SPECIFIC COMMENTS
QUESTION 1

Question 1 was based on a scenario of a long established shoe company which was suffering from lack of investment and competition from cheap foreign imports. The scenario presented a SWOT analysis of the business produced by a business analyst. A particular feature of the scenario was that the company was owned by a family who held a set of beliefs that stressed the social obligations of employers.

The SWOT analysis was descriptive, and so the first part of the question asked candidates to analyse the financial position of Hammond Shoes. Further strengths and weaknesses might be driven from this analysis, as well as evidence to support the business findings of the business analyst. This part question also asked candidates to evaluate the proposed investment of $37.5m in upgrading its production facilities. The emphasis of this part question was on *analysis* and *financial position*. Too many candidates reiterated textual information already given in the scenario and so wasted valuable time.

Comprehensive financial information was provided in Figure 1 of the scenario, with extracts from income and financial position statements. This figure provided sufficient information to calculate some useful financial ratios – ROCE, gross profit margin, net profit margin, gearing ratio, interest cover and trade receivable days. Most candidates recognised this and, as well as calculating appropriate ratios, provided a good textual analysis of their results. However, the quantitative analysis of the proposed investment was less well tackled. Some candidates ignored the returns given in the scenario completely, confining their analysis to the figures presented in the financial statements and trying to apply the suitability, acceptability and feasibility criteria to the proposed investment. Other candidates were aware that the analysis should be based on the cost, income and probabilities described in the scenario, but surprisingly few were able to properly calculate expected values and so gain the marks on offer. However, despite this weakness, candidates still performed reasonably well on the first part of this question.

The second part of the question asked candidates to use an appropriate framework (or frameworks) to examine the alternative strategic options that Hammond Shoes could consider to secure its future position. No specific framework was given, although the inclusion of a SWOT analysis in the case study scenario might have suggested a TOWS analysis to candidates. However, the strategy clock, Ansoff matrix and Porter's generic strategies could all be successfully applied to the case study situation. There was no need for answers to include all these frameworks as their application often suggests the same strategic option. The examiner's advice is to only use more than one framework where a further framework gives an insight or provides a suggestion that the initial framework has failed to provide. Candidates who describe three or four frameworks in such questions rarely score better than candidates who have restricted themselves to a proper analysis based on one appropriate framework. A considerable number of candidates did use appropriate frameworks in this question but often failed to apply them sufficiently to the case study scenario to gain many marks.

Unfortunately, too many candidates also tried to apply PESTEL and Porter's Five Forces to the case study scenario. Both of these frameworks are more appropriate for defining strategic position rather than strategic options, and so candidates struggled to score significant marks. In fact, their PESTEL analysis was often little more than a reiteration of information from the case study scenario and no strategic options were generated at all. This is unsurprising, as the PESTEL analysis usually precedes the SWOT and, indeed, feeds into it to define the opportunities and threats facing the organisation. As a result, many candidates wrote long answers using inappropriate frameworks that did not address the requirements of the question. Consequently, many candidates scored disappointingly on this question and this greatly affected their ability to pass the whole paper.

UNFORTUNATELY, TOO MANY CANDIDATES ALSO TRIED TO APPLY PESTEL AND PORTER'S FIVE FORCES TO THE CASE STUDY SCENARIO. BOTH OF THESE FRAMEWORKS ARE MORE APPROPRIATE FOR DEFINING STRATEGIC POSITION, RATHER THAN STRATEGIC OPTIONS

The final part of this first question asked candidates to advise the Hammond family on the importance of mission, values and objectives in defining and communicating the strategy of Hammond Shoes. This was satisfactorily answered, although a surprising number of candidates failed to answer this part question at all. Some candidates believed that values were about the value to the customer, and therefore found themselves in an inappropriate position of describing value propositions, value chains and value networks. This was surprising given the emphasis on business values in the case study.

QUESTION 2

This question concerned a company that had bought and implemented a software package to automate its production process. The package had been bought by the CEO at a trade exhibition. However, problems arose when the package was implemented, and these problems were described in the scenario. The first part of the question asked candidates to critically evaluate the decision to buy a software package, explaining why the software package approach was unlikely to succeed. The CEO had already accepted that 'using a software package to automate the production process was an inappropriate approach and that a bespoke in-house solution should have been considered'.

The focus of the first part of the question was on understanding why the software package approach was almost bound to fail in an application that was not fully understood, in an organisation with immature procurement processes and in a business environment where the production process itself provided the company with a significant competitive edge. The question asked candidates to critically evaluate the decision made by the CEO to use a software package approach to automate the production process. Unfortunately, too many candidates just read the first few words 'critically evaluate the decision' and so the focus of their answer was on the decision itself (made without consultation, made without understanding requirements), rather than on the decision to follow the software package approach as a whole. It was agreed that credit should be given for this alternative interpretation of the question, but it must be stressed


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that candidates must carefully read the whole of the question and determine what is required in the context of the scenario. As one marker commented, 'it is as if they have read the first few words of the question and then dived into an answer'.

The second part of this question was relatively straightforward, asking candidates to analyse how a formal process for software procurement, evaluation and implementation would have addressed the problems experienced in the production process project. However, as in Question 3, too much focus was on describing a process for software package procurement, as opposed to how it would address the problems experienced by the company.

QUESTION 3

This question assessed elements of project management. The scenario concerned the construction of a community centre and the project management issues that arose during its construction. The scenario also included the investment appraisal that supported the business case for funding the community centre under a private/public investment appraisal.

Part (a) asked candidates to analyse how a formal terms of reference for the project would have helped address problems encountered in the project and how it would also lead to improved project management (lessons learnt) in future projects. Most candidates were able to describe the structure and contents of a project initiation document, and many did so at length – but this was not the question requirement. Some answers contained only theory and made no reference to the scenario at all; many candidates did not score highly in this part, although they may have written a lot.

Candidates need to carefully consider their approach to such questions. It might be better to start with the problem or issue from the scenario and then to reflect on how (in this case) a project initiation document would have addressed this problem. For example, in the scenario it emerges that '80% of the timber used in the building must come from sustainable forests'. The construction company did not know this at the start of the project. It seems likely that a project initiation document that forces the definition of constraints on the project would have unearthed and documented this. It might also be recommended that these general terms of the private/public investment policy should be explicitly integrated into all future project initiation documents created by the local authority under this initiative. The focus of the answer should be on the scenario, not the theory.

Part (b) asked candidates to draft an analysis that formally categorises and critically evaluates each of the four sets of benefit defined in the original business case. This was not answered particularly well. Candidates need to ensure that they are familiar with contemporary benefits management, elements of which have been integrated into the revised section of the *Study Guide*. Benefits management is increasingly important in organisations and candidates would gain from understanding its principles and the issues it is attempting to address.

QUESTION 4

The final question concerned the value chain at a company specialising in the production of bespoke sofas and chairs. This was a popular question and many candidates scored high marks.

Part (a) asked candidates to analyse the existing value chain, using it to highlight areas of weakness. This was relatively well done, although many candidates started to suggest ways of overcoming these weaknesses, which was really the focus of the second part of the question. This meant that candidates wasted time by covering the same ground twice.

Part (b) asked for an evaluation of how technology could be used in both the upstream and downstream supply chain to address the problems uncovered in the first part of the question. Again, this was relatively well answered, although too many candidates forgot to focus their answer on technology and strayed into organisational responses (outsourcing, restructuring) which were not part of the requirement. Unlike Question 3, virtually all answers focused on the case study scenario and avoided generalities. This is to be commended.

UNLIKE QUESTION 3, VIRTUALLY ALL ANSWERS FOCUSED ON THE CASE STUDY SCENARIO AND AVOIDED GENERALITIES. THIS IS TO BE COMMENDED

PAPER P4 PASS RATE: 36%
ADVANCED FINANCIAL MANAGEMENT

The structure of the paper was similar to past papers with two compulsory questions in Section A, consisting of 60 marks in total, and three 20-mark questions in Section B, of which candidates had to answer two for the remaining 40 marks. The overall performance of the candidates was satisfactory and better than the previous sitting.

In Section A, Question 1 consisted of 35 marks and Question 2 consisted of 25 marks. Four professional marks were allocated to Question 1. Both questions required candidates to undertake computations and discussion. In Section B, Question 5 was wholly discursive, while Questions 3 and 4 consisted of a mixture of computational and discursive elements.

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

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

It is imperative that candidates learn to manage their time effectively through practising past exam questions under timed and exam style conditions. It was also evident that well-structured answers enabled candidates to manage their time more effectively. For example, Questions 1 and 2 were long and complex, and good time management supported by clear presentation and structure to the answers resulted in high marks being achieved.

Some candidates were poorly prepared for the exam in terms of their knowledge and application. This was especially evident in Questions 1(ii), 2(a), 2(b), 3(a), 3(b), 4(c) and 5(b). Candidates need to be aware that having a comprehensive grasp of the entire Paper P4 syllabus is essential. They need to know the syllabus well in order to apply knowledge from it to the question scenario. A consistent, sustained study approach supported by question practice and reading around the subject is much more likely to achieve success. It is highly unlikely that a strategy based on a last-minute intense study approach and attempting to question spot will be successful. This has been proven to be the case in every Paper P4 exam so far.

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

In summary, a number of common issues arose in candidates' answers:

- A lack of knowledge of the entire syllabus, including Section G, which requires knowledge and understanding of current issues. This can be put right for future exams through a strategy of sustained study, instead of last-minute intensive preparation and trying to spot questions and/or topic areas. A good knowledge of current issues is also essential.
- Failing to read the question requirement carefully and, therefore, providing irrelevant answers that score few, if any, marks. Question requirements and the information in the scenario need to be read with care.
- Poor time management between questions – some candidates spent far too long on some questions and this put them under time pressure to finish the remaining questions. Proper time management between questions and parts of questions is essential.
- Not learning lessons from earlier examiner's reports and, thus, making the same mistakes. Many of the same comments are made repeatedly in the examiner's reports.
- Illegible handwriting and poor layout of answers. It is very important to plan and structure answers properly. Good, clear handwriting is essential. Adopting these good practices will also enable candidates to get the majority of the professional marks available.

IT IS VERY IMPORTANT TO PLAN AND STRUCTURE ANSWERS PROPERLY. GOOD, CLEAR HANDWRITING IS ESSENTIAL. ADOPTING THESE GOOD PRACTICES WILL ALSO ENABLE CANDIDATES TO GET THE MAJORITY OF THE PROFESSIONAL MARKS AVAILABLE

SPECIFIC COMMENTS

QUESTION 1

Question 1 required candidates to provide a value per share of an unlisted company (Part (i)); estimate the gains to the target unlisted company's equity holders and the predator company's equity holders based on synergies, a modified PE ratio and different payment methods (Part (ii)); and work out the value of a follow-on real option (Part (iii)). The discussion part required candidates to discuss the values and gains with and without the project to both sets of equity holders, and the assumptions made (Part (iv)). This question contained four professional marks available for well-structured answers presented in a report format.

Generally, this question was done adequately. Many candidates made good attempts at all the parts and, apart from Part (ii), gained reasonable marks. The presentation of the answers was varied, with some answers given in report style, but many candidates answering the question without paying due attention to what a report should contain. Answers that gave a report title, but then did not structure the answer appropriately, gained few professional marks.

Part (i) was generally done adequately. A significant number of candidates calculated the growth rate, although some misread the question, and read the growth rate information as: 'by 25%' instead of 'to 25%'. In a number of responses, when calculating the free cash flow to firm, errors were made such as including interest and when calculating the tax impact. Many candidates did not deduct the debt value from the free cash flow to get to the value per share. Some candidates did not divide the total value by the number of shares to get a share price.

A significant number of candidates found difficulty with Part (ii) and, especially, with obtaining a value for the combined company based on combined company earnings, which included synergies and a modified PE ratio. This is a fairly standard method of obtaining the value of the combined company, and it was expected that most candidates should have been able to do these computations at Paper P4 level.

Although a few numerical errors were made, which gave an incorrect answer for the option, in most cases high marks were achieved for Part (iii).

Responses to Part (iv) were mixed. Some good answers covered all the requirements and scored the majority of the marks, even if the discussion centred on incorrect numerical answers. However, not all candidates considered the impact on both companies' equity holders. Many responses only considered the impact on Nente Co's equity holders and/or did not consider the impact of the option. Fewer marks were given to these responses.

QUESTION 2

Question 2, Part (a), revolved around the impact of changes in financing of a company and how the impact of changing financial structure affected the financial position, earnings per share and the gearing of the company. Answers to this part tended to be varied. Candidates who presented the changed financial position and calculated the changes in earnings for each proposal, which were then incorporated into the calculations of EPS and gearing, gained the majority of marks. However, overall, this part of the question was not done well.

Many responses tended to discuss or try to explain the changes and, therefore, gained fewer marks. Many responses did not consider the impact on interest of increased or reduced debt financing and, therefore, did not incorporate the impact into the profit after tax and the financial position. In a notable minority of responses, candidates did not calculate the EPS and gearing correctly. Such responses gained few marks.

Question 2, Part (b), tested what securitisation was and the key barriers to Ennea Co undertaking the process. This part was done poorly by most candidates. Few responses gave an adequate explanation of the securitisation process, often confusing it with what leasing was and/or assuming securitisation meant providing asset security or collateral for a loan. Very few responses considered the barriers to Ennea Co in any detail. It was evident that many candidates adopt a revision strategy where they try to spot questions or topics which would be asked in an

QUESTION 3 WAS BY FAR THE LEAST POPULAR AND THE LESS WELL ANSWERED OF THE OPTION QUESTIONS

exam, and considered securitisation as a relatively minor topic that was unlikely to be examined. Candidates should avoid such a strategy, as any part of the *Syllabus* and *Study Guide* can be examined. Question 2, Part (b), was not a difficult question, and knowledge of securitisation, and the ability to apply that knowledge to the question, would have gained the majority of the marks.

QUESTION 3

Question 3 was by far the least popular and the less well answered of the option questions. Part (a) required the candidates to calculate the variable amounts received and the fixed amounts paid by Sembilan Co to Ratus Bank based on forward rates. A number of candidates incorrectly included the 60 basis points, which is part of the original loan contract but would not be part of the swap; and some answers used the spot rates instead of the forward rates. It is surprising that the responses contained basic errors following the recent publication of a technical article in *Student Accountant* on how a swap contract can be valued based on forward rates and a fixed rate. Few candidates could explain why the fixed rate was lower than the four-year spot rate.

In Part (b), many responses gave explanations, rather than a demonstration, that the payment liability did not change. Many of the explanations lacked adequate detail. The requirement 'demonstrate' means that the candidates should show, by examples or otherwise, that the payment does not change whether interest rates increase or decrease. Few managed to do this with any clarity.

Part (c) was generally done well, with many candidates achieving high marks for the discussion, making a variety of theoretical and practical points.

QUESTION 4

This question was the most popular of the option questions. In Part (a), the question required candidates to determine an appropriate cost of capital for two projects in a new industry. Most candidates made a reasonably good attempt at determining the cost of capital, although few candidates were able to calculate the asset beta of other activities and, therefore, the component asset beta. A small number of candidates used an average of equity and debt weightings, and where this was done correctly, appropriate credit was given. Many responses did not give reasons for the approach taken and, thereby, did not achieve some relatively easy marks.

Part (b) required the candidates to compute the internal rate of return (IRR) and modified internal rate of return (MIRR) of one project and compare these with the given figures for another project, in order to recommend which project to select. Most candidates did this part well, and even where both IRR and MIRR gave the same answer due to earlier errors, reasonable explanations were given. However, a significant minority of responses did not calculate IRR correctly and/or gave incorrect explanations, which would not be expected at Paper P4 level.

Few responses calculated the annual and five-year value-at-risk figures in Part (c), and very few provided explanations of the values obtained. Like Question 2, Part (b), it seems that candidates are not studying parts of the syllabus that they consider to be relatively small parts and unlikely to be tested. As stated above, given that questions will cover a range of areas within the entire syllabus, adopting such a strategy is not recommended.

QUESTION 5

This question was also a popular choice from the option questions. Part (a) of the question, which asked candidates to discuss the key risks and issues of setting up an international subsidiary, was done well and many candidates gained high marks for this part. However, answers scored relatively fewer marks for the mitigation of the risks and issues. Nevertheless, generally high marks were achieved in Part (a).

On the other hand, few responses were able to provide adequate responses to Part (b). The first requirement of Part (b) asking for an explanation of dark pool trading systems was relatively easy and, again, similar to Question 2, Part (b) and Question 4, Part (c), it seems that candidates are not studying parts of the syllabus that they consider to be relatively minor and at the fringes of the syllabus. As stated above, given that questions will cover a range of areas within the entire syllabus, such a strategy is not recommended. Very few responses correctly identified how dark pool systems may affect Kilenc Co.

PAPER P5 PASS RATE: 35%
ADVANCED PERFORMANCE MANAGEMENT

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

The exam paper comprised two sections, A and B. Section A consisted of two compulsory questions for 66 marks in total. Section B consisted of three optional questions for 17 marks each from which candidates were required to answer two questions. (The slight change in weighting in marks in Sections A and B in the June 2012 sitting reflected the questions written and the time required for their answers.) This is in line with the broad plan for the allocation of marks on this paper and there is no absolute rule that there will be 60 marks in Section A and 40 in Section B.

GENERAL COMMENTS

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

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

The overall quality of the numerical working and the commentary on the results remains an area of concern.

The ability to accurately calculate performance measures and then cogently discuss the results in a way that a business will find useful is lacking in many candidates. This is a basic skill and it is very disappointing that candidates have reached this level without grasping this. A simple illustration of this point on accurate calculation and presentation of numerical information is the sloppy approach taken to rounding numbers, and if a candidate is preparing a table of data then all the rounding should be consistent – either to a certain number of significant figures or decimal places. The accountant is often expected to be the expert on numerical issues in a business situation and this sort of obvious carelessness dents that reputation. On commenting on numerical work, there were numerous examples of scripts that limited themselves to basically putting into sentences the numbers calculated – for example, 'Amal has a higher profit margin than either Kayland or Cheapo'. This is inadequate and gained no credit. This has been commented on in many previous reports and, disappointingly, there has been no significant improvement over recent sittings of Paper P5 in this aspect of candidates' performance.

In advising those who will review this paper in the future, I must give some well-worn suggestions. First, some candidates are not spending sufficient time on reading the question and understanding its requirements. I wrote an article on this point that has appeared on the ACCA website but the lessons still do not appear to have been learned. For example, markers frequently commented on answers to Question 1(i) which, instead of reviewing the performance report of the company, reviewed the performance of the company in the scenario.

Second, there was evidence that the syllabus is being only partially studied. I am afraid that I can offer no words of encouragement to those candidates who insist on playing this risky game with their exams. There was evidence on Question 2(b) on the performance prism, Question 3(a) on six sigma and Question 4 on benchmarking that these areas had been only superficially covered by candidates in their studies.

Finally, in the style of presentation of answers, candidates should avoid the unexplained use of jargon. It is possibly due to the candidates' lack of confidence in applying their knowledge that there is a tendency to simply put down lists of jargon phrases and hope for marks. As in previous sittings, better presented answers that demonstrate neat layout, logical structure and a readable style offer an easier opportunity for markers to understand, and so credit the points being made. This is something that will always remain an important point for candidates preparing for Paper P5.

SPECIFIC COMMENTS
SECTION A
QUESTION 1

The question concerned the performance reporting and management at a restaurant. This question strikes at the core of the skills of a strategic performance adviser – assessing and improving existing performance reporting, calculating and evaluating the use of certain performance measures and considering how measurement and reporting impact on management. The question was generally poorly done with many candidates lacking the analytical and critical skills needed to produce a good answer.

Part (i) required candidates to assess and suggest improvements to the existing (poor) board report in terms of its content and presentation. Generally, this part was done well as candidates used the report given to make specific criticisms and suggestions for improvements of format and content in a straightforward and practical way. However, as in previous sittings, a number of candidates chose to answer a different question ('critically assess the performance of Metis') and, sadly, this scored few marks.

Part (ii) required candidates to calculate and evaluate the use of NPV, MIRR, EVA™ and other profit-based performance measures. Candidates' performance in this part was disappointing with many simple marks for NPV and EVA™ calculations going begging. This probably demonstrated a lack of question practice in preparation for the exam. The MIRR calculation was simple but a little more obscure – those who assumed that the cost of capital (12.5%) applied to both the return and investment phases gained some credit but could not score full marks as the question made clear the different rate for the return phase. The work on more standard profit-based measures was generally done well.

Part (iii) required candidates to consider the impact of performance measurement on activity within the organisation. It was clear that many candidates had not considered this issue, which is a central problem for managers of performance. There were several examples of these issues given specifically within the scenario for candidates to use as illustrations. Many candidates chose to simply repeat their points from Part (i), which was insufficient to address their use in illustrating the quote in the question requirement. However, it was pleasing to see some good effort being made to try to reason through to the answer using the scenario information.

Finally, there were four marks for the professionalism demonstrated in the style, structure and clarity of the report requested. Candidates showed good ability in this area, which is generally gained through practising writing answers during revision.

QUESTION 2

The question concerned an airline (Amal) and began by describing the company and the business issues that it faced, and then gave details of its competitors. Overall, the question was reasonably attempted with those who attended to the issues facing Amal (need for cost cutting, problems with the workforce, redesign of the website, investment in better aircraft) scoring well.

Part (a) required candidates to use the data provided to select appropriate performance indicators and analyse the three airlines. The quality of answers to this part was mixed. Some candidates scored highly by selecting appropriate indicators for Amal (focusing on its problems: profits, fuel costs) and the key drivers of such an industry (for example, utilisation of seats). They then provided a commentary that

THERE WAS EVIDENCE THAT THE SYLLABUS IS BEING ONLY PARTIALLY STUDIED. I AM AFRAID THAT I CAN OFFER NO WORDS OF ENCOURAGEMENT TO THOSE CANDIDATES WHO INSIST ON PLAYING THIS RISKY GAME WITH THEIR EXAMS showed how the indicators linked to the strategies of the three companies and also the issues mentioned. Poor answers simply created measures by apparently going down the list of data given in the question creating random ratios. These were then often followed by comments that lacked any further commercial value such as 'Amal's operating margin is higher than the other companies'. Good answers used their numerical work as an opportunity to show that they had understood the scenario by commenting further – for example, 'this is not surprising as Amal is a "premium" airline'.

Part (b) required candidates to apply the performance prism to Amal and suggest improvements in performance, performance management and performance measures. This part was either done well or badly depending on whether the candidate knew the performance prism. Most candidates knew the model and were successful in applying it to the scenario, so they scored highly.

SECTION B
QUESTION 3

The question concerned a mobile telephone network provider (Thebe) that was planning a six sigma, quality improvement programme centred on improved customer billing. This question was fairly popular. Candidates who knew what the acronym DMAIC stands for realised that they could at least score well in Part (b).

Part (a) required candidates to discuss the general ways in which six sigma could help to improve quality at Thebe. This was poorly answered, with much evidence of candidates trying to use DMAIC as a template for an answer when the question was asking about the six sigma method (in general) and not a specific implementation method. This was possibly caused by not reading the whole question before starting to answer Part (a). Nevertheless, it was possible to score some marks with this approach, although the themes of Pande and Holpp were more relevant and those who used these scored close to full marks in this part.

Part (b) required candidates to illustrate how a specific method of implementing six sigma (DMAIC) could be applied at Thebe. This part was usually done very well by the candidates who attempted it. Many candidates scored full marks by describing each of the steps and then illustrating the step with a relevant comment for Thebe.

QUESTION 4

The question concerned a university (Ganymede) that was in the process of undertaking a benchmarking exercise with two other universities in its country. This was easily the most popular question in Section B. Overall, answers were disappointing to what ought to be a straightforward question in a Paper P5 exam.

Part (a) required candidates to assess the progress of the benchmarking exercise. This required knowledge of the steps involved in such an exercise and an ability to see what had and had not been completed in the scenario example. Answers were generally unstructured, with those that laid out a set of steps in the benchmarking process scoring best. Nevertheless, a general understanding of the method was present but this had to be combined with suitable comments about Ganymede's current progress in order to gain a pass mark.

Part (b) required candidates to evaluate Ganymede's benchmarked position. This should have been a straightforward analysis of the data table given. However, as mentioned earlier, candidates displayed a disappointing lack of judgment over what constitutes useful advice in this scenario and failed to use the indicated drivers in order to calculate suitable relative measures. Also, as in Question 2(a), the commentary was often restricted to the unnecessary writing out in a sentence the output of the table – for example, 'GU has the highest research contract value', with no value-adding (and mark scoring) comments attached.

QUESTION 5

The question concerned an e-tailer (Callisto) with a complex business structure. This was the least popular question in Section B, probably as it did not follow some pre-ordained method. However, those candidates who used the information in the scenario to good effect were usually able to gather the marks to pass.

There was only one requirement for the question on the difficulties of performance management and measurement in such a complex business as Callisto. Candidates were correct to split this into areas, such as the general impact of such a complex structure on the business as a whole and then the impact on employee management and strategic partner management. The key to scoring well was making relevant points for Callisto – the difficulties of measuring and managing home-working employees and strategic outsourcing partners.

PAPER P6 PASS RATE: 42%
ADVANCED TAXATION (UK)

The performance in the June 2012 exam was an improvement on that in December 2011, but not as strong as in previous sittings. There were many good, concise scripts with some candidates demonstrating a strong, broad knowledge of the syllabus. The majority of candidates attempted virtually all of the parts of four questions.

Although there were, as always, various areas of technical weakness, the most significant issues related to poor exam technique as set out below.

GENERAL COMMENTS

The exam was divided into Section A and Section B. Section A consisted of two compulsory questions for a total of 64 marks. In Section B, candidates were required to answer two of the three questions worth 18 marks each. In Section B, Question 4 was the most popular and Questions 3 and 5 were equally popular.

Candidates' performance in this exam illustrated three common failings as regards exam technique. These failings are referred to in detail below in respect of each question, but it is useful to summarise them here.

First, candidates must read the questions carefully and identify all of the relevant information. For example:

Question 1	The importance of the Double Tax Agreement information.
Question 2	The acquisition of the subsidiaries part-way through the accounting period.
Question 5	The short accounting period and Mr Quinn's ownership of other companies.

Second, candidates must address all aspects of the question. This means that candidates must be methodical in their approach. They must think about how they intend to satisfy the requirements and identify the precise tasks involved. For example:

Question 1(a)	Candidates needed to consider the inheritance tax and capital gains tax

	implications of both a lifetime gift and a gift via a will in respect of both potential gifts.
Question 2(cii)	Candidates needed to consider the possibility of the shares being sold at a profit and at a loss, with the substantial shareholding exemption either applying or not applying in both situations.
Question 3(b)	Candidates needed to consider the cost to Jerome and to Tricycle Ltd of each of the two alternatives.

Third, candidates must avoid wasting time on matters that are not part of the requirement or on providing too much detail. The amount of detail provided in a written answer should reflect the number of marks on offer and, therefore, the number of minutes available. The first marks in any question are likely to be easier to earn than later marks – ie candidates will find it easier to increase their mark in a 10-mark question from zero to four marks as opposed to from four marks to eight marks. Therefore, they must attempt all parts of all four questions and give each part the appropriate amount of time. In particular, many candidates provided too much narrative in their answers to the following questions:

Question 1	The basic mechanics of inheritance tax and capital gains tax.
Question 2	The basics of corporate losses and the mechanics of the capital goods scheme.
Question 4	The conditions and rules relating to venture capital trusts and pension contributions.
Question 5	The conditions and rules relating to scientific research and capital allowances.

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

1. Know your stuff

- Successful candidates are able to demonstrate sufficient, precise knowledge of the UK tax system. For example, it was clear from answers to Question 1 that some candidates did not know the conditions regarding the availability of reliefs for the purposes of capital gains tax. Similarly, in Question 2, some candidates did not know the definitions of a group for the purposes of group relief and chargeable gains.
- This knowledge must be up to date. Candidates sitting the exam in December must familiarise themselves with the changes introduced by the recent Finance Acts as summarised in the Finance Act articles published in *Student Accountant* magazine and on the ACCA website.

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

3. Address the requirement

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

4. Don't provide general explanations or long introductions

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

5. Think before you start and manage your time

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

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

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

MARKS AVAILABLE IN RESPECT OF PROFESSIONAL SKILLS

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

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

SPECIFIC COMMENTS QUESTION 1

Question 1 was in two parts. Part (a) required candidates to prepare

ON THE WHOLE, THE PERFORMANCE OF CANDIDATES IN THIS AREA WAS GOOD, WITH THE MAJORITY OF CANDIDATES PRODUCING CORRECTLY FORMATTED DOCUMENTS IN A STYLE THAT WAS EASY TO FOLLOW

a memorandum with supporting calculations in relation to two proposed gifts of high value assets. Part (b) required candidates to write a letter addressing the implications of the non-declaration of taxable income.

Part (a) concerned a proposed gift by Una to her son of either some farmland situated in the UK or a villa situated overseas. Candidates were required to prepare calculations of the inheritance tax and capital gains tax payable in respect of each of the possible gifts, explanations, particularly in relation to the availability of reliefs and a concise summary of the calculations.

This question was answered reasonably well. In particular, only a minority of candidates confused the rules of inheritance tax and capital gains tax. Also, many candidates demonstrated strong technical knowledge of the mechanics of inheritance tax and agricultural property relief. Now that inheritance tax has been part of Paper F6 for a while, candidates sitting Paper P6 can expect to see more questions in this style – ie questions that work at the margin rather than requiring complete tax computations.

The one common error in relation to inheritance tax was a failure to realise that the earlier cash gift had no effect on the nil band in respect of the later gift as it was made more than seven years prior to death. Other, less common, errors included deducting taper relief from the value transferred rather than from the inheritance tax liability and deducting the annual exemptions from the death estate.

The capital gains tax elements of the question were not handled as well as inheritance tax. Many candidates did not know the conditions relating to the availability of capital gains tax reliefs and simply assumed, incorrectly, that gift relief would be available. A substantial minority also forgot the fundamental point that there is no capital gains tax on death and calculated liabilities in respect of both lifetime gifts and gifts via Una's will.

However, the main problems experienced by candidates related to exam technique. There were three particular problems: failing to sufficiently read the question carefully, failing to address all of the requirements and running over time.

When reading the question, many candidates failed to identify the relevance of the exemption clause in the Double Taxation Agreement. The effect of the clause was to exempt the overseas villa from UK inheritance tax. This meant that, when dealing with the villa, candidates needed only to consider the tax suffered overseas. Those candidates who failed to appreciate this did not lose many marks but wasted time calculating UK inheritance tax on the villa.

THE MAIN PROBLEMS EXPERIENCED BY CANDIDATES RELATED TO EXAM TECHNIQUE. THERE WERE THREE PARTICULAR PROBLEMS: FAILING TO SUFFICIENTLY READ THE QUESTION CAREFULLY, FAILING TO ADDRESS ALL OF THE REQUIREMENTS AND RUNNING OVER TIME

The question required calculations of the 'possible reduction in the inheritance tax payable as a result of Una's death' in respect of each of the possible lifetime gifts. This required candidates to compare the tax arising on a lifetime gift with that arising if the asset passed via Una's will for both of the assets. There was then the need to consider the capital gains tax on the lifetime gift while remembering that there would be no capital gains tax if the assets were retained until death. Finally, candidates were asked to provide a concise summary of their calculations 'in order to assist Una in making her decision'.

The problem was that many candidates were not sufficiently methodical, such that they did not carry out all of the necessary tasks and missed out on easy marks. In particular, many candidates did not provide the final summary.

The final problem in relation to exam technique related to time management: it was evident that some candidates did not have a sufficient sense of urgency when answering this question. This resulted in lengthy explanations of how inheritance tax and, to a lesser extent, capital gains tax is calculated together with details of Una's plans.

The question asked for 'explanations where the calculations are not self-explanatory, particularly in relation to the availability of reliefs'. Candidates need to think carefully before providing narrative as writing is very time consuming. They should identify, in advance, the points they are planning to make and should then make each point in as concise a manner as possible. There is likely to be a mark for each relevant point, so each one should take no more than two short sentences.

Part (b) required a letter in relation to the non-declaration of income and was done reasonably well. There were two elements to a good answer: the penalties that could be levied on the taxpayer and the professional issues relating to the firm of accountants. The two elements were indicated clearly in the question, which stated that 'the letter should explain the implications for Una and our firm'. Those candidates who failed to address both elements struggled to do well.

QUESTION 2

Question 2 concerned the Janus plc group of companies and was in four main parts. It required candidates to have a broad knowledge of corporation tax and VAT, together with the ability to move from one technical area to another briskly. The first part of the question concerned losses and was done well. Performance in the remaining parts varied considerably from candidate to candidate.

Part (a) concerned the relief available in respect of a trading loss made by Janus plc, a group holding company. Candidates needed to consider the reliefs available in Janus plc itself, group companies and a consortium company. The group companies were acquired part way through the loss-making period.

The majority of candidates identified most of the relevant information in the question and knew how to relieve the loss in order to maximise the tax saving. Only a minority of candidates identified that there were only four associated companies in the period prior to the loss.

Some candidates spent too long on this question and provided very detailed explanations of group relief and consortium relief; the amount of detail provided must relate to the number of marks on offer. Also, there was a tendency to repeat things. For example, stating that Janus plc is in a loss group with Seb Ltd and Viola Ltd followed by a statement that it was not in a loss group with Castor Ltd. Candidates should identify the points they intend to make and then make them as concisely as possible. They will find this more efficient than making it up as they go along.

Part (b) was in three parts.

Part (bi) required an explanation of how the chargeable gain on the disposal of a building would be calculated. Those candidates who had prepared well for the exam, slowed down, thought more and wrote less did well.

This question demanded a clear understanding of the conditions necessary for a chargeable gains group to exist. Unfortunately, many candidates thought that Janus plc and Pollux Ltd were members of a chargeable gains group; this was not the case because Janus plc does not own at least 75% of Castor Ltd. Other candidates failed to notice that Castor Ltd and Pollux Ltd were members of such a group.

The other technical problem that candidates had with this question was that many thought it included a degrouping charge. However, a degrouping charge can only occur when a company leaves a chargeable gains group – ie there needs to be a sale of shares, and this question involved the sale of a building. Accordingly, time spent writing about degrouping charges was wasted.

Part (bii) required candidates to apply the capital goods scheme to the purchase, use and subsequent sale of a building. This was done well by those candidates who both knew what to do and had practised applying the rules prior to the exam. Weaker candidates had a vague, confused knowledge of the rules or simply tried to describe them as opposed to apply them to the specific circumstances of the question. Very few candidates knew how to handle the adjustment following the sale of the building.

Part (biii) concerned the sale of an intangible asset and was done reasonably well by the majority of candidates.

Part (c) was in two parts.

Part (ci) concerned the purchase of services from overseas to which the reverse charge applied. It was not answered particularly well; very few candidates had a clear understanding of the VAT treatment of the transaction.

Part (cii) concerned the sale of shares in a company and was answered well. It required candidates to recognise that the substantial shareholding exemption might apply to the sale, provided the conditions were satisfied. This question illustrated the need for candidates to be methodical as, if maximum marks were to be obtained, candidates needed to consider four situations: sale at a profit and sale at a loss with the substantial shareholding exemption either applying or not applying in each case.

Part (d) concerned the responsibilities of a senior accounting officer. Only a minority of candidates knew the rules, but those who did answered the question well.

QUESTION 3

This question concerned the VAT implications of the sale of a business by Jerome to Tricycle Ltd, the total tax cost of leasing a car and the payment of travel expenses in respect of the family of an employee working overseas. It was in three parts.

Part (a) required an explanation of the VAT implications of the sale of a business to a company. Candidates first needed to recognise that the sale was a transfer of a business as a going concern, such that VAT should not be charged. This was done well, with the majority of candidates listing the conditions that needed to be satisfied.

Candidates were then expected to realise that the building being sold was a commercial building that was less than three years old. Accordingly, VAT would need to be charged in respect of the building unless the purchaser made an election to tax the building at the time of purchase. Very few candidates identified this point.

Part (b) required calculations of the total tax cost for Tricycle Ltd and Jerome in relation to the lease of car. The car would be leased by Jerome, an employee of the company, or by Tricycle Ltd. This was a practical problem that was not particularly technically difficult but required care and thought in order to score well. It was not done as well as it should have been.

The point here was that Jerome owned Tricycle Ltd, such that he was interested in the total tax cost to himself and the company in respect of each of the two options. Candidates needed to recognise that there were tax implications for both the employer, Tricycle Ltd, and the employee, Jerome, in each situation. For example, if Jerome leased the car, the payment of 50 pence per business mile was tax deductible for the company but resulted in taxable income for Jerome. There was also the need to consider National Insurance contributions, as well as income tax and corporation tax.

The main problem for candidates was a lack of exam technique. In particular, weaker candidates did not spend sufficient time thinking about the different tax implications for both parties in each situation but focused on Jerome when he leased the car and on Tricycle Ltd when it leased the car.

There was also considerable confusion as to what represented a 'tax cost'. A tax cost (or saving) was either income/expenditure at an appropriate tax rate or a direct tax cost due to the arrangement – for example, Class 1A National Insurance contributions. Many candidates did not multiply income/expenditure by tax rates or simply got lost in the distinction between what is taxable and what is allowable for tax purposes. This led to various errors, including indicating that the benefit in respect of the car was an allowable expense for the company or that the leasing costs paid by Jerome were deductible from taxable income.

The final part of the question concerned the payment of travel expenses in respect of a family of an employee working overseas. This was a minor part of the question for two marks. It rewarded those (few) candidates who had acquired a knowledge of the less frequently examined areas of the syllabus.

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

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

The question asked for the tax implications 'for the employees' as

A DEGROUPING CHARGE CAN ONLY OCCUR WHEN A COMPANY LEAVES A CHARGEABLE GAINS GROUP – IE THERE NEEDS TO BE A SALE OF SHARES, AND QUESTION 2 INVOLVED THE SALE OF A BUILDING opposed to the tax implications generally. Accordingly, it was necessary to consider the National Insurance issues for the employees (but not the employer) and there was no need to address the ability of the employer to obtain tax relief for the costs incurred.

QUESTION 4

This question concerned an individual, Tetra, who had been made redundant and then joined a partnership. It required knowledge of the tax treatment of redundancy payments, opening year rules for the unincorporated business, venture capital trusts and pension contributions.

The first part concerned the tax treatment of statutory redundancy, compensation for loss of office and a payment for agreeing not to work for a competitor. It was a test of knowledge and was done well by the majority of candidates, with many scoring full marks. The only problem that some candidates had was a tendency to write too much. There were only three marks available, so only three points were required. Some candidates wrote significantly more than this and used time that they should have been using elsewhere.

Part (b) required candidates to calculate the Class 4 National Insurance contributions in respect of a partner's first year of trading. It required knowledge of the opening year rules, the allocation of profits between partners and the calculation of National Insurance. It was done well. Common errors included the treatment of the partner's salary as employment income rather than trading income and the failure to adjust the profit for the partners' salaries before splitting the remainder between the partners.

The final part of the question concerned the tax implications of investing in a venture capital trust and of making pension contributions; it was not done as well as expected. Candidates were required to 'compare the effect of the two alternative investments on Tetra's income tax liability'. This meant that calculations were required. However, many candidates simply treated the question as being about venture capital trusts and pension contributions, and explained all the rules they could remember that related to these two areas of the syllabus. Marks are only awarded in the exam for relevant points that address the requirements and much time was wasted here that could have been spent earning marks.

There were, however, many knowledgeable answers to this part of the question. Many candidates successfully identified the effect of making pension contributions on Tetra's personal allowance situation. In addition, the majority of candidates were able to explain the effect on the basic rate band of making pension contributions and the tax relief available in respect of the investment in a venture capital trust.

QUESTION 5

Question 5 concerned two unrelated companies, Sank Ltd and Kurt Ltd. The question required knowledge of corporation tax payments, enquiries into corporation tax returns, capital allowances and scientific research. The question was in two main parts.

Part (a) concerned the payment of corporation tax by Sank Ltd and enquiries. The payment of corporation tax appeared to be fairly straightforward, but care was needed if sufficient marks were to be earned. It was not enough to state that the company would pay corporation tax quarterly because it was paying tax at the main rate. Candidates needed to explain how they knew the rate of tax the company was paying (ie by reference to its profits and the number of associates). There was also a need to point out that the company paid tax at the main rate in the previous accounting period.

Weaker candidates calculated the company's tax liability while ignoring the associated companies, thus wasting a lot of time. Such candidates would have benefited from slowing down, reading the question carefully and thinking before they began their answers.

The majority of candidates did not realise that interest would be charged on any quarterly payment that was less than a quarter of the company's final tax liability of the period. Weaker candidates confused quarterly accounting with the payments of income tax by individuals and thought that the payments were paid on account by reference to the liability for the previous year.

Part (aii) related to enquiries into a corporation tax return. It required candidates to explain the validity of the compliance check enquiry 'in relation to the date on which (it)... was raised'. Many candidates simply wrote about compliance check enquiries generally, such that this part of the question was not answered well.

Part (b) related to capital allowances and scientific research. Most candidates produced reasonable answers but many would have done better if they had simply read the question more carefully and identified the relevance of all of the information and slowed down. In particular, many candidates wrote about the basic rules at some length rather than thinking about the particular situation of the question.

The owner of the company concerned owned three other companies. This information was intended to elicit a discussion of the need to split the annual investment allowance between the companies. However, many candidates wrote instead about the unavailability of group relief. The question also pointed out that the relevant accounting period was only eight months. This meant that the annual investment allowance and the writing down allowance needed to be multiplied by 8/12. However, this point was missed by many candidates.

A significant number of candidates were of the opinion that, because the company was loss-making, it should not claim all of its capital allowances. It should be remembered that, where the annual investment allowance is concerned, failing to claim allowances in full will considerably slow down the time it takes for a tax deduction to be obtained for the cost incurred as, in the future, there will only be a 20% writing down allowance on a reducing balance basis. Accordingly, there needs to be a strong reason not to claim allowances in full. Such a reason might include the situation where there are insufficient profits in the group to relieve a company's losses in the current year, and any losses carried forward are likely to be locked inside the company for a considerable period of time. In such a situation, it may be worthwhile claiming reduced capital allowances in the current year in order to have increased capital allowances in future years that can then be group relieved.

The tax treatment of the expenditure on scientific research was explained well by the majority of candidates, many of whom were aware that there was a possibility of claiming a 12.5% repayment. However, very few candidates attempted to evaluate whether or not the repayment should be claimed.

PAPER P7 PASS RATE: 32%
ADVANCED AUDIT AND ASSURANCE

Candidates' overall performance in this paper was similar to previous sittings. The paper was, as usual, quite practical, including the planning of audit and non-audit engagements, as well as typical requirements involving ethical issues, audit evidence and audit reports.

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

Each optional 15-mark question in Section B included several requirements based on short scenarios. Of the Section B questions, Question 4 based on ethical dilemmas was the most popular, and roughly the same proportion of candidates chose to attempt Question 3 and Question 5. The vast majority of candidates attempted all five questions.

Similar factors as detailed in previous examiner's reports continue to contribute to the unsatisfactory pass rate, such as:
- failing to answer the actual question requirements
- discussing too few points
- identifying points but failing to expand on them
- lack of knowledge on certain syllabus areas
- illegible handwriting and inadequate presentation.

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

SPECIFIC COMMENTS
QUESTION 1

This 37-mark question was based on the planning of a group audit when there had been a change in the group structure during the year. A wholly-owned subsidiary had been acquired, and candidates were given descriptions of some significant transactions and events, as well as limited financial information.

It was obvious that the majority of candidates were familiar with this part of the syllabus. Candidates also seem comfortable with the style of the question and with the amount of information that had been given in the scenario.

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

Part (ai) for eight marks asked candidates to identify and explain the implications of the acquisition of the new subsidiary for the audit planning of the individual and consolidated financial statements. Most answers to this requirement identified the main planning implications, such as the determination of component and group materiality levels, the audit firm's need to obtain business understanding and assess the control environment in relation to the new subsidiary, and practical aspects such as the timings and resources needed for the group audit. Weaker answers to this requirement tended to just list out financial reporting matters – for example, that in the group financial statements related party transactions would have to be disclosed, and inter-company balances eliminated, but failed to link these points sufficiently well to audit planning implications.

The next part of the question dealt with risk assessment, requiring in Part (aii) that candidates evaluate the risk of material misstatement to be considered in planning the individual and consolidated financial statements. This was for 18 marks. The majority of answers focused on the correct type of risk (ie inherent and control risks), though some did discuss detection risks, which are irrelevant when evaluating the risk of material misstatement. Answers to Part (aii) tended to cover a wide range of points but very often did not discuss the points in much depth. For example, almost all candidates identified that accounting for goodwill can be complex, leading to risk of misstatement, but few candidates explained the specific issues that give rise to risk. Similarly, most identified that the grant that had been received by one of the subsidiaries posed risk to the auditor, but most answers just suggested (often incorrectly) an accounting treatment and said little or nothing about the specific risk of misstatement. Many answers also went into a lot of detail about how particular balances and transactions should be audited, recommending procedures to be performed by the auditor, which was not asked for. Weaker answers simply stated an issue – for example, that a grant had been received, and said the risk was that it would not be accounted for properly. Clearly, this is not really an evaluation, as required, and led to minimal marks being awarded.

It was pleasing to see many candidates determining the materiality of the transactions and balances to the individual company concerned and to the group. However, candidates are reminded that materiality should be calculated in an appropriate manner. For example, the materiality of an asset or liability should usually be based on total assets and not on revenue.

Candidates' understanding of the relevant financial reporting issues varied greatly. Most understood the basics of accounting for grants received, the revenue recognition issues caused by online sales, and that contingent consideration should be discounted to present value. However, knowledge on accounting for loan stock that had been issued by the parent company was inadequate, and few candidates properly discussed how the probability of paying the contingent consideration would affect its measurement at the reporting date.

Candidates attempting the UK and IRL adapted papers are reminded that the syllabus is based on IFRS. References to, and discussions of, accounting treatments under UK GAAP are not correct and cannot be given credit. For example, a significant minority of answers discussed the amortisation of goodwill, which is not permitted under IFRS (though it is correct under UK GAAP) and so could not be given any marks for this discussion.

The issues that were dealt with well included:
- the due diligence on Canary Co that had been provided by an external valuer
- the measurement of contingent consideration at present value
- online sales creating risks to do with revenue recognition

- the control risks arising as a result of a new IT system
- the non-coterminous year end of Canary Co.

The issues that generally were inadequately evaluated included:

- the recognition and measurement of loan stock issued by Crow Co
- the classification and measurement of the grant received by Starling Co
- the financial information provided in relation to the group – very few answers performed any analytical review on the performance of the group and its components.

Part (aiii), for five marks, asked candidates to recommend the principal audit procedures to be performed in respect of goodwill initially recognised on the acquisition of Canary Co. Generally, candidates did well on this requirement, with many providing well described, relevant procedures. This represented a definite improvement from previous sittings. Most answers considered the need to look at source documentation regarding the acquisition, the importance of assessing the fair values attributed to Canary Co at acquisition, and the need to assess the probability of the contingent consideration being paid.

The final part of Question 1 dealt with ethical issues. For six marks, candidates were required to evaluate the ethical implications of the audit engagement partner attending the client's board meetings, the secondment of the audit manager to the client, and assistance in recruiting a new finance director for one of the subsidiaries. Most answers went through the issues in order and identified the ethical threats that arose. However, many answers took a scattergun approach, and said that all of the issues would give rise to the same threats of familiarity, management, self-review and self-interest, but then did not go on to explain how, or why, they arose and whether it would be possible for safeguards to reduce the threats to an acceptable level. Candidates appear comfortable with this part of the syllabus, but are reminded that to score well on ethical requirements in Paper P7, they must do more than just identify a threat.

QUESTION 2

This 33-mark question was in two sections. Part (a), for 19 marks, dealt with an engagement to report on prospective financial information. Part (b), for 14 marks, covered the audit of a factory closure, and the difficulties in measuring environmental and social performance. Generally, candidates performed better on Part (a) than Part (b).

The first part of the question related to an audit client, Hawk Co, that had requested its auditor to provide a report on forecast financial statements included in a business plan, which would be used to help secure a loan. The scenario contained extracts from a forecast statement of comprehensive income and a forecast statement of financial position.

Part (ai), for six marks, asked candidates to identify and explain the matters that should be considered in agreeing the terms of engagement. Candidates were specifically told not to consider ethical threats to objectivity. Answers varied greatly in quality for this requirement. The best answers focused on matters that should be discussed with the client, such as management's responsibilities, the nature of the assumptions used in the forecasts and the planned contents of the review report, and explained why those matters should form part of the terms of the engagement. Most answers discussed that negative assurance should be given, and explained the importance of determining the intended user of the report, including issues to do with the use of a liability disclaimer. A significant number of candidates achieved high marks on this requirement. Weaker answers discussed only matters such as fee arrangements and deadlines, which, while relevant, are not enough to score well. Some answers discussed ethical issues, which specifically were not required, and others explained matters that would be more relevant to the initial acceptance of the engagement rather than agreeing terms with the client, such as whether the firm had the competence to perform the work.

Part (aii), for 13 marks, asked candidates to recommend the procedures that should be used to examine and report on the forecast financial statements to be included in the business plan. The best answers made good use of the forecast financial statements that had been provided, and gave procedures that were both well described and relevant to the specific content of the financial statements. Many candidates also performed analytical procedures to determine unusual trends and relationships in the figures and information provided, which helped to generate very exact procedures. Sound answers had a range of procedures – some general, some focused on income and expenses, some focused on assets, liabilities and equity.

Weaker answers tended to state simple enquiries – for example, 'ask management who prepared the forecasts', or 'ask why sales has increased' without any further development. Another problem arose in answers that seemed not to realise that the figures were forecasts, so source documentation would not be available in the same way that it is for an audit of historical information. For example, many answers suggested agreeing assets purchased to invoices from suppliers, or the forecast increase in share capital to share certificates, but these items would not yet exist as they relate to future transactions. The one area that was missing from almost all answers was the need to ensure internal consistency in all forecast figures, so, for example, cross-checking from the forecast financial statements to a capital expenditure budget and to cash flow forecasts.

Another problem with weaker answers was that they tended not to always provide procedures. For example, some answers contained a lengthy discussion as to whether a part of the business that was planned to be sold should be accounted for as a held-for-sale group of assets, which is not very relevant to the question requirement. These answers seemed to be drifting into an assessment of potential material misstatements, which was not asked for.

The second part of Question 2 was generally not well answered. This part of the question dealt with a client that had suffered an environmental accident resulting in the closure of a factory. The audit engagement partner had asked for briefing notes to be prepared, in which the principal audit procedures to be performed in respect of the cost of closure of the factory were recommended. This first part of the briefing notes, requirement (bi), was for six marks.

Answers were often lacking in focus. Sound answers recommended a range of procedures specific to the types of cost that would normally be included in a cost of closure provision, such as redundancy costs. Very few candidates recognised that the date at which an obligation arose in relation to the closure of the factory was crucial, and many could recommend little more than asking for management representations. There was often discussion of the recognition criteria for provisions contained in IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, but little on the specific accounting requirements in relation to a restructuring, which could have prompted some specific procedures.

Part (bii), for four marks, was a discussion on the difficulties in measuring and reporting on environmental and social performance. Candidates often struggled to write more than a few bullet points here, and sometimes wrote from the point of view of the auditor trying to obtain evidence on key performance indicators. However, most answers did identify difficulties in defining performance measures on what can be quite intangible matters, and many also discussed the problems in quantifying socio-environmental issues.

Part (b) also contained four professional marks in relation to the briefing notes requested by the audit partner. Most candidates attempted a correct format and structure for the briefing notes, and the use of paragraphs, headings and an introduction meant that many candidates scored well here. Candidates are reminded that, from this sitting onwards, professional marks are awarded in only one of the Section A questions.

The UK and IRL adapted papers contained a different Part (b), which attracted 17 marks (and Part (aii) was worth 10 marks). Part (b) covered the auditing aspects of the insolvency part of the syllabus, and many candidates had prepared well for this type of question. Candidates were provided with information about an audit client that operates two business segments – one of which had suffered from problems with its product, resulting in a poor performance and position of the company as a whole. Part (bi), for four marks, asked candidates to examine the financial position of the company and determine whether it is insolvent. Although some candidates knew the meaning of insolvency and used the figures provided to demonstrate that the company is indeed insolvent, a sizeable proportion of answers did not display this knowledge and could only provide vague discussions about the company's 'dire position' and that it would be unlikely to continue as a going concern. Some candidates who attempted to calculate the net liability position of the company were unable to do so correctly. Weaker answers simply stated facts from the question – for example, the negative cash position, the loss that had been made, and then concluded that the company is in a poor state. This is clearly not enough to score credit.

Part (bii) was for nine marks, and asked candidates to evaluate the options available to the directors in terms of the future of the company. There were many sound answers here, with candidates discussing the options in respect of administration and insolvency, usually leading to a comparison of the implications of them and leading to a recommendation. Weaker answers tended to suggest selling the underperforming part of the business, despite the fact that the significant problem with its product would make a sale extremely unlikely, and others suggested just raising more finance, without realising that it would be very difficult for the company to raise any form of finance given its financial position and damaged brand name.

If candidates attempt the UK or IRL adapted papers they should carefully study the insolvency part of the syllabus. It was clear that a minority of candidates had no real knowledge of this part of the syllabus.

QUESTION 3

This 15-mark question focused on money laundering and fraud. Two short scenarios relating to two audit clients were presented.

The scenario in Part (a) described a cash-based business whose owner-manager was acting suspiciously in relation to the accounting for cash sales. A large sum of cash had been transferred to an overseas bank account and the transaction had no supporting evidence. The first requirement (ai), for six marks, was to discuss the implications of these circumstances. This open requirement allowed for the discussion of many different implications for the audit firm, including suspected fraud and/or money laundering, a poor control environment, the ethical implications of the owner's intimidating behaviour, and problems for the audit firm in obtaining evidence. Most candidates covered a range of points and the majority correctly discussed fraud and/or money laundering.

Weaker answers tended to focus on the materiality of the cash transferred to overseas, and seemed not to notice the client's suspicious behaviour. Candidates are reminded that they will often be expected to identify a key issue in a question scenario and that, in a question of this type, it is important to stop and think about what is happening in the scenario before rushing to start to write an answer. This question is a good example of one where a relatively short answer could generate a lot of marks – if the scenario has been properly thought through before writing the answer.

Part (aii) was for three marks and asked for an explanation of any reporting that should take place by the audit senior. Candidates who had identified money laundering as an issue in Part (ai) usually scored well here, describing the need to report to the audit firm's money laundering reporting officer, and what should be reported to them. Weaker answers discussed the audit report or that the fraud/money laundering should be reported to the client's management – this is not good advice given that the owner-manager was the person acting suspiciously and would have resulted in him being tipped off.

Part (b) was for six marks, and described a client where unauthorised additions had been made to payroll, and contradictory audit evidence had been obtained. Candidates were asked to explain the term 'professional scepticism' and to recommend further actions to be taken by the auditor. Answers here were reasonably good, with most candidates able to attempt an explanation of the term, and most identifying poor controls leading to a possible fraud involving the payroll supervisor. Some very specific further procedures were often recommended, and candidates often scored better on Part (b) than Part (a) for this question.

QUESTION 4

This question provided two short scenarios, both of which described an ethical dilemma that had arisen at an audit firm. Candidates were required to identify and discuss the ethical, commercial and other professional issues raised, and to recommend any actions that should take place.

QUESTION 3 IS A GOOD EXAMPLE OF ONE WHERE A RELATIVELY SHORT ANSWER COULD GENERATE A LOT OF MARKS – IF THE SCENARIO HAS BEEN PROPERLY THOUGHT THROUGH BEFORE WRITING THE ANSWER

This was the most popular of the optional questions.

Part (a) was for eight marks. The scenario described a situation in which an audit client has approached the audit firm with a business opportunity involving the development and sale of accounting and tax software, with the audit firm's client base being a potential customer base. The audit firm had been invited to jointly develop the business with the audit client. Sound answers used a logical approach, being prompted by the question requirement to discuss in turn the ethical issues, commercial issues, and professional issues leading to a set of recommended actions. There were some sound answers in which the ethical threats to objectivity had been fully evaluated, especially the self-interest and self-review threats. Commercial issues were explored in the better answers, where typically the audit firm's level of skill to develop software was questioned, as well as the issue as to whether the audit firm would want to diversify into this type of business as it may detract from the quality of audit and accounting services they offer to clients.

Weaker answers tended to just list in bullet point format all of the possible threats to objectivity without any real discussion or development of the threats specific to the scenario. Candidates are reminded that the IESBA's Code of Ethics for Professional Accountants provides a framework for the evaluation of threats to objectivity, including the identification of threats, the evaluation of the significance of threats identified, and the use of professional judgment in deciding whether the application of safeguards can reduce threats identified to an acceptable level. The use of this framework is recommended in answering questions of this type.

Part (b), for seven marks, described a situation that had arisen at an audit client whose business involved medical procedures at a private hospital. The audit senior had overheard a comment made by an employee of the hospital that insinuated that the employee was not qualified to perform medical procedures. Most candidates identified that the main issues for the audit firm to consider related to a potential breach of law and regulations by the hospital, and that the audit firm should consider disclosure in the public interest. Most answers identified that confidentiality was an issue, and that the matter should firstly be discussed with those charged with governance.

CANDIDATES MUST PRACTICE THEIR ANALYTICAL SKILLS TO PERFORM WELL IN PAPER P7. IT IS IMPERATIVE TO READ THE REQUIREMENTS CAREFULLY AND ONLY ANSWER ACCORDING TO THE INSTRUCTIONS GIVEN

Some candidates focused on disciplinary action to be taken against the employee of the hospital, and on the possibility that the hospital's management was somehow colluding with the employee to deliberately breach law and regulations and commit some type of fraud, which missed the point. Weaker answers also failed to consider the financial statement and, therefore, audit implications of a letter claiming negligence, which could lead to the recognition of a provision or disclosure of a contingent liability, and could potentially have going concern implications. These matters were relevant as the audit was ongoing.

QUESTION 5

This question was in two parts. Part (a) was for eight marks and described the self-construction of new property, plant and equipment at a client. A loan had been taken out to help finance the construction, and financial information was provided in relation to the asset and the loan. Candidates were asked to comment on the matters that should be considered, and the evidence that should be found when conducting a file review of non-current assets.

Candidates should have been familiar with this type of question requirement, as it commonly features in Paper P7. Sound answers contained a calculation and explanation of the materiality of the asset and of the borrowing costs that had been capitalised, followed by a discussion of the appropriate accounting treatment, including whether the borrowing cost should be capitalised, and when depreciation in relation to the asset should commence. There were some sound answers here, with candidates demonstrating sound knowledge of the relevant financial reporting standard requirements, and going on to provide some very well described and relevant audit procedures.

Weaker answers said that it was not possible to capitalise borrowing costs, or incorrectly thought that the construction should be accounted for as some kind of long-term construction contract. Procedures in the weaker answers tended to rely on management representations and recalculations of every figure provided in the question.

Part (b) was for seven marks and involved the critique of an extract from an audit report. The report contained an adverse opinion, which most candidates spotted in relation to the non-recognition of a defined benefit pension deficit on the company's statement of financial position. There were some sound answers here, and candidates' performance in questions of this type has shown a definite improvement. Some answers not only identified but also provided an explanation of the problems with the audit report. The majority of answers suggested that an 'except for' qualification may be more suitable than an adverse opinion, and correctly calculated the materiality of the pension plan deficit to support their discussion. A significant proportion of answers picked up on the incorrect order of the paragraphs in the report and on the incorrect wording used in the headings, and on the lack of explanation that had been provided in the report regarding the material misstatement. Fewer answers discussed the inappropriate use of the phrase 'deliberate omission'.

The weaker answers tended to just list out bullet points with no explanation, limiting the amount of marks that could be awarded. Other weaker answers attempted to discuss the appropriate accounting treatment for the pension, often incorrectly.

CONCLUSION

Candidates must practise their analytical skills to perform well in Paper P7. Analytical skills do not just relate to numerical analysis – it also refers to the ability to understand and evaluate the narrative information provided in question scenarios to detect the key issues contained. This means that candidates must take time to carefully read the question scenarios and to consider the importance and implication of the information provided. As in previous sittings, many candidates who failed to achieve a pass mark did so through not answering the question requirement as set. So it is imperative that candidates read the requirements carefully and only answer according to the instructions given.

YEAR TRACK-RECORD. EXCEEDING WORLD STANDARDS.

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EXAM NOTES
WHAT YOU NEED TO KNOW

TAX

PAPER P6 (UK), ADVANCED TAXATION

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

Legislation that 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 that received Royal Assent on or before 30 September 2011.

FINANCE ACT

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

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

SUPPLEMENTARY INSTRUCTIONS, TAX RATES AND ALLOWANCES

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

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

Income tax

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

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

Personal allowances

		£
Personal allowance	Standard	7,475
	65–74	9,490
	75 and over	10,090
Income limit for age related allowances		24,000
Income limit for standard personal allowance		100,000

Car benefit percentage

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

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

Car fuel benefit

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

Individual savings accounts (ISAs)

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

Pension scheme limits

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

Authorised mileage allowances: cars

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

CAPITAL ALLOWANCES: RATES OF ALLOWANCE

Plant and machinery

	%
Main pool	20
Special rate pool	10

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

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

Annual investment allowance

First £100,000 of expenditure	100

Corporation tax

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

Marginal relief

Standard fraction x (U–A) x N/A

Value added tax

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

Inheritance tax: tax rates

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

Inheritance tax: nil rate bands and tax rates

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

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

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

Inheritance tax: taper relief

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

Capital gains tax

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

National Insurance contributions (not contracted out rates)

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

Rates of interest (assumed)

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

Stamp duty land tax

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

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

Stamp duty

Shares	0.5%

FINANCIAL REPORTING – INTERNATIONAL AND UK

PAPER P2, CORPORATE REPORTING

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

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

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

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

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

Other Statements

	The Conceptual Framework for Financial Reporting
Practice Stmt	Management Commentary

EDs, Discussion Papers and Other Documents

ED 2009/12	Financial Instruments: Amortised Cost and Impairment
ED 2010/01	Measurement of Liabilities in IAS 37
ED 2010/06	Revenue from Contracts with Customers
ED 2010/09	Leases
ED 2010/13	Hedge Accounting
ED 2011/1	Offsetting Financial Assets and Liabilities
ED 2011/2	Improvements to IFRSs
ED 2011/4	Investment Entities

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

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

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

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

AUDIT

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

Additionally, for Paper P2 (UK), the following basic Companies Act requirements surrounding:

- single and group entity financial statements are required and when exemptions may be claimed from the preparation
- a subsidiary may be excluded from the group financial statements are also examinable.

AUDIT – INTERNATIONAL

PAPER P7, ADVANCED AUDIT AND ASSURANCE

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

ACCOUNTING STANDARDS

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

International Standards on Auditing (ISAs)

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

International Auditing Practice Statements (IAPSs)

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

AUDIT

International Standards on Assurance Engagements (ISAEs)

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

International Standards on Quality Control (ISQCs)

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

International Standards on Related Services (ISRSs)

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

International Standards on Review Engagements (ISREs)

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

Exposure drafts (EDs)

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

Other Documents

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

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

AUDIT – UK

PAPER P7, ADVANCED AUDIT AND ASSURANCE

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

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

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

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

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

ACCOUNTING STANDARDS

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

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

	Summary of changes to the new ISAs (UK and Ireland)
	Glossary of terms 2009
ISA 200	Overall objectives of the independent auditor and the conduct of an audit in accordance with ISAs (UK and Ireland)
ISA 210	Agreeing the terms of audit engagements
ISA 220	Quality control for an audit of financial statements
ISA 230	Audit documentation
ISA 240	The auditor's responsibilities relating to fraud in an audit of financial statements
ISA 250A	Consideration of laws and regulations in an audit of financial statements
ISA 260	Communication with those charged with governance
ISA 265	Communicating deficiencies in internal control to those charged with governance and management
ISA 300	Planning an audit of financial statements
ISA 315	Identifying and assessing the risks of material misstatement through understanding the entity and its environment
ISA 320	Materiality in planning and performing an audit

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

International Standards on Quality Control (ISQC)

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

Practice Notes (PNs)

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

Ethical Standards (ESs)

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

Bulletins

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

Statement of Standards for Reporting Accountants (SSRAs)

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

Exposure drafts (EDs) (UK and Ireland)

Consultation Paper: Revised Draft Ethical Standard for Auditors
Consultation Draft: Practice Note 25, Attendance at Stocktaking (Revised)
Consultation Draft: Practice Note 16, Bank Reports for Audit Purposes in the United Kingdom
Discussion Paper Auditor Scepticism: Raising the Bar
Consultation Draft: ISA (UK and Ireland) 700, The Auditor's Report on Financial Statements
The Provision of Non-Audit Services by Auditors Consultation Paper on Revised Draft Ethical Standards for Auditors

Other Documents

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

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

HOW TO BE GOOD

PROFESSIONAL ETHICS

Values, ethics and governance are essential skills for finance professionals. This is why ACCA has adopted a holistic approach to your ethical development via the exams syllabus, the practical experience requirement and the Professional Ethics module – requirements you need to complete in order to obtain your ACCA Qualification.

As an ACCA student, your ethical and professional development starts as soon as you register with ACCA. As part of your ethical development, students are required to complete the Professional Ethics module.

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

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

> AS AN ACCA STUDENT, YOUR ETHICAL AND PROFESSIONAL DEVELOPMENT STARTS AS SOON AS YOU REGISTER

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

The module consists of nine units, each designed to help you understand what it means to think and act as a professional accountant.

The units give you the opportunity to judge the acceptability of arguments for and against some difficult decisions and to practise your ethical decision-making skills. In some units you can obtain feedback on the decisions you make. Finally, you are required to write a short paragraph about what you have learned from completing the module.

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

PER: PATHWAY TO MEMBERSHIP

Becoming an ACCA-qualified accountant does not just involve passing your exams and the Professional Ethics module; you also need to complete the practical experience requirement (PER). You can gain your practical experience before, during or after you complete the exams.

WHAT IS PER?

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

Completing the performance objectives will allow you to:

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

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

WHAT DO I HAVE TO DO?

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

- find a workplace mentor
- complete 36 months' employment in an accounting or finance-related role(s)
- achieve 13 performance objectives
- record your progress using *My Experience*.

If you think the opportunities to achieve your PER in your current role are limited, consider other options available to you before you choose to find alternative employment. Aim to get your employer's support to help you gain your PER; consider work shadowing, secondment or an internship; and work closely with your workplace mentor.

ARE YOU A FULL-TIME STUDENT?

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

For more information on the practical experience requirement, visit www.accaglobal.com/content/dam/acca/global/PDF-students/acca/per/per_guide.pdf.

36-MONTHS' PRACTICAL EXPERIENCE

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

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

Even if your job includes only a small amount of accountancy and finance work, it can count as long as you pro rata the time you spend on these activities. For example, if only a quarter of your working time (equivalent to three months) during the year is spent in an accounting capacity, you may only claim three months as relevant time in your PER return. This may mean that it will take you more than three years to achieve the relevant experience because some of your experience is not relevant and will not count.

Your experience doesn't have to be gained in a single role or one continuous period, and relevant experience gained before you joined ACCA may be counted, providing it can be verified by a workplace mentor.

PERFORMANCE OBJECTIVES

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

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

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

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

CHALLENGE QUESTIONS

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

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

You are required to achieve 13 performance objectives in total – these are:

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

Visit www.accaglobal.com/en/student/qualification-resources/acca-qualification/acca-exams/Practical-experience.html for more information on PER

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

ACCA CONNECT

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

STAY CONNECTED

ACCA Connect is 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:

ACCA Qualification students	
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 Skills module exams	
Papers F4, F5, F6, F7, F8 and F9	
Early	£75
Standard	£86
Late	£217
Professional level exams	
Papers P1, P2 and P3 (and any two from Papers P4, P5, P6 and P7)	
Early	£88
Standard	£101
Late	£231

SEE PAGE 67 FOR INFORMATION ABOUT EXAM ENTRY AND EARLY, STANDARD AND LATE ENTRY DEADLINES

ACHIEVING ACCA MEMBERSHIP

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

However, if, after the next set of results in February 2013, you think you are ready, you can download and complete the application form (and find out more information) at www.accaglobal.com/student/qualification-resources/acca-qualification/transfer-to.html and return it to:

ACCA Customer Services
2 Central Quay
89 Hydepark Street
Glasgow G3 8BW, United Kingdom

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

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

EXAM TIMETABLE

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

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.

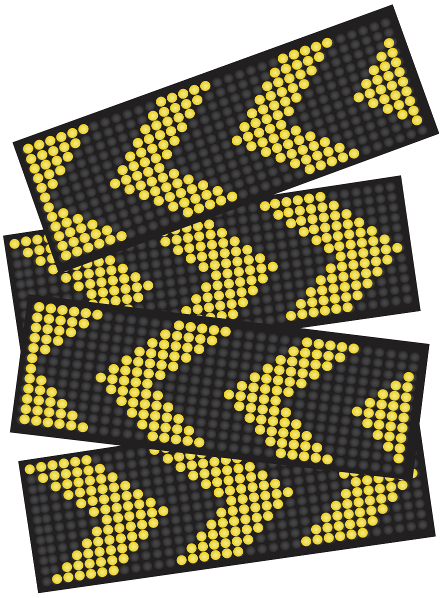
These regulations are reproduced on your *Examination Attendance Docket* – you should take time to familiarise yourself with them. In order to be eligible to sit your exams, you must sign your docket confirming your agreement to comply with these regulations.

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 – June or December
- 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

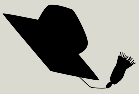
8 September 2012	Early exam entry **(online only)**
8 October 2012	Standard exam entry **(online and paper)**
8 November 2012	Late exam entry **(online only)**

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

OXFORD BROOKES BSc (HONS)



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

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

Check your eligibility status at 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)
December 2002
June 2003

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

Final date for submission of RAP
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