

RELEVANT TO ACCA QUALIFICATION STUDENTS

Changes to the ACCA Qualification in 2013

Gareth Owen, ACCA qualifications manager, explains the planned updates to the ACCA Qualification syllabuses taking place in 2013 as part of the process of continuous syllabus maintenance and improvement. The article highlights the latest syllabus changes, including any minor structural changes to exams.

There are a number of syllabus changes to the ACCA Qualification in 2013. These are mainly minor additions and updates, rather than major structural changes, ensuring that the qualification continues to evolve and adapt to the latest business and accounting sector needs. These latest changes are being introduced to update the syllabus content, to ensure that the ACCA Qualification continues to comply with the appropriate regulatory standards, to improve the articulation between related syllabuses and to reflect the views of our key stakeholders. The key change in 2013 is to the exam structure of the Professional Options papers. This will be described in the relevant Professional Options syllabus changes. (See detailed changes below.)

In all cases, please refer to the 2013 *Study Guides* for full details. The summary of changes is also included at the back of each *Study Guide*.

Terminology changes

The IASB has changed the names of the performance statements. ACCA will implement this terminology in 2013 for ACCA *Study Guides* and exams from Papers F4 to P7.

The following table shows the changes:

Old term	New term
Income statement	Statement of profit or loss
Statement of comprehensive income	Statement of profit or loss and other comprehensive income

As in the previous version of IAS 1, there is still the option to present performance in either a single statement or in two statements. No other wordings in accounting standards have been changed as these generally referred to items being charged/credited to *profit or loss* rather than mentioning the term *income statement*.

Please note that terminology changes will not apply to Papers F1, F2 and F3 until 2014 when terminology changes are made to all Foundation level exam papers too.

All the detailed changes to the syllabuses are summarised below.

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DETAILED CHANGES OUTLINED FOR JUNE AND DECEMBER 2013**Knowledge module (Papers F1–F3)**

The ACCA Knowledge module exams will remain with the current structure of 50 two-mark questions throughout 2013 and in January 2014 and Papers F1 to F3 will operate with the same examinable documents until January 2014. There are no syllabus changes planned for any of the three syllabuses for Paper F1, *Accountant in Business*, Paper F2, *Management Accounting*, or Paper F3, *Financial Accounting*, except for a minor terminology change regarding the IFAC Code of Ethics now known as the IFAC (IESBA) Code of Ethics. Exam questions will, however, still refer to the IFAC Code of Ethics. This only affects Section F of Paper F1, *Accountant in Business*. For clarity, the term IFAC will still be retained throughout this year.

There is no change to examinable documents for these papers. As explained above, the next update to the examinable documents for these papers will be for exams in 2014.

There is also a very minor clarification to a study outcome in Paper F2, *Management Accounting*, as follows:

Section and subject area	Syllabus content
B1 Accounting for material, labour and overheads	(c) (iv) Re-apportion service cost centre costs to production cost centres (<i>including the use of the reciprocal method where service cost centres work for each other</i>)

Paper F4, Corporate and Business Law (ENG) and (GLOBAL)

No changes.

Paper F5, Performance Management

The changes made to Paper F5 were mainly an attempt to align more effectively the Papers F2, F5 and P5 syllabuses. There is more focus on management information in Paper P5 but these needed better underpinning support from the Paper F5 syllabus – hence the additions to syllabus area E. Additionally, the preparation of budgets was felt not to be adequately covered in Paper F2 as it focused on using one technique – hence the additions to syllabus area C. In order to balance the overall size of the syllabus, some study outcomes in syllabus areas C and D, which are felt to be adequately covered in the Paper F2 syllabus, have now been removed with effect from 2013. The effect of removing these areas means that future Paper F5 questions will not directly test these areas, but they will be examined as assumed knowledge from Paper F2.

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Additions to Paper F5

The following have been added to the syllabus:

Section and subject area	Syllabus content
C3(a) Types of budget	Prepare rolling budgets and activity-based budgets
E1 Performance management information systems	<p>(a) Identify the accounting information requirements and describe the different types of information systems used for strategic planning, management control and operational control and decision making.</p> <p>(b) Define and identify the main characteristics of transaction processing systems; management information systems; executive information systems; and enterprise resource planning systems.</p> <p>(c) Define and discuss the merits of, and potential problems with, open and closed systems with regard to the needs of performance management.</p>
E2 Sources of management information	<p>(a) Identify the principal internal and external sources of management accounting information.</p> <p>(b) Demonstrate how these principal sources of management information might be used for control purposes.</p> <p>(c) Identify and discuss the direct data capture and process costs of management accounting information.</p> <p>(d) Identify and discuss the indirect costs of producing information.</p> <p>(e) Discuss the limitations of using externally generated information.</p>

Deletions from Paper F5

The following have been removed explicitly from the Paper F5 syllabus and will be examined as assumed knowledge in Paper F5 from the Paper F2 syllabus:

Section and subject area	Syllabus content
C1 Objectives	<p>(a) Outline the objectives of a budgetary control system.</p> <p>(b) Explain how corporate and divisional objectives may differ and can be reconciled.</p> <p>(c) Identify and resolve conflicting objectives and explain implications.</p>

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C4 Quantitative analysis in budgeting	(b) Explain the use of forecasting techniques, including time series, simple average growth models and estimates based on judgement and experience. Predict a future value from provided time series analysis data using both additive and proportional data.
D1 Budgeting and standard costing	(d) Prepare budgets and standards that allow for waste and idle time.
D2 Basic variances and operating statements	All outcomes in this subject area (D2(a) – D2(g))

Other changes to Paper F5

The following has been clarified in the syllabus:

Section and subject area	Syllabus content
D1 Budgeting and standard costing	(c) Explain and illustrate the importance of flexing budgets in performance management.
D4 Planning and operational variances	C (iii) labour, including the effect of the learning curve.

Paper F6, Taxation (UK)

The rationale has been updated to include inheritance tax, and the approach to examining has been updated to show that inheritance tax will now be examined in every paper, for between five and 15 marks.

The terminology of gift aid donations for companies (Section E2(f)) has changed to qualifying charitable donations, in line with the tax law rewrite.

Some changes have arisen due to the Finance Act 2012. A new part has been added to the syllabus at Section C4(f) to explain the election for the exemption of profits from overseas branches.

The following topics have been added as *excluded* topics, for clarity:

Section and subject area	Syllabus content (<u>excluded</u> topics)
B1 Income tax liabilities	<ul style="list-style-type: none"> Child benefit income tax charge

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B3 Income from self-employment	<ul style="list-style-type: none"> Capital allowances for motor cars already owned at 6 April 2009 (1 April 2009 for companies). Apportionment in order to determine the rate of writing down allowance or the amount of annual investment allowance where a period spans 6 April 2012 (1 April 2012 for companies).
B4 Property and investment income	<ul style="list-style-type: none"> Premiums for granting subleases.
B6 The use of exemptions and reliefs in deferring and minimising income tax liabilities	<ul style="list-style-type: none"> Seed enterprise investment scheme. The tax reduction scheme for gifts of pre-eminent objects.
C4 The effect of a group corporate structure for corporation tax purposes	<ul style="list-style-type: none"> The set off of qualifying charitable donations and losses for the purposes of calculating double taxation relief.
E3 The liabilities arising on chargeable lifetime transfers and on the death of an individual	<ul style="list-style-type: none"> The reduced rate of inheritance tax payable on death when a proportion of a person's estate is bequeathed to charity.

Paper F7, Financial Reporting (INT) and (UK)

There have not been any additions or deletions to the 2012 *Study Guide* for 2013. However, there have been minor amendments to the wording of some of the *Study Guide* outcomes corresponding to changes within examinable documents and to ensure greater clarity. The change in terminology relating to performance statements in IAS 1, as explained above, has been made throughout the *Study Guide*.

Paper F8, Audit and Assurance (INT)

There are no additions or deletions to Paper F8, just some amendments to clarify parts of the syllabus – all implicitly included previously:

Section and subject area	Syllabus content
C2 Risk assessment	(b) Auditor's response to risk.

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E2 Audit procedures	(c) Procedures for obtaining audit evidence.
E3 The audit of specific items	(e) Intangible assets, provisions.
F1 Subsequent events	(b) Auditors' responsibilities regarding subsequent events.
F4 Audit finalisation and the final review	(b) Procedures in conducting an overall review.
G1 Audit reports	(c) Emphasis of matter and other matters paragraphs.

Paper F8, Audit and Assurance (UK)

Same amendments as for Paper F8 (INT) above and also (following the restructure of the FRC):

Section and subject area	Syllabus content
A3 The regulatory environment and corporate governance	(b) Relationship between ISAs and the work of the Financial Reporting Council (rather than the APB).

Paper F9, Financial Management

The changes made to Paper F9 are to better align the syllabuses of Papers F2, F9 and P4. Treasury management has now been introduced in Paper F9 in syllabus area B and portfolio theory is being added to Section F2. Areas of the syllabus that are felt to be adequately covered in Paper F2 have been removed from Section D of Paper F9. The effect of removing these areas mean that questions will not directly test these areas, but they will be examined as assumed knowledge from Paper F2.

Additions to Paper F9

The following areas have been added to the syllabus:

Section and subject area	Syllabus content
B3 The treasury function	(a) Describe the role of the money markets in: <ul style="list-style-type: none"> i) providing short-term liquidity to industry and the public sector ii) providing short-term trade finance iii) allowing an organisation to manage its exposure to foreign currency risk and interest rate risk.

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	(b) Explain the role of banks and other financial institutions in the operation of the money markets. (c) Explain the characteristics and role of the principal money market instruments: i) interest-bearing instruments ii) discount instruments iii) derivative products.
F2 Estimating the cost of equity	(b) Explain and discuss systematic and unsystematic risk, and the relationship between portfolio theory and the capital asset pricing model (CAPM).

Deletions from Paper F9

The following have been deleted explicitly from the syllabus and will be examined as assumed knowledge from Paper F2/FMA:

Section and subject area	Syllabus content
D1 The nature of investment decisions and the appraisal process	(a) Distinguish between capital and revenue expenditure, and between non-current assets and working capital investment. (b) Explain the role of investment appraisal in the capital budgeting process. (c) Discuss the stages of the capital budgeting process in relation to corporate strategy.
D3 Discounted cash flow (DCF) techniques	(a) Explain and apply concepts relating to interest and discounting, including: i) the relationship between interest rates and inflation, and between real and nominal interest rates ii) the calculation of future values and the application of the annuity formula iii) the calculation of present values, including the present value of an annuity and perpetuity, and the use of discount and annuity tables iv) the time value of money and the role of cost of capital in appraising investments

Paper P1, Governance, Risk and Ethics

There are a few minor changes to the Paper P1 syllabus for 2013. The first is a new outcome in A3 concerning diversity as a consideration in the composition of boards of directors. The second is an amendment to E7(a) to link environmental reporting to social and environmental 'footprints'. The final change is an addition to the *Study Guide* under E7 relating to the typical contents of a social and environmental report. From 2013 the IFAC Code of Ethics will be referred to as the IESBA Code of Ethics. This change of terminology also affects Paper P7 (please see below).

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These changes are summarised in the following table.

Section and subject area	Syllabus content
A3 – New	i) Explain the meaning of 'diversity' and critically evaluate issues of diversity on boards of directors.
E7 – Amended	(a) Describe and assess the social and environmental effects that economic activity can have (in terms of social and environmental 'footprints' and environmental reporting).
E7 – New	(d) Explain and assess the typical contents of a social and environmental report, and discuss the usefulness of this information to stakeholders.

Paper P2, Corporate Reporting (INT) and (UK)

There have not been any additions or deletions to the 2013 *Study Guides* for either of the above syllabuses. However, there have been minor amendments to the wording of some of the *Study Guide* outcomes corresponding to changes within examinable documents. The change in terminology relating to performance statements in IAS 1, as explained above, has been made throughout the *Study Guide*.

Paper P3, Business Analysis

Since 2011, Paper P3 has had more management accounting/performance management areas added to it to increase the scope for the examiner to assess performance issues within business analytical contexts. These changes have been phased in, and the only change for 2013 is that a new outcome in G3 has been added to allow the examination of cost and management accounting concepts, which are relevant to strategy development and implementation.

The additions are as follows:

Section and subject area	Syllabus content
G3	(e) Evaluate the role and limitations of cost accounting in strategy development and implementation, specifically relating to: <ul style="list-style-type: none"> i) direct and indirect costs in multi-product contexts ii) overhead apportionment in full costing iii) activity-based costing in planning and control.

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Paper P4, Advanced Financial Management

The main change to Paper P4 has been to the structure of the exam.

The new structure of the exam is as follows:

Section A: One compulsory question:

Question 1: 50 marks (including four professional marks)

Section B: Choice of two from three questions:

All three questions: 25 marks

Total: 100 marks

A new pilot paper has been produced to reflect the new format.

Changes to the syllabus include an addition to Section G on Islamic finance, the re-grouping of topics to help with the logical flow and a new sub-section added into syllabus area C. A number of *Study Guide* outcomes have been clarified to give a better indication of the scope and depth of potential exam questions in the relevant areas. Finally, some study outcomes in syllabus area F have been moved to Paper F9 but will be assumed knowledge in Paper P4.

Additions to Paper P4

The following areas have been added to the syllabus:

Section and subject area	Syllabus content
G3 Developments in Islamic finance	Demonstrate an understanding of the role of, and developments in, Islamic financing as a growing source of finance for organisations; explaining the rationale for its use, and identifying its benefits and deficiencies.

Deletions from Paper P4

The following has been removed explicitly from the syllabus but will be examined as assumed knowledge from Paper F9:

Section and subject area	Syllabus content
F1 The role of treasury function in multinationals	<p>(a) Describe the role of the money markets in:</p> <ul style="list-style-type: none"> i) providing short-term liquidity to industry and the public sector ii) providing short-term trade finance iii) allowing a multinational company to manage its exposure to FOREX and interest rate risk. <p>(b) Explain the role of the banks and other financial institutions in the operation of the money markets.</p> <p>(c) Explain the characteristics and role of the principal</p>

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	<p>money market instruments:</p> <p>i) coupon bearing</p> <p>ii) discount instruments</p> <p>iii) derivative products.</p>
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Other amendments to Paper P4

Section and subject area	Syllabus content
<p>The following areas have been added to clarify what was already in the syllabus:</p>	<p>C1(a)</p> <p>iii) Single period and multi-period capital rationing. Multi-period capital rationing to include the formulation of programming methods and the interpretation of their output.</p> <p>C1(a)</p> <p>v) Risk adjusted discount rates</p> <p>C3(b) Calculate the cost of capital of an organisation, including the cost of equity and cost of debt, based on the range of equity and debt sources of finance. Discuss the appropriateness of using the cost of capital to establish project and organisational value, and discuss its relationship to such value.</p> <p>C3(c) Calculate and evaluate project specific cost of equity and cost of capital, including their impact on the overall cost of capital of an organisation. Demonstrate detailed knowledge of business and financial risk, the capital asset pricing model and the relationship between equity and asset betas.</p> <p>C4(a) Apply asset-based, income-based and cash flow-based models to value equity. Apply appropriate models, including term structure of interest rates, the yield curve and credit spreads, to value corporate debt.</p>
<p>The following areas have either wording changes, small insertions and or small deletions to provide clarity and scope for exams:</p>	<p>A2(f), A3(c), C1(c), C2(c), C3(a), C3(g), D2(a) and F1(a)</p>

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The following have moved and some with wording changes for better flow of topics and for clarity (sections here are referenced in the old syllabus)	C1(d), C1(f), C2(d) and C3(e) to new Section C4. C1(e) to Section F4.
Formula sheet	The formula sheet has been amended to remove the two asset portfolio theory formulae due to changes in scope for A2(f). Note that portfolio theory principles are still in the syllabus.

Paper P5, Advanced Performance management

The main change to Paper P5 has been to the structure of the exam.

The new structure of the exam is as follows:

Section A: One compulsory question:

Question 1: 50 marks (including four professional marks)

Section B: Choice of two from three questions:

All three questions: 25 marks

Total: 100 marks

A new pilot paper has been produced to reflect the new format.

The only major change to the syllabus is the removal of some study outcomes from Section C and clarification of the remaining outcomes in this section.

The areas removed will be treated as assumed knowledge from Paper F5.

Additions to Paper P5

The following areas have been removed explicitly from the syllabus but will be examined as assumed knowledge from Paper F5:

Section and subject area	Syllabus content
C1 Performance management information systems	(a) Identify the accounting information requirements and describe the different types of information systems used for strategic planning, management control and operational control and decision making.

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	(f) Define and discuss the merits of, and potential problems with, open and closed systems with regard to the needs of performance management.
C2 Sources of management information	(b) Demonstrate how these principal sources of management information might be used for control purposes. (c) Identify and discuss the direct data capture and process costs of management accounting information. (d) Identify and discuss the indirect costs of producing information. (e) Discuss the limitations of using externally generated information.
C4 Management reports	(a) Discuss the principal controls required in generating and distributing internal information. (b) Discuss the procedures that may be necessary to ensure security of highly confidential information that is not for external consumption.

Other amendments to Paper P5

Section and subject area	Syllabus content
The following areas have been amended to give more clarity and depth of expected level of coverage:	<p>C4(a) Evaluate the output reports of an information system in the light of: i) best practice in presentation ii) the objectives of the report/organisation iii) the needs of the readers of the report; and avoiding the problem of information overload.</p> <p>C2(a) Discuss the principal internal and external sources of management accounting information, their costs and limitations.</p> <p>E3(a) (a) Assess the potential likelihood of corporate failure, utilising quantitative and qualitative performance measures and models (such as Z-scores and Argenti).</p>

Paper P6, Advanced Taxation (UK)

The structure of the exam paper from June 2013 will be as follows:

Section A: two compulsory questions:

Question 1: 35 marks (including four professional marks)

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Question 2: 25 marks

Section B: Choice of two from three questions:

*All three questions: 20 marks***Total: 100 marks**

Study Guide Section A1(g)(i) has been expanded to include the seed enterprise investment scheme.

The syllabus has been updated to reflect the fact that inheritance tax (IHT) is now covered at the Paper F6 level, and *Study Guide* Section A4 shows which additional aspects of IHT are examinable at the Paper P6 level.

Syllabus Sections B to E have been restructured and reduced to Sections B to D. The previous Section B on 'the importance of taxation to personal and corporate financial management' has been removed, although B5 'the taxation effects of the financial decisions made by businesses (corporate and unincorporated) and by individuals' has been retained and moved to within what was previously Section C 'the impact of relevant taxes on various situations and courses of action, including the interaction of taxes'.

The terminology of gift aid donations for companies in Section E2(f) has changed to qualifying charitable donations, in line with the tax law rewrite.

Paper P7, Advanced Audit and Assurance (INT)

The structure of the exam paper from June 2013 will be as follows:

Section A: two compulsory questions

(including four professional marks from either Question 1 or Question 2):

Question 1: 35 marks

Question 2: 25 marks

Section B: Choice of two from three questions:

All three questions: 20 marks

Total: 100 marks

Please note that the IFAC Code of Ethics is now known as the IESBA Code rather than IFAC.

The syllabus amendments to Paper P7 are as follows:

The main areas to be added to the syllabus are shown in Table 1.

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Table 1 – Additions to Paper P7

Section and subject area	Syllabus content
D1(h) Planning, materiality and assessing the risk of material misstatement	Additional information
D1(i)	Matters not relevant to planning

The main areas that have been clarified in the syllabus (all were implicitly included previously) are shown in Table 2 below:

Table 2 – Amendments to Paper P7

Section and subject area	Syllabus content
B1(e) Code of Ethics for Professional Accountants	Professional scepticism
B1(f)	Evaluation of professional scepticism

Paper P7, Advanced Audit and Assurance (UK)

All as above with the addition of (following the restructure of the FRC):

Section and subject area	Syllabus content
G1(c) Professional and ethical current issues and developments	FRC developments (instead of APB)

Planned changes for 2014 and examinable document updates

In order to make changes to the cut-off dates for examinable documents, in response to feedback from stakeholders, the examinable document update for the following papers will be delayed for a session:

- Papers F4 to F9 (except Paper F6)
- Papers P1 to P7 (except Paper P6)

For these papers only, the examinable documents and *Study Guide* published for 2013 will also apply to the June 2014 session. ACCA approved publishers are aware of this and this has been reflected in their materials.

Papers F6 and P6 examinable documents will be updated for 2014 as normal in line with tax legislation.

It would normally be the case that the Papers F1–F3 exams in 2013 would be based on regulation and legislation issued/passed on or before 30 September 2012. ACCA made an exception when these papers were relaunched in December 2011 and extended the period for the examinable documents with a cut-off date of 30 September 2010 (including the version of the Framework prior to the changes to two chapters in September 2010) being effective for exams right through to the end of exam year 2012. This has now been extended to cover exam year 2013 too. As such, the new IAS 1 terminology will be examined from 2014 in these three exams.