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OCTOBER

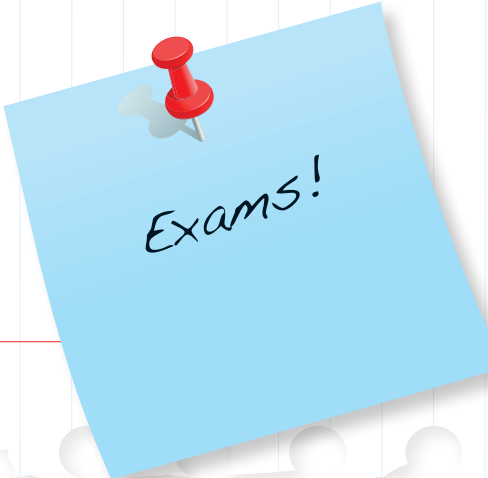
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FEBRUARY

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Table 5 below shows other changes to the Paper FTX (UK) syllabus as compared with the CAT Paper 9 (UK), *Preparing Taxation Computations* syllabus.

OTHER CHANGES TO PAPER FTX (UK)

SUBJECT AREA	SYLLABUS CONTENT
Adjustment of trading profits/losses for tax purposes	Remoteness and duality tests for profit deduction are not examinable
Adjustment of trading profits/losses for tax purposes	Post-cessation receipts and expenses are not examinable
Capital allowances	Industrial buildings allowance no longer applies
Income from property, savings and investments	Junior ISAs are not examinable



FULL DISCOUNT TABLES (PRESENT VALUE AND ANNUITY) WILL BE PROVIDED AT EACH SESSION, BUT OTHER MATHEMATICAL FORMULAE WILL CONTINUE TO BE SUPPLIED ONLY AS REQUIRED

PAPER FFM, FOUNDATIONS IN FINANCIAL MANAGEMENT

Table 6 below shows the new structure of the Foundations in Financial Management exam.

TABLE 6: THE NEW STRUCTURE OF THE FOUNDATIONS IN FINANCIAL MANAGEMENT EXAM
New structure: Section A: 10 x compulsory multiple-choice questions of one, two and three marks each TOTAL = 20 marks Section B: Six compulsory questions: Q1 (20 marks) Q2 and Q3 (15 marks each) Q4 and Q6 (10 marks each) TOTAL = 80 marks

Formulae and maths tables
Full discount tables (present value and annuity) will be provided at each session, but other mathematical formulae will continue to be supplied only as required.

Syllabus changes
There are no areas within the new Paper FFM syllabus which were not already included within the CAT Paper 10, *Managing Finances* syllabus. However, the following area within CAT Paper 10, *Managing Finances* will not be included within the Paper FFM syllabus from June 2012:

- Syllabus area 7: short-term decisions
The application of the following principles:
- cost behaviour and cost-volume profit analysis
 - breakeven charts and profit volume charts
 - make or buy decisions
 - opportunity costs and relevant costs.

KEY POINTS
Candidates planning on studying one of the Foundation level Options papers should note the changes to the syllabus compared with the previous CAT Qualification papers. Full *Syllabus* and *Study Guides* can be downloaded from the ACCA website.
The new syllabus content and new exam structures, including the reduction from three to a two-hour exam, took place with effect from the June 2012 session.

Gareth Owen is ACCA qualifications development manager



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EXPERT ADVICE

EXPERTS AT BPP PROFESSIONAL EDUCATION AND KAPLAN FINANCIAL SHARE THEIR EXAM ADVICE



PAPER F1/FAB

BPP PROFESSIONAL EDUCATION

Paper F1/FAB introduces students to the business entity made up of people and systems that interact with each other. There is a lot to learn, but none of it is particularly difficult and a good grasp of these topics will help you in higher-level business papers (Papers P1 and P3). You can take this exam as a paper or computer-based exam and all questions in the exam are compulsory. This means that the exam can test most of the syllabus at each sitting, and so you need to have revised right across the syllabus for this exam.

PAPER F2/FMA

Paper F2/FMA introduces students to a wide range of topics in management accounting. Again, there is a lot to learn and a good grasp of these topics is essential for Paper F5. You can take this exam as a paper or computer-based exam and all questions in the exam are compulsory. The exam will test most of the syllabus at each sitting, so you need to have revised right across the syllabus for this exam.

PAPER F3/FFA

Paper F3/FFA is the first exam within the ACCA Qualification where candidates meet double entry – the rules we follow when we want to record transactions in our accounting records. As such, it is a knowledge-based paper and candidates who want to succeed in this exam must have a confident grasp of double entry.

Paper F3 has a relatively large syllabus and there are many topics covered. However, knowing the fundamental basics, key definitions and key calculations for each topic will be enough to pass.

Question practice is also vital because it is the most efficient way to determine what you do (or don't) know, and it also gives you experience in working out what the question requirement is asking. Most candidates sit this exam as a computer-based exam and the skills required in answering questions on the computer are slightly different from a paper-based exam. It is essential that you complete the computer-based demo questions before attempting the real exam.



PAPERS F1, F2 AND F3

KAPLAN FINANCIAL

The main goal with Papers F1, F2 and F3 is to ensure that you have studied across the whole syllabus. The nature of the exam means that any topic could be examined at any given time and you must be prepared for this. Many candidates have a blind spot and choose to ignore it and concentrate on areas of the syllabus they are comfortable with. For example, in Paper F1 all students are comfortable with the theories of motivation, but many go into the exam hoping economics will not come up (it will!). Focus on your weak areas, however difficult this might at first appear.

This syllabus is heavily weighted towards knowledge, so you must take the time to learn all of the key concepts, definitions and formulas/calculations. Without this knowledge you will find it difficult to pass this exam.

With Papers F2 and F3 you need to practise the application of the formulas and calculations. You should try and practise as many questions as possible. If you have a bank of questions and you finish them all, go back to the start and do them

again. When you finish them a second time, then what? Go back to the start yet again. There are only so many ways shorter questions can be asked. By practising them over and over, you will become familiar – and therefore comfortable – with the various styles of question that include multiple choice, number entry, multiple response and multiple response matching.

You must attempt all questions prior to looking at the answer. Even if you don't think you can answer it, try and work out an answer. This is what you will have to do in an exam. Learn from your mistakes and you will quickly find you stop making them.

The final step is to practise exam-style questions under timed conditions. Just like longer questions, there is a technique to answering shorter form questions; there is a rhythm that you get into that ensures you pace yourself appropriately on the day.

For more exam advice, read the examiner feedback section on page 40.

MORE HELP

- See the article on page 22 on CBEs
- Access the CBE demo questions at www.iassessserver.com/accaindex.html

THE MAIN GOAL WITH PAPERS F1, F2 AND F3 IS TO ENSURE THAT YOU HAVE STUDIED ACROSS THE WHOLE SYLLABUS



FEEDBACK

EXAMINER FEEDBACK

FROM THE JUNE 2012 EXAM SESSION

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

40 PAPER FA1

40 PAPER FA2

41 PAPER MA1

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48 PAPER F1/FAB

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51 PAPER F3/FFA

TECHNICAL ARCHIVE ON THE ACCA WEBSITE

Access the technical article archive at www.accaglobal.com/studentaccountant

EXAMINER GUIDANCE

Access examiner interviews and past examiner feedback on the ACCA website at www.accaglobal.com/examinerfeedback



EXAM FEEDBACK

PAPER FA1 RECORDING FINANCIAL TRANSACTIONS

It was very pleasing to see that some of the fundamental areas of the syllabus such as dealing with double entries, balancing off accounts, the accounting equation, and constructing a trial balance were dealt with well.

However, the questions dealing with the day books, and posting the entries from these, were very disappointing and dealing with discounts and sales tax were consistently answered badly.

There was also a mixed performance on the coding questions, with a disappointing outcome in the pure knowledge discursive type of question, but a high pass rate in the coding application question. This was unusual as the knowledge questions are normally dealt with better than the application questions.

It was disappointing that not all questions were answered; in a multiple-choice paper, if you don't know the correct answer, a guess will give a 25% chance of a correct answer.

SAMPLE QUESTIONS FOR DISCUSSION QUESTION 16

This question was on bank reconciliations. The balance on Max's bank statement was \$5,460 credit. Max had unrepresented cheques of \$1,230 and outstanding lodgements of \$870.

What should be the balance on the bank account in Max's general ledger?

- A \$5,100 debit
- B \$5,100 credit
- C \$5,820 debit
- D \$5,820 credit

The correct answer is A. This was found by taking the balance of \$5,460, which was positive with the bank, adding the outstanding lodgements of \$870 and deducting the unrepresented cheques of \$1,230 ($\$5,460 + \$870 - \$1,230 = \$5,100$).

Candidates yet again struggled with whether the balance was a debit or credit balance. When it says a credit balance at the bank, this means that the bank owes cash to its customers. So, from the business' point of view, a credit balance at the bank means it has a positive cash balance.

QUESTION 24

This question dealt with the aged receivables analysis.

Which of the following statements in relation to the aged receivables analysis is/are correct?

- 1 It is an analysis of the credit periods allowed to each individual customer
- 2 It shows how old the supplier balances are

Statement 1

- A Correct
- B Correct
- C Incorrect
- D Incorrect

Statement 2

- Correct
- Incorrect
- Correct
- Incorrect

The correct answer is D. The aged receivables analysis analyses a customer's account balances showing how long they have been outstanding, thus highlighting which receivable balances are overdue.

Statement 1 talks about credit periods; this has nothing to do with the due dates and so this is incorrect.

Statement 2 says it is the age of **supplier** balances – the aged receivables report covers **customer** balances, not suppliers, so this is also incorrect.

QUESTION 25

This question is a sales tax/day book question.

On 1 August, Barry made the following transactions:

- 1 He made a cash sale of \$3,680
- 2 He received cash of \$2,760 in relation to a credit sale in the previous month.

Both transactions were inclusive of sales tax at 15%.

How much sales tax would be recorded in the cash book for the above transactions?

- A \$480
- B \$360
- C \$840
- D \$552

The correct answer is A. Sales tax should be recorded in the day book the first time the transaction is recorded. The cash sale will be recorded for the first time in the cash book, so the sales tax would be recorded there. The sale is given including the 15% sales tax, which makes it equal to 115%. So $\$3,680 \times 15/115 = \480 .

When the cash is received from the credit sale, this sale would have been recorded for the first time in the sales day book in the previous month and the sales tax would be recorded here, not in the cash book, giving the answer of A.

PAPER FA2 MAINTAINING FINANCIAL RECORDS

The questions discussed below have been highlighted as they were those for which the lowest proportion of candidates selected the correct answer.

SAMPLE QUESTIONS FOR DISCUSSION EXAMPLE 1

Which of the following statements is correct?

- A Ledger accounts for individual suppliers should never be included in the general ledger
- B The non-current asset register contains ledger accounts for non-current assets
- C A credit balance on a ledger account should be reported in the statement of financial position
- D Each ledger account balance should be reported only once in the final accounts

This question tested candidates' knowledge of the nature and purpose of ledger accounts. It may be helpful to outline the reason for each of the statements before explaining the reason for the correct one.

In statement A, the key word is 'never'. Although it is normal practice to maintain the accounts of individual suppliers in a separate ledger, this is done for specific reasons. These reasons are that the control account which is included in the general ledger will provide the total value of the liability to suppliers much more quickly than would be the case if the balances in the individual accounts had to be totalled. A second reason is that maintaining separate ledgers can assist in both avoiding and identifying bookkeeping errors. However, if there are only a small number of suppliers, it may be more convenient to include the personal accounts within the general ledger.

Those candidates who recognised the fact that the non-current asset register is a separate record and, thus, is not part of the double entry system, nor does it include ledger accounts, would have quickly concluded that statement B is incorrect.

A quick reflection on a typical trial balance would reveal that the sales account would contain a credit balance. The fact that this is part of the calculation of profit and, thus, is reported in the income statement means that statement C is incorrect.

Statement D is correct as it states a key issue when preparing final accounts. Each ledger account balance impacts on a specific item of income, expenses, assets, liabilities or capital. Thus, each will be reported only once in the final accounts.

EXAMPLE 2

Which of the following statements is/ are correct?

- 1 No estimated values may be included in financial statements
- 2 Financial statements will be misleading if the value of any item is misstated
- A Neither 1 nor 2
- B Both 1 and 2
- C 1 only
- D 2 only

When attempting a question which requires a decision on whether or not a statement is correct, the most successful approach is likely to be to consider each statement in turn – and to read the statement carefully.

As well as the process of preparing financial statements following the extraction of a trial balance, this question focused on one of the theoretical outcomes included in the *Study Guide* – materiality. Those candidates who had a clear understanding of the definition of materiality would have had little difficulty in making the correct decision on each statement.

In the case of statement 1, it was important to recognise that a number of values included in financial statements are estimated. The most obvious examples are accrued expenses and prepaid expenses.

Given that some values have to be estimated, the key point relating to materiality is that absolute accuracy is not required. A minor error or an estimate based on incomplete information will not mean that financial statements will be misleading. What renders the statements misleading is if they are materially misstated. As the definition of ‘material’ is that the value would lead a user of financial statements to make a different decision, it follows that values which are misstated – but not materially so – are not misleading. Thus, neither statement is correct.

EXAMPLE 3

At 31 May 2012, Anit was owed \$104,750 by his customers. He has decided to write off an irrecoverable

debt of \$400. He estimates that his closing receivables allowance should be equivalent to 2% of the remaining balances. His opening receivables allowance was \$2,256.

What should be his receivables expense for the year ended 31 May 2012?

- A \$231
- B \$569
- C \$561
- D \$169

Dealing with irrecoverable debts and the allowance for receivables is a topic with which candidates often exhibit difficulties. The correct approach is based on several key points:

- An irrecoverable debt is ‘written off’ by a credit entry in the receivable account and a debit entry in the receivables expense account. (In other words, the receivables balance is reduced and the charge against profit is increased.)
- The movement in the receivables allowance is the difference between the existing allowance (which will be the balance at the date of the last statement of financial position) and the allowance which is now required (calculated on the basis given in the question).
- An increase in the allowance will give rise to a charge against profit, and a decrease in the allowance will lead to a credit in the income statement.
- The total receivables expense is therefore either:
 - the value of any irrecoverable balances written off
 - plus the increase in the allowance
 - OR
 - the value of any irrecoverable balances written off
 - less the decrease in the allowance

In this case, the calculation was:

<i>Balance after write off</i>	
\$104,350	(\$104,750 – \$400)
<i>Allowance at 2%</i>	
\$2,087	ie allowance required
<i>Balance brought forward</i>	
\$2,256	ie allowance brought forward
<i>Reduction in allowance</i>	
\$169	ie a credit in the income statement

Charge to income statement
\$400 – \$169 = \$231

Errors which led to the incorrect choice being selected were:

- treating the movement in the allowance as a charge (choice B – \$400 + \$169 = \$569)
- omitting the value of the write-off, and treating the movement in the allowance as a charge (choice D – \$169)
- calculating the allowance required on the balance on the receivable account before the write-off was made (choice C – \$561).

CONCLUSION

There seems to be two key reasons why incorrect choices are selected: a lack of clarity about the key points of the topic and not reading the question with sufficient care.

Candidates preparing for future sittings are encouraged to pay attention to these reasons in both their preparation and when taking the exam.

PAPER MA1
MANAGEMENT INFORMATION

The four questions below, covering different aspects of the syllabus, are examples of questions that candidates found difficult.

SAMPLE QUESTIONS FOR DISCUSSION
EXAMPLE 1

The following is an extract from a list of data concerning production overheads in a factory:

Output (units)	Management cost (\$)	Utilities cost (\$)
35,000	75,000	31,000
40,000	80,000	34,000
45,000	80,000	37,000
50,000	85,000	40,000

What cost behavioural types are indicated by the above data?

	Management	Utilities
A	Fixed	Semi-variable
B	Fixed	Variable
C	Stepped-fixed	Semi-variable
D	Stepped-fixed	Variable

Option C is the correct answer but option D was by far the most popular one (chosen by nearly 60% of candidates). Relatively few candidates selected options A or B, indicating that a significant majority of candidates were clear that the management cost was a ‘stepped-fixed’ rather than a ‘fixed’ cost. The error made by the majority of candidates, in selecting option D rather than option C, was in believing that the utilities cost was a ‘variable’ rather than a ‘semi-variable’ cost.

A variable cost is a cost that varies in proportion to a change in activity (output units). This was not the case for the utilities cost – for example, \$0.886 per unit of output at 35,000 units and \$0.80 per unit of output at 50,000 units. The cost per unit reduces as output increases indicating a fixed element to the cost.

A semi-variable cost is a cost that has both fixed and variable elements. The fixed element will decrease as a cost per unit as output increases, while the variable element will remain the same per unit. The variable element in the utilities cost is evidenced by the increase in the total cost in response to a change in output. Each increase of 5,000 units leads to an increase of \$3,000 in the total cost, a variable element of \$0.60 per unit.

EXAMPLE 2

9,250 units of a company's single product were sold at \$55 per unit in a period during which 9,460 units of the product were manufactured. There was no inventory at the start of the period. The company uses a marginal costing system as the basis for profit statements.

Unit costs of the product were as follows:

	\$ per unit
Direct costs	26.90
Variable production overhead	3.20
Fixed production overhead	12.60
Variable non-production overhead	1.90
Fixed non-production overhead	5.80

What total contribution would be reported in the profit statement for the period?

- A \$206,030
- B \$212,750
- C \$217,580
- D \$230,325

While the correct answer, option B, was the most popular choice, only 34% of candidates selected it. All of the other three options were equally popular, with 22% of candidates selecting each one. This indicated a fairly widespread and varied misunderstanding of how contribution is calculated.

Total contribution is the difference between the total sales revenue and the total variable cost of sales (both

production and non-production variable costs). In this example, the contribution per unit is the selling price of the single product less the direct costs, variable production overhead and variable non-production overhead [$55 - (26.9 + 3.2 + 1.9) = \23 per unit]. The total contribution is the contribution per unit multiplied by the number of units sold ($\$23$ per unit \times 9,250 units = \$212,750).

Option A incorrectly deducted, from the total sales revenue, the total variable costs per unit multiplied by the production units, rather than the sales units [$(\$55$ per unit \times 9,250 units) - $(\$32$ per unit \times 9,460 units) = \$206,030].

Option C incorrectly calculated the total contribution on the production units, rather than on the sales units ($\$23$ per unit \times 9,460 units = \$217,580).

Option D ignored the variable non-production overhead and calculated the contribution per unit as [$55 - (26.9 + 3.2) = \$24.9$ per unit]. Total contribution became, incorrectly, $\$24.9$ per unit \times 9,250 units = \$230,325.

EXAMPLE 3

For which of the following tasks would a computer spreadsheet be most useful?

- A Apportionment and re-apportionment of overheads
- B Listing products and their selling prices
- C Preparing sales invoices and statements
- D Recording the issue of materials from inventory

A computer spreadsheet is most useful for tasks that require calculation and analysis of numerical data on a regular basis. Formulae can be established so that, from given sets of input data, outputs can be easily and quickly calculated and re-calculated. This can be in the form, for example, of budgets, profit statements, variances or overhead apportionment/absorption.

The most popular answer to this question was the incorrect option B, selected by 37% of candidates, with a further 35% incorrectly choosing options C or D. Only 28% chose the correct answer, option A.

EXAMPLE 4

The following information is available for a responsibility centre for a period:

Gross profit	\$460,000
Net profit	\$176,000
Non-current assets	\$1,200,000
Net current assets	\$320,000
Cost of capital	10% per period

What is the residual income for the period?

- A \$340,000
- B \$308,000
- C \$56,000
- D \$24,000

Residual income is a performance measure used in investment centres. It is calculated by the deduction of an interest charge for the use of capital (total capital employed \times cost of capital per period) from the net profit. The capital employed comprises the non-current assets plus the net current assets. Thus, in this example, the correct answer is \$24,000 (option D) calculated as [$\$176,000 - (\$1,520,000 \times 0.1)$]. Only 25% of candidates chose this option. The incorrect options B and C were both more popular, with over 60% of candidates choosing one or the other.

Option B was incorrect because the interest charge was deducted from the gross profit not the net profit. Thus, $\$462,000 - \$152,000 = \$308,000$.

Option C was incorrect because interest was only charged on the non-current assets and not on the total assets (ie including the net current assets as well). Thus, $\$176,000 - \$120,000 = \$56,000$.

Option A, incorrectly chosen by 14% of candidates, combined the above two errors. Thus, $\$460,000 - \$120,000 = \$340,000$.

PAPER MA2
MANAGING COSTS AND FINANCE

The four questions below, covering different aspects of the syllabus, are examples of questions that candidates found difficult.

SAMPLE QUESTIONS FOR DISCUSSION

EXAMPLE 1

Costs are determined for different manufactured jobs. A mark-up is then applied to each total job cost (manufacturing and non-manufacturing costs) in order to achieve a target profit margin. The completed Job 163 has total manufacturing costs of \$734. Non-manufacturing overheads are absorbed at 10% of selling price. The target profit margin is 6% of selling price.

What is the selling price of Job 163 (to the nearest \$)?

- A \$874
- B \$851
- C \$864
- D \$859

If non-manufacturing overheads are 10% of selling price and target profit margin is 6% of selling price, then the manufacturing costs must be 84% (100 – 10 – 6) of selling price. Thus, the correct answer is $\$734 \div 0.84 = \874 (option A). Only 26% of candidates correctly chose this option.

The most popular, but incorrect, option was Option B (selected by 32% of candidates). This incorrectly assumes that the non-manufacturing costs and the target profit are a combined 16% of manufacturing costs, not 16% of selling price. Thus, $\$734 \times 1.16 = \851 .

Options C and D (42% of candidates) combined aspects of Options A and B. Option C was $\$734 \div 0.9 \times 1.06 = \864 . Option D was $\$734 \times 1.1 \div 0.94 = \859 .

EXAMPLE 2

A company incurs the following unit costs on its single product:

	\$ per unit
Prime costs	10.35
Variable manufacturing overheads	1.05
Fixed manufacturing overheads	7.20
Variable non-manufacturing overheads	0.90
Fixed non-manufacturing overheads	2.95

23,000 units of the product were sold in a period during which 23,600 units were manufactured. Inventory of the product at the end of the period was 940 units.

What is the difference in profit for the period comparing absorption costing with marginal costing?

- A \$4,320
- B \$6,090
- C \$6,768
- D \$9,541

The reason that profits in a period may differ, depending upon whether absorption costing or marginal costing is applied, is because of differences in inventory valuation. Fixed manufacturing overheads are treated as product costs in absorption costing, and are thus included as part of the cost of finished goods inventory, but are treated as period costs in marginal costing and written off as incurred. If there is a change in finished goods inventory in a period, then profits will be different between absorption costing and marginal costing. If inventory increases in a period, the absorption costing profit will be higher because

additional fixed manufacturing overheads are carried over to the following period, and vice versa for a reduction in inventory. Candidates' selections indicated a fairly widespread and varied misunderstanding of the reasons for profit differences.

Twenty-eight per cent of candidates correctly chose option A. The profit difference is \$4,320 (absorption costing higher because of the increase in inventory, although knowledge of this was not required), which is the inventory change of 600 units multiplied by the \$7.20 fixed manufacturing overheads per unit.

The most popular choice was option B (31% of candidates). This incorrectly included a share of all of the fixed overheads (not just fixed manufacturing overheads) in the valuation of inventory using absorption costing (600 units x \$10.15 per unit = \$6,090).

Option C was also popular (26% of candidates). This was incorrect because it was based on the whole of the inventory (940 units) and not on the change in inventory (600 units). Thus, 940 units x \$7.20 per unit = \$6,768.

Finally, 15% of candidates incorrectly chose option D. This option had both the error in option B and the error in option C. Thus, 940 units x \$10.15 per unit = \$9,541.

EXAMPLE 3

Which of the following statements support the use of spreadsheets in budgeting?

- 1 The effect on revenues, costs and profit, of changed assumptions regarding budget variables, can be identified easily and quickly
- 2 Data input errors can be identified easily and quickly
- 3 Errors in formulae will always be highlighted

- A 1 only
- B 1 and 2
- C 2 and 3
- D 1 and 3

While the correct answer, option A, was the most popular option (30% of candidates), candidates' selections were spread fairly evenly across all four options (B 24%, C 19%, D 27%). This indicates that candidates are not clear on what spreadsheets can or cannot be expected to do. It is not true to state that the use of spreadsheets enables data input errors to be identified easily and quickly, nor is it true to state that errors in formulae will always be

highlighted. Even if such errors are noticed, it will not generally be as a result of using spreadsheets. A major benefit of the use of spreadsheets, however, is the facility it provides for 'what-if' analysis (for example, changed assumptions in budgeting).

EXAMPLE 4

Ninety per cent of a company's sales are on credit with the balance sold for cash. Fifty per cent by value of credit customers pay in the calendar month of sale, with the remainder within a further month. Trade receivables at the end of Month 2 were \$92,000 and sales in Months 2 to 4 are forecast to be:

- Month 2 \$164,000
- Month 3 \$215,000
- Month 4 \$189,000

What are the expected cash receipts from sales in Month 3?

- A \$182,200
- B \$192,050
- C \$189,500
- D \$233,450

Questions on cash budgeting require candidates to follow instructions about the timing of cash flows. Thirty-nine per cent of candidates correctly chose option B.

Looking at the data in the question, the trade receivables of \$92,000 at the beginning of Month 2 represent 45% (0.9 x 0.5) of the sales in Month 1 and would be expected to be received in Month 2, along with the cash sales in Month 2 (10% of the total sales in Month 2) plus half of the credit sales in Month 2 (45% of the total sales in Month 2). Thus, the expected cash receipts in Month 2 would be $\$92k + (\$164k \times 0.55) = \$182,200$. This is option A. This timing error was made by 13% of candidates.

The receipts in Month 3 (the requirement of the question) would comprise the cash sales in Month 3 (10% of the total sales in Month 3), plus half of the credit sales in Month 3 (45% of the total sales in Month 3), plus the remaining 45% of the total sales in Month 2 (50% of the credit sales in Month 2). Thus, receipts in Month 3 would be expected to be $(\$215k \times 0.55) + (\$164k \times 0.45) = \$192,050$.

Option C ignored the cash sales, assuming instead that all of the sales were on credit. As a result, 50% of each month's sales would be received in the calendar month of sale and 50% in the month following. Thus, using

this assumption, the cash receipts in Month 3 would be $(\$164k \times 0.5) + (\$215k \times 0.5) = \$189,500$. Thirty-two per cent of candidates incorrectly selected this option.

Option D used the figure of \$192,050 from option B but then incorrectly added 45% of the trade receivables from the beginning of Month 2. Thus, $\$192.05k + (\$92k \times 0.45) = \$233,450$. This is inconsistent logic that resulted in an impossibly large figure (given the amount of the sales in each month), which should have been recognised as such by the 16% of candidates who incorrectly chose option D.

PAPER FAU FOUNDATIONS IN AUDIT

The majority of candidates answered Section A to a pass standard. However, there was a disconcertingly high number of candidates who answered only a small proportion of the questions correctly – giving the impression that they had not prepared adequately for the exam.

Generally, candidates' performance in Section B was comparatively weak compared to that in Section A. Strong performance by individual candidates in Section A was often reflected in not quite so good a performance in Section B.

There were a few problems with exam technique, for example:

- ❑ not answering all of the questions. If a candidate omits to answer just one of the six-mark questions, then they have given up the chance of obtaining 12% of the required pass mark for the paper (50%). Answering all the required questions is particularly important for all candidates if they wish to increase their chances of passing this paper
- ❑ writing answers that are either far too brief or writing very long-winded answers containing totally incorrect or irrelevant material
- ❑ presenting illegible answers
- ❑ seemingly adopting a policy of making constant reference about auditors' responsibility and incorrectly asserting that it is to 'ensure' that the financial statements or area under review show(s) a true and fair view. This is incorrect.

SPECIFIC COMMENTS SECTION A

The questions tested candidates' knowledge across the range of topics included in the syllabus, and good all-round knowledge of these was required for candidates to ensure a pass mark for the section. Candidates

are reminded that the best technique to adopt when answering Section A questions is to work through them methodically, leaving any questions about which they are unsure and returning to them after attempting the later questions in the section.

SECTION B QUESTION 1

For a total of 15 marks over three parts, this question tested knowledge about internal control.

In Part (a), candidates were required to explain the purpose of internal control and four marks were available for this. To obtain all four marks, candidates needed to focus on the reduction of business risks that concern the reliability of financial reporting, the effectiveness and efficiency of operations and compliance with laws and regulations. Very few candidates even mentioned 'risk' in the context of internal control and relatively few focused on more than one of these components, with a large proportion expressing the view that the purpose of internal control is to prevent or detect fraud and error. Given the importance of internal control to an entity and in the audit process, the generally poor quality of answers here was of concern.

Part (b), for six marks, required candidates to identify three (of the five) components of internal control. A number of candidates obtained all six marks, but a high number appeared to have no knowledge at all of these. There are seven generally recognised inherent limitations common to all internal control systems and, for five marks, there was a requirement at Part (c) to identify and provide a practical example of just one. While there were a significantly high number of good answers worthy of the full five marks, some candidates scored only half of these because they could not provide appropriate examples of the limitation identified. Others were not awarded any marks as they gave a range of totally incorrect answers, including providing examples of inherent risk factors (in the context of audit risk).

QUESTION 2

For a total of 10 marks, over three parts, this question tested knowledge about the audit of inventory.

Answers to Part (ai), requiring demonstration of knowledge on the purpose of the auditor's attendance at a client's year inventory count, were mixed. There was a significant number

of candidates who demonstrated only very brief knowledge of the topic and scored no more than two of the marks. In Part (aii), there were five marks available for explaining how the auditor should respond to a request to supervise a client company's year-end inventory count. Again, a range of answers were presented and of concern was the number asserting that this would be a perfectly acceptable solution to the company's staff shortage problem (indicating a lack of appreciation of the self-review threat and auditors' responsibilities generally).

Part (b) of the question offered six marks for identifying two audit procedures to be carried out after attending the inventory count. Very few candidates were able to identify two, some identified only one and many others confusingly identified procedures that should always be carried out at the inventory count.

QUESTION 3

For a total of 10 marks over three parts, this question tested knowledge about the control objectives of a wages system and control activities that should be exercised over such a system.

There were four marks on offer in Part (a) for stating two objectives – for example, to ensure that wages are paid only to existing employees and that wages are paid at the correct rate. A number of candidates obtained all four marks but a significant minority gave examples of control activities and obtained no marks for these. In Part (b), the requirement, for three marks, was to explain the meaning of 'segregation of duties'. Many candidates presented very long-winded, confused and often incorrect answers in response. Similarly, in Part (c), few identified the activities pertaining to wages transactions that should be subject to segregation of duties – namely the authorisation, processing/recording and payment of wages to employees. Consequently, most candidates scored less than two of the marks available, with many not scoring any.

QUESTION 4

For a total of 10 marks over two parts, this question tested knowledge of 'going concern'.

Candidates tended to score most/all or few/none of the four marks available in Part (a) for their explanation of the 'going concern assumption'. However, only a very small minority appeared to have much appreciation at Part (b) of the auditor's evaluation of management's

assessment of their company's ability to continue as a going concern. The requirement was to identify and explain just two – for six marks. Matters to be considered include the period used by management in the assessment, the quality of the budgeting and forecasting systems used, the sensitivity of budgets and forecasts and the availability of borrowing facilities to the company. Only a minority of candidates included such relevant matters or similar. Many simply listed the various indicators flagging that a company may have going concern problems, but these were irrelevant to the requirement of the question.

QUESTION 5

For a total of six marks, the question tested knowledge of the management of an audit.

Candidates were required to identify and explain two factors that determine the nature, timing and extent of the direction and supervision of the audit team and the review of their work audit. While a minority of candidates wrote concise and correct answers, obtaining all of the marks available, many provided rambling, muddled answers introducing matters that bore no relevance to the question asked.

Reference to, and explanation of, matters such as audit risk, timing of the publication of the audit financial statements or the experience and qualification of audit team members would have sufficed to obtain all six marks.

QUESTION 6

For a total of six marks, the question tested knowledge of the use of flowcharts in an audit engagement.

Well-prepared candidates scored all six marks by stating two advantages and one disadvantage of using flowcharts to record information systems and internal control. On the contrary, there were a significant number of inadequately prepared candidates who struggled with the requirement.

QUESTION 7

For a total of six marks, over two parts, the question tested knowledge of the different categories of audit tests.

In Part (a) there were three marks available for a definition of a 'substantive procedure', and in Part (b) a further three for a definition of a 'test of control'. These procedures are of absolute importance in the audit process. However, many candidates either mistook one of the procedures for

the other, or wrote answers containing numerous incorrect assertions. Overall, performance on this question was particularly unsatisfactory and future candidates should ensure that they are fully versed as to why auditors carry out tests of control and substantive procures, and the determinants and mechanics of each.

QUESTION 8

For a total of six marks, over two parts, the question tested knowledge of trade receivables circularisations.

Part (a) offered two marks for explaining what is meant by a positive circularisation and a further two for a negative circularisation. Most candidates scored at least two of the marks, with many scoring all four, although there was a significant number who confused one for the other or who simply had no idea, asserting, for example, that a positive circularisation is one sent to receivables with debit balances and a negative circularisation is one sent to those with credit balances. Again, in Part (b), the quality of answers varied from those obtaining the full two marks (for identifying two classes of trade receivables account that should be included in circularisation), to those who were clearly unprepared for the question.

QUESTION 9

For a total of six marks, the question tested knowledge of the audit of accruals. This question presented few problems for a minority of candidates. However, other candidates struggled in varying degrees to provide two procedures that should be used to audit accruals. There is, of course, a range of procedures to choose from, some providing more reliable evidence than others. However, in order to choose the appropriate procedures, one must first have an appreciation of the accruals concept generally and the nature of specific accruals. A significant number of candidates were thoroughly confused by the term 'accruals' (for example, by making reference to sales revenues). Clearly, those candidates lost the opportunity to score available marks.

PAPER FFM FOUNDATIONS IN FINANCIAL MANAGEMENT

Candidates seemed to manage their time well on this paper, with the majority of candidates giving all questions an equal attempt. Where parts of questions were left unanswered, this appeared to

be due to a lack of knowledge, rather than time pressure. In general, the numerical aspects were answered better than the written aspects in Section B. Presentation varied from script to script, but generally legibility and layout were acceptable. Many candidates provided adequate workings for the numerical parts of Section B. It is imperative that candidates show clear workings in their answers, otherwise – if the final answer is incorrect – it is impossible to award method marks.

SPECIFIC COMMENTS SECTION A

The majority of candidates attempted this section, with over 60% passing this section. This section is worth 20% of the final marks, and a good mark here is a sound springboard for Section B. It is imperative that candidates spend time practising multiple-choice questions in preparation for the real exam.

SPECIFIC COMMENTS SECTION B QUESTION 1

Question 1 required candidates to prepare a cash budget, before testing candidates' understanding of why a small organisation can find it difficult to raise finance.

Presentation in Part (a) was generally of a high standard and workings were usually clearly shown, so many method marks could be gained. Common errors that were made were:

- ❑ the incorrect application of the 30% increase in income – this increase needed to be capped at 100 houses for April and May
- ❑ not dealing with the delay in income from the industrial window cleaning – payment was received the month after the work had been completed, not in the month the work was completed
- ❑ the timing of the costs from the industrial window cleaning – these should have been based on the month of sale, rather than the month the cash was received.

All of these errors could be eliminated if the scenario was read more carefully.

Answers to Part (b) varied greatly in quality. Some candidates knew the problems faced by SMEs when trying to obtain finance and gained full marks. Others, who did not know the particular problems, tried to use the mnemonic CAMPARI to generate points to score marks, and did score some marks with issues such as difficulties faced in repaying the finance due to uncertainty

in cash flow. A minority of candidates misread the requirement and wrote about sources of finance for SMEs. It is important that candidates read the requirement carefully before starting to answer the question.

QUESTION 2

Question 2 was a purely discursive question covering financial intermediation.

If candidates knew this part of the syllabus, then this should have represented 10 very easy marks to gain, as it was purely a test of knowledge. What was clear from some scripts was that some candidates had not learnt this topic; it is imperative that candidates learn the whole syllabus.

Part (a) asked for a definition of financial intermediation. Here, I was looking for candidates to show the idea of bringing together borrowers and lenders, by a third party. The point about 'third party' was often missing in answers.

Part (b) asked candidates to 'Identify and explain three benefits...' Some candidates provided more than three benefits. While it is understandable that candidates want to gain credit for three relevant benefits, this can lead to the points being made not being expanded as much as they should/could be, and a lower mark being gained for the question overall.

QUESTION 3

This was again a purely discursive question, looking at leasing.

In Part (a), a surprising number of candidates referred to both operating and finance leases (and split their answer into two sections accordingly), despite the requirement clearly stating that there was no need to make specific reference to either operating or finance leases.

Part (b) was generally not answered very well. The requirement asked for circumstances when an operating lease would be more suitable than a finance lease, and here I was looking for ideas such as the industry having a fast pace of change, etc. Instead, many candidates looked at the advantages of operating leases, and so did not answer the requirement set and, accordingly, gained fewer marks.

QUESTION 4

Question 4 examined debt collection.

Part (a) required candidates to prepare a schedule of cash inflows for three months. Very few candidates scored full marks here, with the most common errors being:

- ❑ incorrect timing for the advance of \$300,000 and the balance of \$100,000
- ❑ basing the income cash flows on receivables rather than on sales, so income from April sales, for example, was shown as \$66,667 ($60/360 \times \$400,000$). If this was applied consistently to the advance, etc, then many method marks were gained. This shows the importance of showing all your workings
- ❑ whichever method of calculating the income from sales was used, the interest charge calculation was often incorrect, even on an 'own figure rule' basis.

Part (b) asked candidates to outline two advantages of using invoice discounting rather than debt factoring. Some candidates interpreted this as giving a settlement discount to customers to encourage them to pay early, and so gained few marks. Candidates who answered the requirement set often scored at least half marks.

QUESTION 5

The majority of this question examined the area of investment appraisal. However, there was not a large net present value calculation, and this did seem to confuse some candidates, who seemed less well prepared for the question that was set.

In Part (a), candidates were asked to calculate the accounting rate of return on an initial investment basis. The two common mistakes here were to not include depreciation in the average annual profit calculation, and to not base the investment on initial investment, but to use average investment. The latter mistake arises from not reading the requirement carefully enough.

Part (b) asked for a payback calculation, and many candidates gained full marks here.

Part (c) was poorly answered. Few candidates picked up that this was a not-for-profit organisation and, therefore, ARR was of little use to the hockey club. Many candidates stated definitions, or advantages and disadvantages of ARR and payback, and gained fewer marks.

Part (d) generally scored higher marks. The main error here was not breaking the requirement down, and explaining the difference between capital and revenue expenditure, but not considering the accounting treatment for each.

QUESTION 6

This question looked at inventory management. This has been examined before and performance has not been good. However, this was probably the best answered question at this sitting.

Part (a) asked for three costs associated with inventory, and many candidates scored full marks.

Part (b) asked for candidates to produce calculations and conclude whether or not a new supplier should be used. This was well answered, with many candidates scoring full marks. It was pleasing that many candidates broke the requirement down and produced not only the calculations but also provided the conclusion requested. The common errors in this question were:

- ❑ calculating an EOQ for both suppliers instead of accepting that the order size for the proposed supplier was 7,000 units
- ❑ incorrectly applying the discount to the costs for the new supplier.

Overall, candidates were stronger on calculations than the written elements within Section B. They reduced their ability to gain marks by not studying the whole syllabus, or not reading the requirement correctly.

CONCLUSION

A well-prepared candidate who had studied the whole syllabus and read the requirements correctly could have passed this paper. Those who did not showed a lack of knowledge, or did not read the requirement carefully enough.

PAPER FTX FOUNDATIONS IN TAXATION (UK)

A number of common issues need addressing by future candidates:

- ❑ All requirements should be completed.
- ❑ Requirements should be read carefully and answered in the way requested.
- ❑ There is no need to copy out the requirement before doing the answer.
- ❑ Candidates should think about their answer, and reconsider the results of calculations where it appears to be unlikely.
- ❑ Each answer should be numbered and start on a new page.
- ❑ A thorough understanding of the syllabus is required – the new format allows more of the syllabus to be set at each sitting.

SPECIFIC COMMENTS

QUESTION 1

This 15-mark question required candidates to calculate the income tax

payable for an individual and tested candidates' knowledge of receipts of interest and dividend, payments of occupational pension contributions, gift aid donations and the effect of high income on the personal allowance.

This question was well answered by the majority of candidates, with many scoring maximum marks. The areas tested are considered to be core areas and have been regularly tested before, and will continue to be so in the future.

Some candidates are still confusing the difference between pension contributions to an occupational pension and to a private plan. If, as in this question, they are to an occupational scheme, then the contributions will be the gross amounts and must be deducted from employment income. If contributions are paid to a private scheme, they will be the net amounts and they must be grossed up by 100/80 and used to extend the tax bands. All contributions made by an employer are exempt benefits and should not appear in the calculations.

A minority of candidates seemed to be using out-of-date material and showing gift aid donations as a charge on income and, therefore, a deduction from income. This procedure no longer happens. Donations should be grossed up by 100/80 and used to increase tax bands in the same way as private pension scheme contributions.

Another common error was to only extend the lower band – both bands must be extended, thus allowing the difference between the bands to remain the same.

The final issue is the calculation of the personal allowance. If total adjusted net income (ANI) is below £100,000, then the personal allowance is given in full. If the ANI is £114,950 or more, as in this question, then there is no entitlement to the personal allowance. If ANI is between these limits, then the personal allowance is reduced by £1 for every £2 that ANI exceeds £100,000. Although the answers showed ANI above £114,950, a few candidates managed to do complicated calculations resulting in answers of over £25,000. Common sense should prevail here – the answer was clearly incorrect, and should have been reconsidered. Indeed, if ANI is above £114,950 there is no need to do calculations, but a simple statement must be made saying that there is no entitlement to personal allowance because income is above £114,950.

QUESTION 2

This 15-mark question required candidates to calculate the corporation

tax payable by a UK company with one associated company. The question examined the common areas of interest received and paid, capital gains and losses, trading loss brought forward and dividends received.

Those candidates who were well prepared scored good marks, with a few achieving full marks. However, many candidates did not understand corporation tax and included in their calculations three separate columns for non-savings, savings and dividend income, personal allowances and the annual exempt amount for capital gains, as if this was an income tax calculation for an individual. None of these areas feature in corporation tax.

Common points that should be noted are:

- ▣ trading losses brought forward and current year capital allowances must be deducted from trading profit
- ▣ interest paid and received is either trade related, and therefore included in adjusted trading income or is non-trade related (as in this question) and is included as investment income. The two figures of interest paid and received must be netted together to be awarded full marks
- ▣ capital losses must be netted against capital gains to be awarded full marks
- ▣ gift aid payments to a charity are made gross and, therefore, should not be grossed up
- ▣ dividend income is 'net' and has to be grossed up by 100/90 and included as franked investment income (FII) and not taxable income.

The most common error made by candidates was the date of payment. The due date for those companies not paying tax at the main rate is nine months and one day after the period ends – in this case 1 January 2013. Candidates either ignored this requirement or were unable to quote the exact date. Worryingly, many candidates suggested a date of 14 October.

QUESTION 3

This was a 10-mark question requiring candidates to calculate the maximum capital allowances available to a UK company for its accounting year ended 31 March 2012.

Candidates had to deal with assets that qualified for the annual investment allowance (AIA), and those that did not, those to be treated as short life assets, those that were to be included in a special rate pool and, finally, an expensive car balance brought forward.

The layout shown in the suggested solutions would have aided candidates to do their calculations, but many made up their own layouts and, provided their actions were correct, marks were still awarded.

The most common mistakes made by candidates were:

- ▣ apportioning allowances based on periods of ownership. Allowances are only apportioned when the accounting period is less than 12 months
- ▣ the balance brought forward for the expensive car was not shown separately but was added to the main pool
- ▣ the sale of the expensive car resulted in a balancing allowance of £2,000. However, many candidates either called this a balancing charge or simply calculated writing down allowance (WDA) at 20% on the balance after the disposal
- ▣ where the question stated that the computer should be treated as a short life asset – something many candidates seemed to ignore by including it in the main pool or as a special rate pool item and calculated WDA at 10% instead of 20%
- ▣ inventing a car pool. There is no such thing. Cars with a CO₂ emission rate of more than 160g per km should be treated as special rate pool items, and those with 160g per km or less should go in the main pool. Neither type of car is entitled to AIA.

It was pleasing to see that many candidates scored full marks on this question.

QUESTION 4

This was a 10-mark question requiring candidates to calculate the capital gains tax payable by an individual following the disposal of two assets.

Once again, many candidates answered this well and several were awarded full marks.

The most common errors were:

- ▣ not calculating the marginal relief gain on the disposal of the painting
- ▣ not deducting the annual exempt amount
- ▣ not calculating the remaining basic rate band.

Where a non-wasting chattel is purchased for less than £6,000 and sold for more than £6,000, then two calculations must be made. One is the normal (net proceeds less total costs) and the other is the marginal relief

calculation of $5/3 \times$ (gross proceeds less £6,000). Whichever is the lower is the gain chargeable. Total gains of the year should be reduced by the annual exempt amount for the current tax year (£10,600) before tax is calculated.

The basic rate band of £35,000 applies to both income tax and capital gains tax. The taxable income for income tax uses up the £35,000 first, and the amount of basic band remaining is then used for capital gains. That part of the total chargeable gains covered by the remaining band is then taxed at 18% and the rest at 28%.

QUESTION 5

This six-mark question required candidates to calculate gift relief and the revised base cost following a sale of an asset at below market value from an individual to her daughter. This question was generally poorly answered, with many candidates seemingly never having heard of the relief.

When an asset is disposed of for an amount that is not market value, then the gain must be calculated using the current market value less the original cost. This gain can then be deferred by making a joint claim for gift relief.

Where some proceeds are received in excess of the original cost, then a part of the gain (equal to this excess) is charged on the seller and the rest of the gain can be deferred against the base cost of the buyer. The base cost is the current market value reduced by the gain deferred above.

Those candidates who attempted this question either used the actual proceeds for both the sale and the base cost or confused the amount of the gain immediately taxable and the amount to be deferred.

Candidates are reminded that the exam will always include a question involving one of the four reliefs in the syllabus: rollover relief, gift relief, entrepreneurs' relief or principle private residence relief.

QUESTION 6

This six-mark question required candidates to calculate the value added tax (VAT) payable by a UK company for a three-month period.

This was done very well by the majority of candidates. There were a few common mistakes, such as:

- using the wrong rate of tax (17.5%) or using the fraction of $1/6$ instead of 20%
- applying VAT at 20% to zero-rated supplies

- adding up all the VAT calculated instead of deducting the VAT on the expenses and inventory purchases (input tax) from the VAT (output tax) on the sales.

Many candidates were aware of the new rules for filing VAT returns online and knew that online returns are due seven days after the paper return date. For those candidates who applied the paper date at the end of the month following the return period, you should note that there are only 30 days in April – many quoted 31 April.

QUESTION 7

This was a six-mark question requiring candidates to deal with a trading loss made by a sole trader. For those candidates who had learnt this area it was an easy six marks. However, far too many had very little understanding of this area.

First, a trading loss cannot simply be netted against income in the same year. If the loss is to be used in the same year, then a claim has to be made. Similarly, if the loss is to be used in the previous year, then again a claim has to be made against total income not just trading income. Claims must be full claims where possible and they cannot be restricted to preserve personal allowances.

When a loss is carried forward, then the full amount, where possible, is automatically used against the first available income from the same trade (but no other income) – a claim is not required.

Common mistakes included:

- netting the loss against income in the same year
- using the loss in the previous year against trade income only
- using the loss against total income in the following year
- not showing the amount carried forward as at 31 December 2012, as required.

QUESTION 8

This six-mark question required candidates to calculate the assessable profits for the first three tax years of a new sole trader's business.

Many candidates did well on this question, with several being awarded full marks. The main problem here was that candidates did not answer the question fully. The requirement specifically requested candidates to 'clearly state the basis periods that apply' – many

failed to do this. In addition to this, where a question asks for the tax years, candidates must state the actual years concerned – for example, 2009–10, not 1st year, etc.

Marks were awarded for saying '1 February 2010–31 January 2011' or '12 months profit to the actual accounting date' – both being the same period.

Many candidates wasted time and effort calculating overlap profits, despite the question specifically stating that this was not required.

QUESTION 9

This six-mark question required candidates to complete an extract from a corporation tax return.

This should have been the easiest question on the paper and, indeed, many candidates were awarded full marks. However, despite full answers being given in the question, many candidates were not able to transfer the correct figures to the correct boxes. This is surprising as the boxes were clearly defined as to what figure should be included – for example, box 37 says 'Total taxable profits', therefore the figure of £800,000 from the question should have gone in that box – many put £1,000,000, which is the augmented profit figure.

Candidates should read the given information carefully. Future papers will often have a return to complete whether this is a corporation tax return, income tax return or another.

The most common error made by candidates was to state the financial year (box 43) as being 2012, when in fact it was 2011 – ie the year that the period starts not finishes.

PAPER F1/FAB ACCOUNTANT IN BUSINESS

There were certain topics on which the performance of candidates was strong. It was clear that candidates had prepared well for questions relating to certain management theories, including Mendelow's stakeholder grid, Adair's functional (action-centred) leadership model, Fayol's functions of a manager and, to a lesser extent, Vroom's motivation theory. Personal effectiveness and human resources management questions also saw relatively high pass rates, especially those relating to time management, conflict, health and safety, reward systems, communication and performance appraisal.

The performance of candidates was also strong in dealing with questions

on outsourcing, money laundering and certain matters relating to corporate governance, including the objectives of not-for-profit organisations, the role of the company secretary and agency theory.

The theories that posed the greatest level of difficulty were the stages of team development, learning processes, competency frameworks and the five forces model on competitive advantage.

Candidates generally dealt with questions on accounting and finance topics quite well, with the exception of matters relating to functions within the accounting department and the role of IFAC.

There were four questions on economics, one of which caused considerable problems. Surprisingly, candidates coped well with a question on quantitative easing, but the pass rate on a question on fiscal policy was much lower. The latter has seldom caused difficulty in the past.

The professionalism and ethics questions saw mixed outcomes. Candidates were able to deal with fiduciary responsibility and conflicts of interest. However, questions relating to corporate codes of ethics and sustainability caused greater difficulty.

The paper included 12 scenario-based questions, most of which required basic applications of knowledge. Although some of these questions saw low pass rates, there was no greater variation in performance than that for shorter questions. It is quite possible that the time needed to work the scenarios may affect the ability of candidates to complete all 50 questions, as many candidates did not answer all of the questions on the paper. It should be noted that two of the scenario questions had very high pass rates (these related to stakeholder theory and human resources management).

SAMPLE QUESTIONS FOR DISCUSSION QUESTION 14

Question 14 required knowledge of best practices in corporate governance.

The board of directors of TBF Company has decided to establish an audit committee for the first time. The committee will be made up of three independent non-executive directors. As the company has six non-executive directors, three will serve on the committee in the first year and the other three will then serve for the next year. Of the six non-executive directors, only one has a comprehensive knowledge of financial operations.

The committee will meet every two months. One of the non-executive directors will also serve as the chairman of the company for the next year and it has been decided that he will also be the chairman of the audit committee for this period.

According to best practice in corporate governance, which of the following statements is correct in relation to the above arrangements?

- A** It is inappropriate for the chairman of the company to be chairman of the audit committee at the same time
- B** Whilst the audit committee should be made up of a majority of non-executive directors, it is undesirable that there will be no executive directors serving on it
- C** The audit committee will not have the necessary competences to discharge its responsibilities over the full two-year period
- D** The non-executive directors should retire annually, so no arrangements should be put in place in relation to the composition of the audit committee for the second year

The correct answer is C

The answer to this question could be deduced from the last two sentences in the first paragraph. As only one non-executive director had adequate knowledge of financial matters, but would only serve on the audit committee every other year, this would result in the committee having no financial expertise whatsoever. Candidates should know that one role of this committee is to challenge the accuracy and transparency of financial statements, while another is to ensure that there are adequate systems of internal controls in place. Neither of these roles can be discharged to an appropriate standard without the audit committee having the expertise to do so.

It is possible to arrive at the correct answer by deduction. As the chairman is usually an independent non-executive director, there is nothing in law or best practice suggesting that he or she should not also concurrently serve as chairman of the audit committee. Option B is clearly wrong, as it is desirable for the members of the audit committee to be independent, and executive directors cannot, by definition, be independent.

Most candidates knew that option D was incorrect, though annual retirement by rotation is a feature of

best practice under some corporate governance regimes.

The pass rate for this question was 17%.

QUESTION 31

Question 31 asked candidates to relate their knowledge of the outputs of the accounting department to marketing activities.

Which of the following reports prepared by the finance department would enable the organisation to assess the effectiveness of an increase in expenditure on after-sales service?

- A** Costs of defects reworked or written off due to failures in quality control
- B** Revenues from cross-selling activities focused on existing customers
- C** Costs of servicing, repairing and running vehicles driven by customer-facing engineers
- D** Revenues from sales of imperfect inventory and returned goods

The correct answer is B

Candidates must read the question carefully in order to arrive at the correct answer. Many may have assumed that the level of defects on after-sales service costs were an indicator of effectiveness of increasing expenditure, while these were only measures relating to the effectiveness of quality controls. The costs of servicing, repairing and running vehicles driven by the engineers related to overheads rather than the effectiveness of after-sales service.

By increasing expenditure on after-sales service, existing customers should be more satisfied, which should result in future sales increasing to this group of customers, and a lower level of migration of existing customers to alternative suppliers or substitutes.

The pass rate for this question was 20%.

QUESTION 48

Question 48 tested candidates' understanding of how information relating to sales, revenues and costs can assist the marketing department.

Jens has prepared a report detailing the sales, revenues and costs attributable to his company's products, broken down by cities, towns and regions, for the last 12 quarters. He already has figures for the estimated total market size for the same period. The company sells fast moving consumer goods and adopts an undifferentiated marketing strategy.

Jens' report will enable the marketing department to complete which of the following?

- A Carrying out a comprehensive analysis of the marketing environment
- B Analysing buyer behaviour according to product features and benefits
- C Identifying the position of the products on the product lifecycle
- D Understanding which promotional methods have been most effective

The correct answer is C

Many candidates chose option A, but this was clearly incorrect from the phrase 'marketing environment', as the figures produced by Jens related only to the company's own performance over time. The only external data mentioned in the statement was the total market size. It would therefore be impossible to carry out a comprehensive analysis based on Jens' work alone.

The product lifecycle is a useful marketing theory applied to analyse revenues (and sometimes profits) over time. Better candidates would have identified the fact that Jens produced figures relevant to 12 quarters, which would have led to the correct answer.

Options B could not be correct, as buyer behaviour could not be analysed from the information Jens produced. Likewise, the marketing department would not be able to determine which methods of promotion had been most effective without having financial information on the costs of each method of promotion and on consumer responses to each of them.

The question was answered correctly by 20% of candidates.

CONCLUSION

The paper is broad in scope, so the challenge facing most candidates is that of accumulating sufficient knowledge across all subject areas to deal with the whole range of topics. As questions are spread evenly across the learning outcomes in the *Study Guide*, it is a high risk strategy to 'question spot' by focusing on some topics to the exclusion of others. It must be emphasised that candidates are not expected to have an in-depth knowledge, as one purpose of the paper is to introduce some disciplines and subjects that they will study in much greater depth as they progress through the ACCA Qualification.

A useful practice is to use the *Syllabus* and *Study Guide* as a structure for the programme of study. Any subject included in the learning outcomes is

examinable. It is not necessary at all for candidates to stray far beyond these outcomes, unless they do so out of personal interest, but even this may compromise their ability to cover the whole syllabus in the time available.

Very few questions can be answered by common sense alone. Questions relating to time management and other aspects of personal effectiveness may resemble issues that candidates encounter in daily work, but they will usually demand some investment in personal study as well as applications of general business knowledge.

Scenario questions are not designed to be more difficult than shorter questions, but they may take more time to answer. Candidates must manage their time to give themselves a reasonable chance of attempting all questions. Many candidates do not do so. It is necessary to strike a balance between the time taken to answer a scenario and the need to deal with the other questions. It should be apparent from the feedback to Question 14 that the correct answer may sometimes be identifiable from a short sentence or phrase. However, candidates should also realise that very few questions have redundant information, so it would be unwise to arrive at a conclusion before reading the questions very carefully.

Candidates should practise different question types. As well as the direct short questions and scenario questions discussed in this report, there are also questions that give typically four to six statements and ask candidates to decide which of these are correct. Such questions may, for example, give a choice of '1, 2 and 4 only', '3, 5 and 6 only', and so on. These may take slightly longer than shorter questions. One useful technique is to eliminate the statements that are more obviously incorrect in order to reduce the number of possible correct answers. By practising these questions in advance, candidates will encounter fewer surprises in the exam itself.

PAPER F2/FMA
MANAGEMENT ACCOUNTING

The following questions taken from the June 2012 exam are ones where the performance of candidates was weak. Each of these questions carried two marks and each related to a mainstream topic in the *Study Guide*.

SAMPLE QUESTIONS FOR DISCUSSION
EXAMPLE 1

An investment centre earns a return on investment of 18% and a residual

income of \$300,000. The cost of capital is 15%. A new project offers a return on capital employed of 17%. If the new project were adopted, what would happen to the investment centre's return on investment and residual income?

	Return on investment	Residual income
A	increase	decrease
B	increase	increase
C	decrease	decrease
D	decrease	increase

The question relates to *Study Guide* reference E2f.

The correct answer is D

The new project's return on investment is less than that of the investment centre, and this will result in a reduction in its return on investment. However, because the project offers a return higher than the cost of capital, it will increase the investment centre's residual income. The most popular answer was C, with 29% of candidates mistakenly believing that the new project would result in a decrease in both return on investment and residual income. This mistake suggests a lack of understanding of residual income.

EXAMPLE 2

An investor has the choice between two investments. Investment Exe offers interest of 4% per year compounded semi-annually for a period of three years. Investment Wye offers one interest payment of 20% at the end of its four-year life.

What is the annual effective interest rate offered by the two investments?

	Investment Exe	Investment Wye
A	4.00%	4.66%
B	4.00%	5.00%
C	4.04%	4.66%
D	4.04%	5.00%

The question relates to *Study Guide* reference C5d.

The correct answer is C

The answer can be arrived at by calculation (Investment Exe annual effective return = $1.022 - 1 = 0.0404$ or 4.04% and Investment Wye annual effective return = $1.200.25 - 1 = 0.0466$ or 4.66%). Alternatively, the answer can be 'reasoned' out: Investment Exe's semi annual compounding must result

in a higher effective annual rate than 4% ($2 \times 2\%$), and a 20% return over a four-year period must have an effective annual rate of less than 5% ($20\% \div 4$ years) when the compounding effect is allowed for. Just over 32% of candidates incorrectly selected option D. This suggests that although most candidates can convert a sub annual interest rate into an effective annual rate, many find it difficult to convert a multi-year rate into an effective annual rate.

EXAMPLE 3

A company uses standard absorption costing to value inventory. Its fixed overhead absorption rate is \$12 per labour hour and each unit of production should take four labour hours. In a recent period when there was no opening inventory of finished goods, 20,000 units were produced using 100,000 labour hours. 18,000 units were sold. The actual profit was \$464,000.

What profit would have been earned under a standard marginal costing system?

- A \$368,000
- B \$440,000
- C \$344,000
- D \$560,000

The question relates to *Study Guide* reference B2d.

The correct answer is A

Standard absorption costing will include \$96,000 of the period's overhead (2,000 units \times four labour hours \times \$12 per hour) in the valuation of closing inventory. Under standard marginal costing, the \$96,000 would be charged against the period's profit, resulting in a profit \$96,000 lower than \$464,000. This type of question is included in virtually every costing textbook and it is disappointing that only a minority of candidates selected the correct alternative. The most common answer was B (\$464,000 – 2000 units \times \$12 per labour hour), suggesting some misunderstanding of overhead absorption rates or careless reading of the question. C was also a popular answer (\$464,000 – 2,000 units \div 20,000 units \times 100,000 hours \times \$12 per labour hour), indicating that many candidates believed that inventories should be valued on the basis of actual labour hours in a standard absorption costing system. On a more positive side, only a small proportion of candidates selected alternative D, which indicates

that most candidates understand that in periods of rising finished goods inventories, absorption costing will show higher profits than marginal costing.

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

Future candidates are advised to:

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

**PAPER F3/FFA
FINANCIAL ACCOUNTING**

Candidates had a particularly good grasp on questions associated with books of prime entry (including recording returns and discounts), inventory, non-current assets and incomplete records.

However, newer syllabus areas, such as testing preparation of simple consolidated financial statements and preparation of company disclosure notes, still remain problematic for some candidates

Interpretation of financial statements continues to be an area that candidates performed well in, although one particular ratio gave many candidates difficulties in this exam. This particular question/ratio is debriefed below.

Other longer established topics keep recurring as low scoring questions, and it is these syllabus areas that this report also revisits.

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

**SAMPLE QUESTIONS FOR DISCUSSION
EXAMPLE 1**

Extracts from the financial statements of Miller Co are shown below:

	31 May 2012
	\$000
Revenue	475
Cost of sales	(342)
Gross profit	133
Expenses	(59)
Finance cost	(26)
Profit before tax	48

What is the interest cover ratio for the year ended 31 May 2012?

- A 2.85
- B 1.85
- C 5.12
- D 0.35

The correct answer is A.

Option B was the most popular incorrect answer.

The key to calculating interest cover is to think about what the ratio is trying to show – ie whether the company can comfortably meet the current level of interest costs and whether a fall in profit would have a significant effect on the ability to meet such payments, and therefore affect the profits available for ordinary shareholders. The formula to calculate interest cover is:

Profit before interest and tax
Finance cost

The complication in this question is that the profit before interest and tax is not given in the information, and so must be calculated.

Profit before
interest and tax $\frac{133 - 59}{26} = 2.85$ (Answer option A)
Finance cost

The majority of candidates (46%) selected option B, which incorrectly uses the profit before tax:

ie $\frac{48}{26} = 1.85$

Remembering what the ratio is trying to show should prompt candidates to think of the profit that is available to use to cover the finance charges – ie the profit before interest and tax.

Option C incorrectly uses gross profit to calculate interest cover ($133/26$), whereas option D incorrectly calculates interest cover by taking finance costs and dividing them by profit before interest and tax ($26/(133 - 59)$)

In ratio questions, be prepared to have to calculate a profit before interest

and tax figure to use in a calculation of ratios such as interest cover, operating profit margin or return on capital employed.

EXAMPLE 2

Marlon created a suspense account with a debit balance of \$1,250 in order to balance his trial balance.

He subsequently investigated and found the following errors:

- 1 The closing balance of the purchase ledger control account at the current year-end has been undercast by \$160
- 2 Cash received of \$450 from customers has only been entered into the cash account
- 3 The purchase returns day book has been overcast by \$300

What is the remaining debit balance on the suspense account after these errors have been corrected?

- A \$640
B \$2,160
C \$1,860
D \$1,560

The correct answer option is C

Suspense account	
b/f	1,250
1 Purchase ledger control	160
2 Receivables	450
	<u>1,860</u>
Bal c/f	<u>1,860</u>

Candidates struggle to deal with suspense account questions. The most efficient way to deal with these types of questions is to consider each transaction individually and establish if the transaction causes an entry to be made in the suspense account. This will only occur if an imbalance has been caused.

Transaction 1 – an addition error in a general ledger account will cause an imbalance. As a closing liability balance has been undercast, this will have caused a credit entry to the suspense and will need correction by debiting the suspense account and crediting the purchase ledger control account with \$160.

Transaction 2 – again, an imbalance has occurred as there has been a one-sided transaction. The only entry has been to debit cash and, therefore, the credit has been made to the suspense account. In order to clear this off the suspense

account, the adjustment would be to debit the suspense account and credit receivables.

Transaction 3 – does not require an entry to the suspense account as the incorrect total from the purchase returns daybook has been posted into the ledger accounts and, therefore, will not need adjusting through the suspense account as no imbalance has occurred. The correction journal would be to debit purchase ledger control account and credit purchase returns.

EXAMPLE 3

In the year ended 31 May 2012, Galleon Co purchased non-current assets with a cost of \$140,000, financing them partly with a new loan of \$120,000. Galleon Co also disposed of non-current assets with a carrying value of \$50,000 making a loss of \$3,000. Cash of \$18,000 was received from the disposal of investments during the year.

What should be Galleon Co's net cash flow from investing activities according to IAS 7, *Statement of Cash Flows*?

- A \$45,000
B \$75,000
C \$69,000
D \$48,000

The correct answer option is B

	\$
Purchase of non-current assets	(140,000)
Disposal proceeds of non-current assets (50,000 – 3,000)	47,000
Disposal proceeds of investments	18,000
Cash flow from investing activities	<u>(75,000)</u>

Option A was the most popular incorrect answer.

The key to answering statement of cash flows questions is to read the question stem to identify which section of cash flows is being asked for. In this question, it can be quickly identified that it is the investing section we are concerned about.

Then, as you read through the question data, think about:

- the cash effect of each transaction
- whether that cash flow would appear in that particular section of the cash flow – here in investing activities.

The purchase of a non-current asset of \$140,000 would be included in the investing section as a cash outflow. The common error that many candidates made in selecting option A was to think that financing that asset purchase by proceeds from a loan of \$120,000 would mean that only \$20,000 would be the net cash outflow shown in the investing section. This is incorrect, as the whole \$140,000 purchase would be recorded in the investing section, and the \$120,000 cash inflow from the loan would be shown separately in the financing section.

When disposing of non-current assets it is common in these question types to have to calculate the cash flow – ie the cash proceeds – from the information given in the question. In incorrectly selecting option D, candidates would have made two errors, in dealing with the net \$20,000 associated with the non-current asset and incorrectly using the carrying value of \$50,000 as the cash inflow from the sale of the asset.

As the carrying value of the asset disposed of is \$50,000, and having made a loss of \$3,000, it can be deduced that the sales proceeds must be \$47,000 (\$50,000 – \$3,000). Another common error would be for candidates to add the \$3,000 to the carrying value, incorrectly dealing with it as a profit on disposal and, therefore, arriving at \$53,000 sales proceeds, which is the error made in option C.

The receipt of \$18,000 from the disposal of investments is the easiest part of the question, as this is the cash flow which has been given. Candidates needed to realise this would be included in the investing section.

CONCLUSION

In this exam, some of the worst answered questions involved topics such as suspense accounts and cash flow statements which have featured in many previous examiner's reports. This suggests that more work is still needed. Careful reading of all the answer options and applying a methodical approach should help candidates improve their attempts.

However, as mentioned, preparation of simple consolidated financial statements and preparation of company disclosure notes continue to prove challenging, and candidates are advised to read the December 2011 examiner's report and the recent examiner's article to help with their understanding of questions on these topics.

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EXAM NOTES

WHAT YOU NEED TO KNOW

FINANCIAL REPORTING - INTERNATIONAL AND UK

PAPER FA2, MAINTAINING FINANCIAL RECORDS AND

PAPER FFA/F3, FINANCIAL ACCOUNTING

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

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

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

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

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

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

Other Statements

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

Note:

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

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

AUDIT - INTERNATIONAL

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

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

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

PAPER FAU, FOUNDATIONS IN AUDIT

International Standards on Auditing (ISAs)

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

Other Documents

ACCA's 'Code of Ethics and Conduct'

AUDIT

AUDIT - UK

PAPER FAU, FOUNDATIONS IN AUDIT (UK)

ACCOUNTING STANDARDS

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

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

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

Ethical standards

All revised December 2010

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

Other Documents

ACCA's 'Code of Ethics and Conduct'

AUDIT - SINGAPORE

PAPER FAU (SGP), IMPLEMENTING AUDIT PROCEDURES

Singapore Standards on Auditing (SSAs)

- Preface to the Singapore Standards on Quality Control, Auditing, Review, and Other Assurance Related Services
- Framework and Assurance Engagements
- Glossary of Terms

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

Other Documents

Revised ICPAS Code of Professional Conduct and Ethics

TAX

PAPER FTX (UK), FOUNDATIONS IN TAXATION

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

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

FINANCE ACT

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

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

TAX

SUPPLEMENTARY INSTRUCTIONS, TAX RATES AND ALLOWANCES

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

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

Income tax

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

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

Personal allowances

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

Car benefit percentage

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

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

Car fuel benefit

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

Pension scheme limits

The maximum contribution that can qualify for tax relief without evidence of earnings

£3,600

Authorised mileage allowances: cars

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

CAPITAL ALLOWANCES: RATES OF ALLOWANCE

Plant and machinery

	%
Main pool	20
Special rate pool	10

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

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

Annual investment allowance

First £100,000 of expenditure	100
-------------------------------	-----

Industrial buildings allowance

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

Corporation tax

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

Marginal relief

Standard fraction x (U–A) x N/A

Value added tax

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

Capital gains tax

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

National Insurance contributions (not contracted out rates)

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

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

Rates of interest (assumed)

Official rate of interest	4%
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FOUNDATIONS IN PROFESSIONALISM

At ACCA we believe accountants who are good – ie are professional and ethical – make good accountants. As a professional accountancy body, it is important for ACCA to ensure all our students understand what it means to work and act professionally and ethically in the workplace.

If you study for any of our Foundation level qualifications and want a certificate as proof of the exams you have completed, you are required to complete Foundations in Professionalism. This is an online, interactive module, designed to help you develop your understanding of what it means to act professionally and ethically in the work you carry out.

Each section of the module contains a range of interactive exercises and tasks to develop and consolidate learning and understanding. If, after finishing the test, you are deemed not to have demonstrated sufficient knowledge, you are automatically informed of your weakest areas so that you can be referred to these sections directly to review the materials, re-work the end of section exercises and then take the test again.

PROFESSIONALISM IS AT THE HEART OF ALL ACCA'S MAINSTREAM QUALIFICATIONS

You can complete Foundations in Professionalism before or after completing the exam component of the qualification you are aiming to achieve, and you only need to successfully complete the module once – even if you decide to complete one or more of our qualifications.

There is no set time allocated to completing Foundations in Professionalism. You are encouraged to complete the module at your own pace to allow yourself time to reflect on what you have learnt.

You can access Foundations in Professionalism through *myACCA*.

Professionalism is at the heart of all ACCA's mainstream qualifications. Globally, there is an increasing emphasis on the need to integrate ethics and professionalism into accounting qualifications because everyone recognises the need for accountants working and studying at all levels to behave professionally and ethically.

PRACTICAL EXPERIENCE

FOUNDATIONS FOR CAT WORK EXPERIENCE

The practical experience requirement for Certified Accounting Technicians, known as Foundations in Practical Experience Requirement (FPER), is an essential element of the CAT Qualification.

To complete the FPER, you must obtain at least one year's supervised work experience in a relevant accounting or finance role and meet the minimum competence requirements for the Certified Accounting Technician (CAT) Qualification.

You must also provide evidence that you have fulfilled the Foundations in Practical Experience Requirement by completing the FPER Record.

WHY IS PRACTICAL EXPERIENCE IMPORTANT?

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

To find out more about practical experience at the Foundation level, please visit www.accaglobal.com/en/student/qualification-resources/foundation-accountancy/foundations-cat/cat-practical.html





Professional Accountancy Programmes

EXCELLENT

SUNWAY COLLEGE [WAPW072]

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No. 2, Jalan Universiti, Bandar Sunway,
46150 Petaling Jaya, Selangor Darul Ehsan, Malaysia.
T +603 7491 8622 F +603 5635 8630 E info@sunway.edu.my
Sunway College, Kuching [P61943K] +6082 236 666

Owned and governed by the

YEAR TRACK-RECORD. EXCEEDING WORLD STANDARDS.

Our hallmark of success is the ability to produce outstanding results in the examinations that exceed the world pass rate with a consecutive passing record of 9 years, thus creating the ideal place for accountants, business and financial leaders to fulfil their educational and career goals.



SUNWAY TES
sunway.edu.my/sunwaytes

Jeffrey Cheah
Foundation 
Nurturing the Seeds of Wisdom

the Jeffrey Cheah Foundation (800946-T)

ACCA CONNECT



FOR ALL ENQUIRIES,
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 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



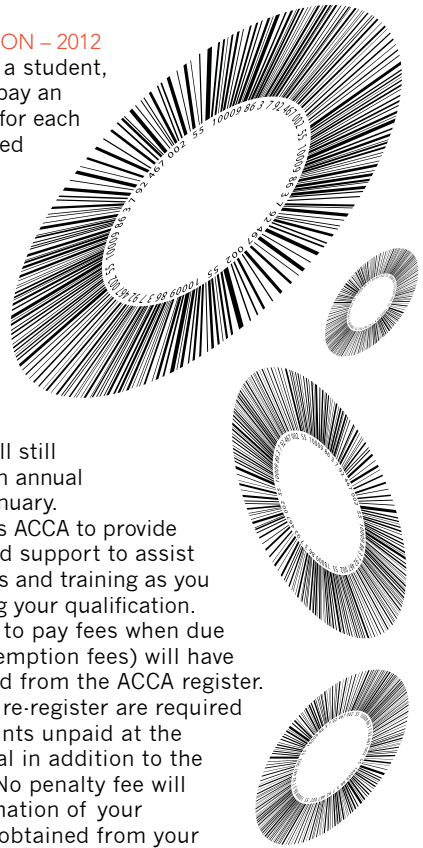
FEES

ANNUAL SUBSCRIPTION – 2012

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

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

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



The following fees and subscriptions apply:

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

EXAM FEES

Exam entry period

December 2012 exam fee (per exam)

Fundamentals level Knowledge module exams

Papers F1, F2 and F3

Early	£60
Standard	£69
Late	£200

Foundations level exams

Papers FA1 and MA1

Early	£42
Standard	£48
Late	£180

Papers FA2 and MA2

Early	£42
Standard	£45
Late	£180

Papers FAB, FMA, FFA, FTX, FAU and FFM

Early	£60
Standard	£69
Late	£200

**ARE YOUR CONTACT
DETAILS UP TO DATE?**
<https://www.acca-business.org>



DECEMBER 2012 EXAM SESSION

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

DECEMBER 2012
Week 1 3 to 7 December
Week 2 10 to 12 December

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

Tuesday 4 December
MA2 Managing Costs and Finance
FFM Foundations in Financial Management
F6 Taxation
P4 Advanced Financial Management

Wednesday 5 December

FA2 Maintaining Financial Records
F7 Financial Reporting

Thursday 6 December

MA1 Management Information
F8 Audit and Assurance
P5 Advanced Performance Management

Friday 7 December

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

Monday 10 December

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

Tuesday 11 December

FFA Financial Accounting
F3 Financial Accounting
P2 Corporate Reporting

Wednesday 12 December

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

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

EXAM TIMETABLE

KEEPING YOU INFORMED

The quickest way for us to send you important information such as changes to exam entry and exam results is by e-communication (such as email and SMS) but we need you to give us your permission – it's the law. To update your details to ensure we use your preferred method of communication, please change your consent details in your *myACCA* account.



EXAM RULES

IMPORTANT INFORMATION FOR ACCA STUDENTS INTENDING TO TAKE EXAMS AT THE DECEMBER 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 EXAM 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

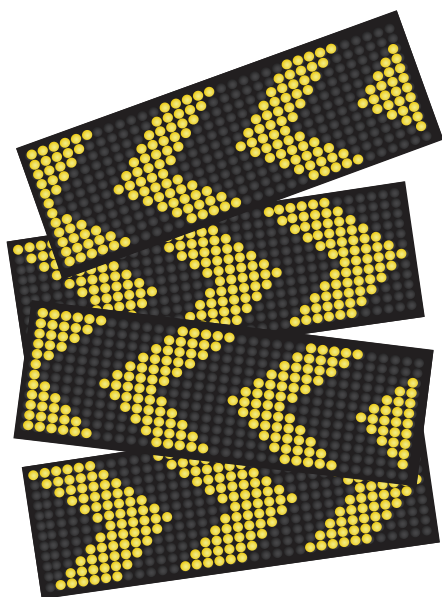
Every effort is made to ensure that you sit your exams in the best conditions. However, if you have a complaint regarding the centre operation, you should make this known to the exam supervisor in the first instance. The supervisor will do everything within their power to resolve the matter to your satisfaction 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 www.accaglobal.com/en/student/Exams/Rules-and-regulations.html for more information.

THE LATEST VERSION OF ACCA'S *RULEBOOK* IS AVAILABLE FOR READING ONLINE OR AT ACCA OFFICES. VISIT WWW.ACCAGLOBAL.COM/EN/STUDENT/EXAMS/RULES-AND-REGULATIONS.HTML 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 – December or June
- make amendments to existing exam entries – including changing exam centre, variant papers or entering for other exams.

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

Take note of the standard exam entry closing date for online and paper exam entries and the online late exam entry period for those last-minute exam entry emergencies. The dates to remember are illustrated in **Table 1** (December 2012) and **Table 2** (June 2013).

TABLE 1: 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)

TABLE 2: CLOSING DATES TO REMEMBER FOR JUNE 2013 EXAM ENTRY

8 March 2013	Early exam entry (online only)
8 April 2013	Standard exam entry (online and paper)
8 May 2013	Late exam entry (online only)

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

STUDY OPTIONS

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

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

APPROVED LEARNING PARTNERS

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

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

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

HOW TO CHOOSE A TUITION PROVIDER

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

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

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

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

You can search for a tuition provider using ACCA's Tuition Provider database (www.accaglobal.com/en/student/Learning-providers0/Search-for-a-tuition-provider.html).

ALP-C

WE ANSWER YOUR FREQUENTLY-ASKED QUESTIONS ABOUT ACCA APPROVED LEARNING PARTNERS – CONTENT

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

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

WHAT DOES ACCA MEAN BY 'CONTENT'?

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

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

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

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

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

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

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

ACCA strongly advises against using materials which are out of date. ACCA syllabuses are updated on an annual basis and, as such, so are the materials produced by ACCA's Approved Learning Partners – content. Further to this, each year ACCA issues a list of examinable documents, the cut-off date for which is 30 September (the papers most directly affected are Papers F3, F4, F6, F7, F8, P2, P6 and P7). This means that any regulation and legislation issued by 30 September could potentially be deemed an examinable document in exam sessions within the following calendar year. If you are using an old book it will not cover these new areas and you will be severely disadvantaged in the exams. Read page 54–56 for information on ACCA's examinable documents. Up-to-date materials by ACCA's Approved



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

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

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

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

Learning Partners – content will be complete, relevant and reliable for the exam sessions they cover.

AUTHENTIC STUDY RESOURCES

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

**ARE YOUR CONTACT
DETAILS UP TO DATE?**

<https://www.acca-business.org>

PRACTICAL EXPERIENCE REQUIREMENT

My Experience is ACCA's online tool for planning and recording your achievement of the practical experience requirement (PER). An improvement to the user experience, **My Experience** is a simple process to record your PER and, in turn, makes your journey to membership easier.

With **My Experience**, you can now record your PER in one simple and user-friendly online process: you log in via **myACCA** to record any relevant experience as you progress, with a graphical bar showing how long you have left until you have gained the required 36 months of experience.

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

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

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

ESSENTIALS

(ALL NINE TO BE DONE)

Professionalism, ethics and governance

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

Personal effectiveness

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

Business management

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

OPTIONS

(FOUR TO BE DONE)

Financial accounting and reporting

- 10 Prepare financial statements for external purposes

- 11 Interpret financial transactions and financial statements

Performance measurement and management accounting

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

Finance and financial management

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

Audit and assurance

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

Taxation

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

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 www.accaglobal.com/en/student/qualification-resources/bsc.html. The dates below outline the forthcoming deadlines for completing the qualifying exams and the last opportunity to submit your *Research and Analysis Project (RAP)*:

First session (1)	Final session for completing the qualifying exams (2)	Final date for submission of RAP
December 2002 June 2003	June 2012 December 2012	November 2012 May 2013

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 www.accaglobal.com/en/student/qualification-resources/bsc.html

**FIND OUT MORE ABOUT THE PRACTICAL
EXPERIENCE REQUIREMENT AT
[WWW.ACCAGLOBAL.COM/EN/STUDENT/
EXPERIENCE.HTML](http://WWW.ACCAGLOBAL.COM/EN/STUDENT/EXPERIENCE.HTML)**



EXAM DAY FAQs

WHAT HAPPENS ON THE EXAM DAY?

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

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

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

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

Please also remember to take some form of photographic ID. This will be checked during the exam together with your *Examination Attendance Docket* to verify your identity.

You should try to arrive at the exam centre about 30 minutes before the start of the exam. This will give you

time to relax and prepare yourself. You should be at your desk at the time stated on your docket.

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

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

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

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

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

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

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

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

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

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

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

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



YOU SHOULD TRY TO ARRIVE 30 MINUTES BEFORE THE EXAM STARTS

**ARE YOUR CONTACT
DETAILS UP TO DATE?**

<https://www.acca-business.org>

EXAM EXEMPTIONS

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

SHOULD I CLAIM MY EXEMPTIONS?

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

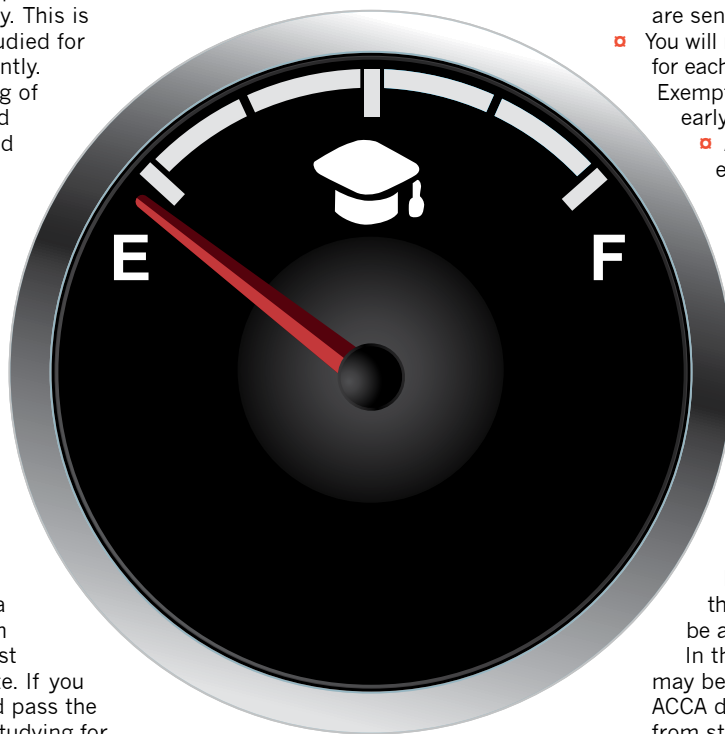
Studying for the exam will allow you to refresh your knowledge of the topic and will ensure you are sufficiently prepared for the Professional level papers, which go into topics in greater depth.

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

HOW TO CLAIM EXEMPTIONS

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

- ▣ You must send official proof of any qualifications you already have or are studying for along with your registration form so that



we can assess if you are eligible for exemptions. Please submit copies of academic transcripts or award certificates as evidence.

- ▣ Online printouts of academic transcripts are not acceptable for the purposes of claiming exemptions. Only copies of official documentation, signed and stamped by the awarding body, can be accepted.
 - ▣ Any documents not in English must be officially translated before they are sent to ACCA.
 - ▣ You will need to pay an exemption fee for each exemption you are awarded. Exemption fees are charged at the early exam entry rate.
 - ▣ ACCA can only award exemptions for qualifications from recognised institutions (those recognised by the local Ministry of Education). If your institution is not listed on the exemption enquiry database, then please ask employees at or representatives of your institution to send copies of their documents to ACCA Connect for review.
 - ▣ If ACCA has not been given the opportunity to fully assess a qualification by an awarding body, then that qualification may not be accredited.
- In this case, fewer exemptions may be available. Unfortunately, ACCA does not consider applications from students for further exemptions in these circumstances.

SELF-CHECK MODULES

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

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

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

charge which you can opt to complete to help improve your maths skills, as well as links to learning materials offered by other providers to help you improve your English skills.

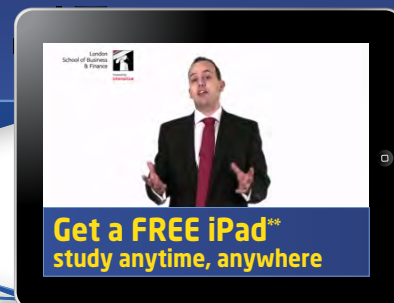
So what are you waiting for? You have nothing to lose and everything to gain and you may just amaze yourself at how well you perform. Visit ACCA's Virtual Learning Centre (studentvirtuallearn.acaglobal.com) to access the English and maths self-check modules.



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