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 a 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.

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 made by the CEO 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 a 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
Online ACCA tuition and revision courses
A world of resources at your fingertips

- Join on-campus lectures online – from anywhere
- Highly experienced tutors
- Full syllabus in HD recorded lectures
- Access full study resources 24/7 online

Register now and benefit from exclusive offers

Free iPad!
To access our HD recorded lectures

www.LSBF.org.uk/Essential +44 (0) 203 535 1222

London +44 (0) 203 535 1222
Birmingham +44 (0) 121 661 7118
Manchester +44 (0) 161 669 4276
Toronto +1 416 800 2204
Singapore +65 6580 7700
InterActive +44 (0) 207 099 0077

† iPad offer is available to eligible students on qualifying courses while stocks last. This promotion has not been endorsed by Apple Inc. iPad is a trademark of Apple Inc., registered in the U.S. and other countries. Offer expires on 31/10/2012. T&Cs apply, see website for details.
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.
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 grasp of the entire Paper P4 syllabus is 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.

**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

**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.**
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

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.
Discover our Global Campus™
ACCA courses in Europe, Singapore & North America*

- Highly experienced tutors
- City centre locations
- Global networking opportunities
- Work experience programme**

Gain a globally recognised qualification, and an international business perspective – study at our campuses around the world.*

www.LSBF.org.uk/Essential +44 (0) 203 535 1222

London +44 (0) 203 535 1222
Birmingham +44 (0) 121 661 7118
Manchester +44 (0) 161 669 4276
Toronto +1 416 800 2204
Singapore +65 6580 7700
InterActive +44 (0) 207 099 0077

*T&Cs apply, call for details. Global Campus is not a registered trademark in Singapore. See website for details. **Canadian work experience programme available at the Toronto campus. This programme does not form part of ACCA’s practical experience requirement.
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 careless 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 settings, 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 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 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
television 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 Pand 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 P6 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

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 – for
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.

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 do so.

   ▪ 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 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 – i.e. 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 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 (b) 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 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 (bii) 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 a 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 (a(ii)) 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 slow in paying, 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

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.

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 (a(ii)) 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 (a(ii)) 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

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.
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.

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 the client, such as whether the firm had the competence to perform the work.

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.

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.

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.

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 (b), 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
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. Core credits are awarded for identifying 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 were 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 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 related to a potential breach of law and regulations by the hospital, and that the audit firm should consider the potential for the hospital to reasonably believe that insinuation that the employee was not qualified to perform medical procedures. Most candidates identified that confidentiality was an issue, and that the matter should firstly be discussed with those charged with governance.

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 in the requirements 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.

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

<table>
<thead>
<tr>
<th>Normal rates</th>
<th>Dividend rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>basic rate</td>
<td>£1–£35,000</td>
</tr>
<tr>
<td>higher rate</td>
<td>£35,001–£150,000</td>
</tr>
<tr>
<td>additional rate</td>
<td>£150,001 and over</td>
</tr>
</tbody>
</table>

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

**Personal allowances**

- Personal allowance: £6,490
- Standard rate: £4,455
- 65–74: £10,090
- 75 and over: £10,090

**Car benefit percentage**

- The base level of CO₂ emissions is 125 grams per kilometre (g/km).
- Petrol cars with CO₂ emissions of 75 g/km or less: 5%
- Petrol cars with CO₂ 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))**

- CO₂ emissions up to 110 grams per kilometre: 100%
- CO₂ emissions between 111 and 160 grams per kilometre: 20%
- CO₂ emissions over 160 grams per kilometre: 10%

**Annual investment allowance**

- First £100,000 of expenditure: 100%

**Corporation tax**

<table>
<thead>
<tr>
<th>Financial year</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small companies rate</td>
<td>21%</td>
<td>21%</td>
<td>20%</td>
</tr>
<tr>
<td>Main rate</td>
<td>28%</td>
<td>28%</td>
<td>26%</td>
</tr>
<tr>
<td>Lower limit</td>
<td>£10,000</td>
<td>£10,000</td>
<td>£10,000</td>
</tr>
<tr>
<td>Upper limit</td>
<td>£250,000</td>
<td>£250,000</td>
<td>£250,000</td>
</tr>
<tr>
<td>Standard fraction</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

**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**

| 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 |

**Inheritance tax: nil rate bands and tax rates**

- Nil rate: £325,000
Choose first intuition for first class service and first time exam success

Experience shows that students who attend a classroom revision course significantly increase their chances of exam success.

All First Intuition tutors provide their mobile phone numbers so you can contact them at any time if you need help with your studies.

And with a First Intuition classroom revision course we include a free tutor-marked mock exam so you get all the guidance and feedback you need for first time exam success.

Call us or book online now

www.fi.co.uk

First Intuition study options
- Classroom courses
- Online courses
- Home study courses
All our courses come with all relevant study material and tutor support. And as a platinum level approved learning provider we achieve pass rates well in excess of the global averages.

Platinum level accreditation is for London based classroom courses only

first intuition
where people count

London
020 7323 9636
london@fi.co.uk
Bristol
0117 384 0190
bristol@fi.co.uk
Cambridge
01223 360405
cambridge@fi.co.uk
Maidstone
01822 755100
maidstone@fi.co.uk
Reading
0118 950 4173
reading@fi.co.uk

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

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

OUR NEW EXAM ENTRY DATES

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

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

HOW WILL YOU REMEMBER?
www.accaglobal.com/don'tforget
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 22 Borrowing Costs
- IAS 23 Related Party Disclosures
- IAS 24 Separate Financial Statements
- IAS 25 Investments in Associates and Joint Ventures
- IAS 26 Financial Instruments: Presentation
- IAS 27 Earnings per Share
- IAS 28 Interim Financial Reporting
- IAS 29 Impairment of Assets
- IAS 30 Provisions, Contingent Liabilities and Contingent Assets
- IAS 31 Intangible Assets
- IAS 32 Financial Instruments: Recognition and Measurement
- IAS 33 Investment Property
- IAS 34 First-Time Adoption of International Financial Reporting Standards
- IFRS 1 Share-based Payment
- IFRS 2 Business Combinations (revised)
- IFRS 3 Non-Current Assets Held for Sale and Discontinued Operations
- IFRS 4 Financial Instruments: Disclosures
- IFRS 5 Operating Segments
- IFRS 6 Financial Instruments
- IFRS 7 Financial Instruments: Recognition and Measurement
- IFRS 8 Joint Arrangements
- IFRS 9 Disclosure of Interests in Other Entities
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Fair Value Measurement
- IFRS 12 SMEs

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

<table>
<thead>
<tr>
<th>Years before death</th>
<th>Percentage reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than 3 but less than 4 years</td>
<td>20</td>
</tr>
<tr>
<td>More than 4 but less than 5 years</td>
<td>40</td>
</tr>
<tr>
<td>More than 5 but less than 6 years</td>
<td>60</td>
</tr>
<tr>
<td>More than 6 but less than 7 years</td>
<td>80</td>
</tr>
</tbody>
</table>

Capital gains tax

<table>
<thead>
<tr>
<th>Rate of tax</th>
<th>Lower rate</th>
<th>Higher rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>18</td>
<td>28</td>
</tr>
</tbody>
</table>

Entertainment: Lifetime limit £10,000,000
- Rate of tax 10%

National Insurance contributions (not contracted out rates)

<table>
<thead>
<tr>
<th>Class 1 Employee</th>
<th>£1–7,225 per year</th>
<th>£7,226–42,475 per year</th>
<th>£42,476 and above per year</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>12.0</td>
<td>2.0</td>
<td>Nil</td>
</tr>
</tbody>
</table>

Class 1 Employer £1–7,072 per year £7,073 and above per year 13.8%

Class 1A 13.8%

Class 2 £2.50 per week Small earnings exception limit – £5,315 3%

Class 4 £1–7,225 per year £7,226–42,475 per year £42,476 and above per year 2.0%

Rates of interest (assumed)

<table>
<thead>
<tr>
<th>Official rate of interest</th>
<th>4%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate of interest on underpaid tax</td>
<td>3%</td>
</tr>
<tr>
<td>Rate of interest on overpaid tax</td>
<td>0.5%</td>
</tr>
</tbody>
</table>

Stamp duty land tax

| £150,000 or less | Nil |
| £150,001–£250,000 | 1% |
| £250,001–£500,000 | 3% |
| £500,001–£1,000,000 | 4% |
| £1,000,001 or more | 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% |

Notes:

- SMEs: IFRS for small and medium-sized entities

- Table: Rates of interest

- Table: National Insurance contributions

- Table: Stamp duty land tax

- Table: Capital gains tax

- Table: Inheritance tax: taper relief

- Table: Rate of tax

- Table: Percentage reduction
Indicated below are the main areas of difference between IFRS and UK standards/legislation and whether these differences are examinable in Paper P2 (UK).

<table>
<thead>
<tr>
<th>International Standard</th>
<th>UK Standard</th>
<th>UK difference</th>
<th>Is the difference examinable in Paper P2?</th>
</tr>
</thead>
<tbody>
<tr>
<td>IAS 1</td>
<td>Co Act</td>
<td>Difference in terminology</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>FRS 3</td>
<td>Disclosure of certain exceptional items on face of income statement not specified by IAS 1, although some picked up by IFRS 5</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>FRS 3</td>
<td>Separate presentation of STRGL and income statement, whereas International combines statements</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>FRS 18</td>
<td>Less extensive disclosure requirements for estimation techniques</td>
<td>No</td>
</tr>
<tr>
<td>IAS 2</td>
<td>SSAP 9</td>
<td>Slight wording differences which mean that LIFO could be allowable, whereas this doesn’t appear within International</td>
<td>No</td>
</tr>
<tr>
<td>IAS 7</td>
<td>FRS 1</td>
<td>Format more detailed</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>FRS 1</td>
<td>Cash and cash equivalents more strictly defined</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>FRS 1</td>
<td>Exemptions available from preparing cash flow</td>
<td>Yes</td>
</tr>
<tr>
<td>IAS 8</td>
<td>FRS 3</td>
<td>Fundamental errors vs International’s material errors, although broadly similar</td>
<td>No</td>
</tr>
<tr>
<td>IAS 10</td>
<td>FRS 21</td>
<td>No examinable differences</td>
<td>No</td>
</tr>
<tr>
<td>IAS 12</td>
<td>FRS 19</td>
<td>Timing differences rather than temporary differences</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>FRS 19</td>
<td>Permits discounting</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>FRS 19</td>
<td>Revaluation less likely to create deferred tax balance</td>
<td>Yes</td>
</tr>
<tr>
<td>IAS 16</td>
<td>FRS 15</td>
<td>Revaluation frequency specified by time (every five years), whereas International solely based on material changes in fair value as frequency indicator</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>FRS 15</td>
<td>Different methods of revaluation dependent on the asset type</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>FRS 15</td>
<td>Treatment of revaluation gains and losses, especially with reference to clear consumption of economic benefit</td>
<td>Yes</td>
</tr>
<tr>
<td>IAS 17</td>
<td>SSAP 21</td>
<td>90% test included as part of guidance in lease classification</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>SSAP 21</td>
<td>Encourages land and buildings to be accounted for separately</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>SSAP 21</td>
<td>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</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>SSAP 21</td>
<td>Operating lease incentives to be spread over shorter of lease term and period of next rent review. International spreads over lease term</td>
<td>Yes</td>
</tr>
<tr>
<td>IAS 18</td>
<td>FRS 5</td>
<td>In principle similar</td>
<td>No</td>
</tr>
<tr>
<td>IAS 19</td>
<td>FRS 17</td>
<td>Restricted scope as only covers retirement benefits, whereas International covers various short-term and long-term employee benefits</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>FRS 17</td>
<td>No deferral method as per IAS 19</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>FRS 17</td>
<td>Deferred tax balances netted off net pension asset/liability, whereas shown separately under International</td>
<td>No</td>
</tr>
<tr>
<td>IAS 20</td>
<td>SSAP 4</td>
<td>Cannot net off grant against non-current asset to which it relates (although CoAct disallows not the standard)</td>
<td>No</td>
</tr>
<tr>
<td>International Standard</td>
<td>UK Standard</td>
<td>UK difference</td>
<td>Is the difference examinable in Paper P2?</td>
</tr>
<tr>
<td>------------------------</td>
<td>-------------</td>
<td>---------------</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td>IAS 21</td>
<td>FRS 23</td>
<td>No examinable differences</td>
<td>No</td>
</tr>
<tr>
<td>IAS 23</td>
<td>FRS 15</td>
<td>Choice as to whether to capitalise borrowing costs</td>
<td>Yes</td>
</tr>
<tr>
<td>IAS 24</td>
<td>FRS 8</td>
<td>Materiality considered from perspective of company and related party</td>
<td>Yes</td>
</tr>
<tr>
<td>IAS 24</td>
<td>FRS 8</td>
<td>Requires disclosure of names of related party where transaction has occurred</td>
<td>Yes</td>
</tr>
<tr>
<td>IAS 26</td>
<td>FRS 2</td>
<td>Wholey owned UK subs exempt from disclosing in their own accounts transactions with parent</td>
<td>Yes</td>
</tr>
<tr>
<td>IAS 27</td>
<td>FRS 2</td>
<td>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</td>
<td>Yes</td>
</tr>
<tr>
<td>IAS 28</td>
<td>FRS 9</td>
<td>Partial disposals resulting in loss of control, remaining shareholding not required to be valued at fair value</td>
<td>Yes</td>
</tr>
<tr>
<td>IAS 29</td>
<td>FRS 24</td>
<td>Equity accounting in income statement shows associate split out across a number of lines, whereas International shows associate as one balance</td>
<td>No</td>
</tr>
<tr>
<td>IAS 32</td>
<td>FRS 25</td>
<td>No examinable differences</td>
<td>No</td>
</tr>
<tr>
<td>IAS 33</td>
<td>FRS 22</td>
<td>No examinable differences</td>
<td>No</td>
</tr>
<tr>
<td>IAS 34</td>
<td>Statement on Interim reports</td>
<td>No examinable differences</td>
<td>No</td>
</tr>
<tr>
<td>IAS 36</td>
<td>FRS 11</td>
<td>Impairment on IGU specifically allocated to specifically damaged asset then to goodwill, intangibles and then tangible assets. International does not separate intangibles from tangibles</td>
<td>Yes</td>
</tr>
<tr>
<td>IAS 36</td>
<td>FRS 11</td>
<td>Allocation of impairment loss on clear consumption to income statement irrespective of revaluation balance relating to asset</td>
<td>Yes</td>
</tr>
<tr>
<td>IAS 36</td>
<td>FRS 11</td>
<td>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</td>
<td>Yes</td>
</tr>
<tr>
<td>IAS 37</td>
<td>FRS 12</td>
<td>Requires future cash flows to be monitored for the next five years to ensure that asset not further impaired</td>
<td>No</td>
</tr>
<tr>
<td>IAS 38</td>
<td>SSAP 13</td>
<td>Choice as to whether capitalise development costs or write off to income statement</td>
<td>Yes</td>
</tr>
<tr>
<td>IAS 39</td>
<td>FRS 26</td>
<td>Treatment of financial asset differences due to IFRS 9, otherwise no examinable differences. See IFRS 9</td>
<td>No</td>
</tr>
<tr>
<td>IAS 40</td>
<td>SSAP 19</td>
<td>No choice between cost model or fair value model</td>
<td>No</td>
</tr>
<tr>
<td>SSAP 19</td>
<td>SSAP 19</td>
<td>Treatment of revaluation gains and losses to revaluation reserve unless permanent diminution</td>
<td>Yes</td>
</tr>
<tr>
<td>IFRS 1</td>
<td>No UK equivalent</td>
<td>No examinable differences</td>
<td>No</td>
</tr>
<tr>
<td>IFRS 2</td>
<td>No examinable differences</td>
<td>No examinable differences</td>
<td>No</td>
</tr>
<tr>
<td>IFRS 3</td>
<td>FRS 6</td>
<td>Merger accounting where applicable</td>
<td>No</td>
</tr>
<tr>
<td>IFRS 3</td>
<td>FRS 6</td>
<td>Merger accounting on reconstructions</td>
<td>Yes</td>
</tr>
<tr>
<td>IFRS 3</td>
<td>FRS 7</td>
<td>NCI only calculated under partial method</td>
<td>Yes</td>
</tr>
<tr>
<td>IFRS 3</td>
<td>FRS 7</td>
<td>Acquisition costs capitalised</td>
<td>Yes</td>
</tr>
<tr>
<td>IFRS 3</td>
<td>FRS 7</td>
<td>Changes in contingent consideration capitalised within cost of investment</td>
<td>Yes</td>
</tr>
<tr>
<td>IFRS 3</td>
<td>FRS 10</td>
<td>Only separable intangibles can be capitalised</td>
<td>Yes</td>
</tr>
<tr>
<td>IFRS 3</td>
<td>FRS 10</td>
<td>Goodwill amortised with rebuttable assumption of life not exceeding 20 years</td>
<td>Yes</td>
</tr>
<tr>
<td>IFRS 3</td>
<td>FRS 10</td>
<td>Negative goodwill capitalised and amortised over life of assets to which they relate</td>
<td>Yes</td>
</tr>
<tr>
<td>IFRS 4</td>
<td>FRS 7</td>
<td>Goodwill calculation difference on piecemeal acquisitions</td>
<td>Yes</td>
</tr>
<tr>
<td>IFRS 5</td>
<td>FRS 27</td>
<td>Covers life assurance businesses, although principles are similar</td>
<td>No</td>
</tr>
<tr>
<td>IFRS 5</td>
<td>FRS 3</td>
<td>Discontinued criteria difference meaning that UK likely to show discontinuance later that International</td>
<td>Yes</td>
</tr>
<tr>
<td>IFRS 5</td>
<td>FRS 3</td>
<td>Both continuing and discontinued must be analysed on face of profit and loss account</td>
<td>Yes</td>
</tr>
<tr>
<td>IFRS 5</td>
<td>FRS 3</td>
<td>Encourages separate disclosure of acquisitions</td>
<td>No</td>
</tr>
<tr>
<td>IFRS 6</td>
<td>SORP</td>
<td>Covers oil and gas, with similar principles of capitalisation and impairment</td>
<td>No</td>
</tr>
</tbody>
</table>
Additionally, for Paper P2 (UK), the following basic Companies Act requirements surrounding:

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

**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)

<table>
<thead>
<tr>
<th>ISA 200</th>
<th>Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with ISAs</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISA 210</td>
<td>Agreeing the Terms of Audit Engagements</td>
</tr>
<tr>
<td>ISA 220</td>
<td>Quality Control for an Audit of Financial Statements</td>
</tr>
<tr>
<td>ISA 230</td>
<td>Audit Documentation</td>
</tr>
<tr>
<td>ISA 240</td>
<td>The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements</td>
</tr>
<tr>
<td>ISA 250</td>
<td>Consideration of Laws and Regulations in an Audit of Financial Statements</td>
</tr>
<tr>
<td>ISA 260</td>
<td>Communication with Those Charged with Governance</td>
</tr>
<tr>
<td>ISA 265</td>
<td>Communicating Deficiencies in Internal Control to Those Charged with Governance and Management</td>
</tr>
<tr>
<td>ISA 300</td>
<td>Planning an Audit of Financial Statements</td>
</tr>
<tr>
<td>ISA 315</td>
<td>Identifying and Assessing the Risks of Material</td>
</tr>
</tbody>
</table>

International Auditing Practice Statements (IAPs)

- IAP 1000 Inter-bank Confirmation Procedures
- IAP 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 (ISQC)
- 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

Auditing Complex Financial Statements
- Auditing Complex Financial Statements

Auditing Complex Financial Statements
- Auditing Complex Financial Statements

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 310 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) Review of Interim Financial Information and Ireland) Performed by the Independent Auditor
2410 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 examineable to the extent that relevant articles about them are published in Student Accountant.
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.

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 behaviour you would 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 be asked 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.
RESOURCES

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

ACHEIVING 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.

SEE PAGE 67 FOR INFORMATION ABOUT EXAM ENTRY AND EARLY, STANDARD AND LATE ENTRY DEADLINES
The following dates have been confirmed for the next exam session:

### DECEMBER 2012

#### 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 (Australia) – 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

**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.

[https://www.acca-business.org](https://www.acca-business.org)
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.

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.
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>
<thead>
<tr>
<th>TABLE 1: CLOSING DATES TO REMEMBER FOR DECEMBER 2012 EXAM ENTRY</th>
</tr>
</thead>
<tbody>
<tr>
<td>8 September 2012</td>
</tr>
<tr>
<td>8 October 2012</td>
</tr>
<tr>
<td>8 November 2012</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TABLE 2: CLOSING DATES TO REMEMBER FOR JUNE 2013 EXAM ENTRY</th>
</tr>
</thead>
<tbody>
<tr>
<td>8 March 2013</td>
</tr>
<tr>
<td>8 April 2013</td>
</tr>
<tr>
<td>8 May 2013</td>
</tr>
</tbody>
</table>

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
ACCA and ACCOUNTING excellence in the heart of the UK

Study and revise in-class or online with FBT

Study options to fit around your life: full-time, part-time and online.

Total support
Benefit from small class sizes*, expert tutors, practical skills certificates and a Pass 1st Time Guarantee™.

Extensive resources
Access the full syllabus in HD recorded lectures, course materials and an extensive library - all online.

Take your career further
Combine ACCA success with a master's degree - in just 3 extra modules.***

Flexibility
Study full-time or part-time, in-class or online - or combine the two.

Get a FREE iPad study anytime, anywhere

www.fbt-global.com/Essential
0121 661 7118
2nd floor, 5-7 Hill Street, Birmingham, B5 4UA