 2008)
IAASB Applying ISAs Proportionately with the Size and Complexity of an Entity (August 2009)
IAASB Practice Alert Emerging Practice Issues Regarding the Use of External Confirmations in an Audit of Financial Statements (November 2009)
IAASB Auditor Considerations Regarding Significant Unusual or Highly Complex Transactions (September 2010)

Note:
Topics of exposure drafts are examinable to the extent that relevant articles about them are published in *Student Accountant*.

PAPER P7 (INT) 2010 TO PAPER P7 (UK/IRL) 2011

Below is a high level summary of the changes between Paper P7 International in 2010 and P7 UK/IRL for 2011 exams. Full details can be found within the *Study Guide* and examinable documents.

Insolvency	E7 Auditing aspects of insolvency – additional area of the *Study Guide*.
Ethics	The UK ethical standards are examinable.
Audit reports	ISA 700 (UK and Ireland) is different to ISA 700, and knowledge is also required of the APB bulletins on audit reports.
Examinable documents	As well as those documents mentioned above knowledge of practice notes, bulletins, different exposure drafts, and a few different other documents required for UK. Most of these do have equivalents in the INT examinable documents so in the main it will be similar knowledge learnt. Exposure drafts are only examinable to the extent that relevant articles about them are published in *Student Accountant*.
Companies Act 2006	Knowledge of the UK Companies Act 2006 is required.
Question requirement differences	In Questions 1 and 2 the requirements may be more open-ended and practical, and combined together to form a single requirement covering different aspects of the scenario.

PAPER P7 (UK/IRL) 2010 TO PAPER P7 (UK/IRL) 2011

Below is a high level summary of the changes between Paper P7 (UK/IRL) in 2010 and P7 UK/IRL for 2011 exams. Full details can be found within the *Study Guide* and examinable documents.

Insolvency	E7 Auditing aspects of insolvency – additional area of the *Study Guide*.
Examinable documents	Knowledge of some additional examinable documents required.
IFRS	Knowledge of international reporting standards required rather than UK/ROI GAAP.

EXAM SUPPORT

EXAMINERS' APPROACH AND EXAMINERS' ANALYSIS INTERVIEWS

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

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

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

EXAMINERS' 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.

EXAMINERS' ANALYSIS INTERVIEWS

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

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

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

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

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

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

RESOURCES

The Resources section contains important information to prepare for your exams and contact details for *ACCA Connect*

ACCA CONNECT

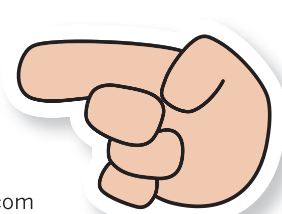
For all enquiries, simply contact *ACCA Connect* – our global customer service centre. However you want to contact us, by phone, fax, email or post, one of our expert advisers will be happy to assist you.

STAY CONNECTED

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

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

ACCA Connect
2 Central Quay
89 Hydepark Street
Glasgow G3 8BW
United Kingdom
tel: +44 (0)141 582 2000
fax: +44 (0)141 582 2222
email: students@accaglobal.com
website: www.accaglobal.com



FEES

ANNUAL SUBSCRIPTION – 2011

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

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

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

The following fees and subscriptions apply:

ACCA Qualification students	
Initial registration	£77
Re-registration	*£77
Annual subscription	£77

*plus unpaid fee(s)

EXAM FEES

Professional level exams

P1, P2 and P3 (and any two from P4, P5, P6 and P7)

Exam entry period	June 2012 exam fee (per exam)	December 2012 exam fee (per exam)
Early	£81	£88
Standard	£94	£101
Late	£222	£231

When you pass the final ACCA Qualification exams you will pay the affiliate subscription rate, which is significantly less than the membership subscription rate (2012 affiliate fee £101/membership fee £197). You are allowed to pay the affiliate subscription rate for the first three years. This is to help while you work towards completing the PER. After three years, if you haven't progressed to membership, you will pay the permanent affiliate rate which equals the membership subscription rate at the time.

ACHIEVING ACCA MEMBERSHIP

ACCA will now invite you to transfer to membership as soon as your records indicate that you are ready.

For more information visit www2.accaglobal.com/students/acca/ membership/. However, if, after the next set of results in August 2012, you think you are ready, you can download and complete the application form available at www2.accaglobal.com/students/acca/ membership/ and return it to:
ACCA Customer Services,
2 Central Quay,
89 Hydepark Street,
Glasgow G3 8BW, United Kingdom,

It will take approximately four to six weeks to process your application for membership.

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

EXAM TIMETABLE

JUNE 2012 EXAM SESSION

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

JUNE 2012
Week 1 11 to 15 June
Week 2 18 to 20 June

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

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

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

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

Monday 11 June
FTX Foundations in Taxation
F5 Performance Management
P7 Advanced Audit and Assurance

Tuesday 12 June
MA2 Managing Costs and Finance
FFM Foundations in Financial Management
F6 Taxation
P4 Advanced Financial Management

Wednesday 13 June
FA2 Maintaining Financial Records
F7 Financial Reporting

Thursday 14 June
MA1 Management Information
F8 Audit and Assurance
P5 Advanced Performance Management

Friday 15 June
FAB Accountant in Business
F1 Accountant in Business
F9 Financial Management
P6 Advanced Taxation

Monday 18 June
FAU Foundations in Audit
F4 Corporate and Business Law
P3 Business Analysis

Tuesday 19 June
FFA Financial Accounting
F3 Financial Accounting
P2 Corporate Reporting

Wednesday 20 June
FA1 Recording Financial Transactions
FMA Management Accounting
F2 Management Accounting
P1 Governance, Risk and Ethics

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

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

KEEPING YOU INFORMED

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

EXAM RULES

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

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

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

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

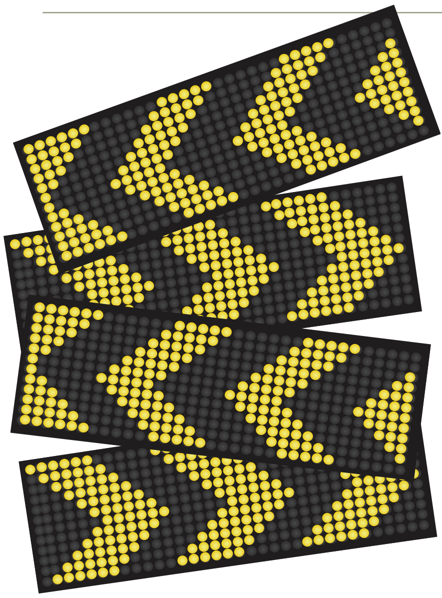
These regulations are reproduced on your *Examination Attendance Docket* – you should take time to familiarise yourself with them. In order to be eligible to sit your exams, you must sign your docket confirming your agreement to comply with these regulations.

Important examination rules

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

In the exam hall

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



RULES AND REGULATIONS

ACCA's disciplinary procedures cover matters such as professional misconduct, misconduct in exams and breaches of regulations which include any actions likely to bring discredit to you, ACCA, or the accountancy profession. The rules governing disciplinary procedures for students (and members) are set out in ACCA's Bye-laws and Regulations. All registered students are bound by these Bye-laws and Regulations. Further enquiries about matters which may be subject to disciplinary procedures, can be directed to the Professional Conduct Department at our London office in the UK. ACCA's *Rulebook* is available for reading online, or at ACCA offices. Visit www2.accaglobal.com/students/rules/ for more information.

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

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

EXAM ENTRY: KEY DATES

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

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

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

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

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

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

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

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

SEE PAGE 64 FOR INFORMATION ABOUT EXAM FEES FOR EARLY, STANDARD AND LATE EXAM ENTRY

OXFORD BROOKES BSc (HONS)

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

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

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

First session (1)
June 2002
December 2002

Final session for completing the qualifying exams (2)
December 2011
June 2012

Final date for submission of RAP
May 2012
November 2012

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

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