Examiner's report
Financial Management (FM)
March 2019

The examining team share their observations from the marking process to highlight strengths and weaknesses in candidates' performance, and to offer constructive advice for future candidates.

General comments

The Financial Management exam is offered in both computer-based (CBE) and paper-based (PBE) formats. The structure of the exam is the same in both formats, but the CBE exam delivery model means that candidates do not all receive the same set of questions.

- Section A objective test questions – we focus on two specific questions that caused difficulty in this sitting of the exam
- Section B case-based objective test questions – here we look at the strengths and weaknesses in specific syllabus areas
- Section C constructed response questions - here we provide commentary around some of the main themes that have affected candidates' performance in this section of the exam, identifying common knowledge gaps and offering guidance on where exam technique could be improved, including in the use of the CBE functionality in answering these questions.

Congratulations to those candidates who were successful in this examination diet. If you were not successful, we hope that you will study the content of this report carefully as part of your preparation for your next attempt.

Performance in the March 2019 examination diet was generally satisfactory and there were some very good individual performances. That said, it is disappointing to see that some candidates were inadequately prepared for the Financial Management examination. As has been said in previous examiner's reports, candidates preparing for this examination need to study the whole of the syllabus in order to be able to cope with the type of questions set in this test of Financial Management skills.

This is particularly true of Section C of this examination, where candidates are expected to demonstrate in-depth knowledge through performing detailed calculations, and discussing and explaining Financial Management concepts as applied to the given scenarios. In order to do this, candidates must prepare well for the examination through dedicated study and question practice, and be ready to apply this knowledge to the Section C questions.

In general, candidates were well prepared in some areas of the syllabus, particularly those that have featured regularly such as performing a discounted cash flow appraisal of an investment project. However, candidates were less prepared to demonstrate knowledge in other areas of the syllabus such as 'Determining working capital needs and funding strategies' and 'Estimating the cost of capital'.

Section A

The objective test questions in Section A aim for a broad coverage of the syllabus, and so all areas of the syllabus need to be carefully studied. Candidates preparing for the examination are therefore advised to work through as many practice objective test questions as possible, reviewing carefully to see how correct answers are derived in any areas where they have uncertainty.

The following questions are reviewed with the aim of giving future candidates an indication of the types of questions asked and guidance on dealing with such exam questions.

Example 1 is numerical and tests investment appraisal methods.

Example 2 is a question testing knowledge of working capital.

Example 1

A project has average estimated cash flows of $3,000 per year with an initial investment of $9,000. Depreciation is straight-line with no residual value and the project has a five-year life span. The company has a target return on capital employed (ROCE) of 15% and a target payback period of 2.5 years. ROCE is based on initial investment.

Under which investment appraisal method(s), using the company's targets, will the project be accepted?

(1) ROCE
(2) Payback basis

A 1 only
B 2 only
C Both 1 and 2
D Neither 1 nor 2

The correct answer is D

The ROCE calculation is as follows
Depreciation per year = $9,000/5 years = $1,800
Profit per year = $3,000 – $1,800 = $1,200
ROCE = Profit/Initial investment = $1,200/$9,000 = 13.33%

The target ROCE is 15% therefore the project would be rejected

Project payback calculation = $9,000/$3,000 = 3 years
Target payback is 2.5 years therefore the project would be rejected

Therefore the correct answer is neither 1 nor 2.

Example 2

Which TWO of the following are correct descriptions of net working capital?

A Current assets – current liabilities
B Inventory days + accounts receivable days – accounts payable days
C Current assets / current liabilities
D The long term capital invested in net current assets

The correct answer is A and D.

Both current assets – current liabilities and the long term capital invested in net current assets are correct.

Option B is the operating cash cycle for a business.

Option C is the current ratio.

Section B

Similarly to Section A, questions can come from any area of the syllabus, reinforcing the need for candidates to study the whole syllabus.

General comments

Candidates should read the question carefully and follow the instructions on how to answer the question, for example if a question asks the candidate to select two correct statements, then marks can only be awarded if two statements have been selected. There is no partial marking, so an answer which only selects one statement will be awarded no marks. A candidate who selects three statements will also receive no marks.

In addition, when answering a number entry question, candidates must ensure they are entering their answer in the correct format as stated in the requirement. If there is no format specified, answers may be given as an integer or to one or two decimal places. The exam system is configured to allow any correct answer, under these formats, to be awarded the available marks.

Issues that were noted under specific syllabus areas are as set out below.

Working capital

A number of candidates were unable to identify correctly what just in time procurement meant in a given scenario and also when it was appropriate to use just in time procurement.

Business finance

A number of candidates struggled with questions around dividend theories and in particular, why dividend irrelevance may not hold in the real world.

Some candidates made errors in a question requiring them to understand the effect of different levels of share price discount on the theoretical ex rights price.

Business valuation

One issue noted from this session is that internally generated goodwill should not be included in an asset-based valuation, but a significant number of candidates did not do this.

A number of students also struggled with identifying under which forms of market efficiency insider trading was possible.

Risk management

It continues to be the case that candidates are not strong on questions which feature derivatives. One specific example in this session was a question testing the characteristics of futures contracts.

A further area of confusion appeared in a question which asked for a forecast spot rate in two years' time, with a number of candidates not correctly using the annual inflation rates for both year 1 and year 2.

Some candidates struggled with a question which required them to know under what conditions it would be appropriate to undertake interest rate matching.

A further point causing problems in this area is that in order to reduce risk, foreign currency receipts and payments occurring on the same day should be netted off the minimise the exposure, before undertaking any further hedging techniques. This is required where it is stated that the company wishes to minimise its risk exposure.

Section C

This section of the examination is where candidates are required to have deeper knowledge of topics. While there were many reasonable attempts at most parts of questions, especially numerically-based requirements, there were some candidates whose discursive question responses displayed little or no knowledge of Financial Management.

As previously stated, the CBE exam delivery model means that candidates do not all receive the same set of questions. It is not possible to predict the questions in advance.

Question requirements must be read carefully and answered directly. Candidates writing 'all that they know about the topic' without addressing the question requirement will invariably score few marks. Instead, the focus must be on the requirement and relating this to the scenario provided. Question requirements will often refer to the company in the scenario e.g. 'Discuss THREE ways in which K Co can ...'. This means that candidates must refer to the company's circumstances in order to score the marks on offer.

As in previous diets, some candidates failed to score marks where a recommendation and/or a comment was required on calculated figures. For instance, if asked whether a company should undertake an investment project, it is not enough for a candidate to simply say 'Good project so invest', without justifying the decision. Saying 'the project is financially acceptable as it has a positive NPV' offers a suitable justification.

Finally, in terms of general comments about Section C, it is worth restating that, if asked to discuss factors/benefits/reasons, it is not enough to simply list a few words. ACCA's guidance states that 'Discuss' means "Consider and debate/argue about the pros and cons of an issue. Examine in detail by using arguments in favour or against".

In this diet, candidates were presented with Section C questions drawn mainly from the following areas of the Financial Management syllabus:

- Stakeholders and impact on corporate objectives;
- Management of inventories, accounts receivable, accounts payable and cash;
- Determining working capital needs and funding strategies;
- Investment appraisal techniques;
- Allowing for inflation and taxation in DCF (discounted cash flow);
- Adjusting for risk and uncertainty in investment appraisal;
- Specific investment decisions
- Sources of and raising business finance;
- Estimating the cost of capital;
- Sources of finance and their relative costs.

Stakeholders and impact on corporate objectives

A part question in this diet required candidates to discuss ways to encourage managers to achieve stakeholder objectives. While there were some good responses to this requirement, many candidates focused on managerial reward schemes such as share options and performance-related pay (PRP), paying little attention to regulatory requirements such as corporate governance codes of best practice or stock exchange listing regulations. A discussion of the range of stakeholders and their objectives was not required, although some candidates offered this.

This part question illustrates the often-made point that all parts of the Financial Management syllabus can be examined.

Management of inventories, accounts receivable, accounts payable and cash

The detailed outcomes in this part of the Financial Management syllabus include an understanding of, and an ability to apply, relevant accounting ratios and a part question in this diet required candidates to calculate a range of identified working capital ratios in relation to financial information covering two years.

In this examination, candidates are expected to have an excellent working knowledge of financial ratios and many candidates gained good marks by correctly calculating the required ratios. Where errors occurred, these were due to imperfect understanding of how the ratios were formulated.

Some calculations of raw materials inventory holding period, for example, did not use material usage, while some calculations of work-in-progress production period and finished goods inventory holding period incorrectly included material usage. Some calculations of trade receivables collection period were surprisingly based on cost of sales rather than credit sales. Current ratio and quick ratio calculations occasionally incorrectly did not include cash as a current asset. Some calculations of revenue/ net working capital did not obtain full marks because they omitted tax liability.

Determining working capital needs and funding strategies

The detailed outcomes in this part of the Financial Management syllabus include an understanding of the key factors determining the level of working capital investment in current assets (working capital investment policy) and an understanding of the key factors determining how working capital is financed (working capital financing policy).

One question in this examination diet required a discussion of a company potentially changing to a more aggressive working capital investment policy. Interpretation of changes in the calculated working capital ratios over the period was often weak, with some answers saying little more than that a ratio was higher or lower than the previous year. Some answers limited themselves to a discussion of changes in current ratio, quick ratio and revenue/net working capital, perhaps because the question provided mean industry values for these ratios and not others. Some answers concluded, often without justification, that the company was under-capitalised (overtrading). Better answers backed up comments on calculated ratios with Financial Management knowledge.

There was regular confusion, sadly, of working capital investment policy and working capital financing policy. Candidates must understand the difference between these two policy areas: the first relates to the relative level of investment in current assets, the second relates to how working capital is financed.

Another question in this diet required a discussion of the implications for a company of adopting a more aggressive working capital financing policy. Better answers discussed the implied movement to an increased reliance on shorter-term sources of finance, such as trade finance and overdraft finance, over longer-term sources of finance such as equity and loan notes, together with the attendant implications in relation to risk and return. Weaker answers struggled to gain marks, sometimes because they discussed conservative and matching (moderate) working capital financing policies when the question requirement specifically referred to aggressive financing policy, and sometimes because working capital investment policy, rather than working capital financing policy, was discussed. Candidates should be aware that when the question requirement is for discussion, a brief bullet-point list of key phrases will obtain few, if any marks.

Investment appraisal techniques and allowing for inflation and taxation in discounted cash flow (DCF)

As in previous diets, candidates tend to score well on questions requiring a DCF-based investment appraisal using either net present value (NPV) or internal rate of return (IRR).

Where errors were seen, they echoed errors seen in previous examination diets and were in the following areas:

- Errors relating to inflation, such as inflating each year's cash flows by one year only: or using an inflation rate different to the one given in the question; or deflating, rather than inflating, future cash flows; or using a constant value per unit as the basis for inflating values per unit, when the forecast value per unit varied from year to year; or in some cases ignoring inflation completely.
- Errors relating to taxation, such as mistiming tax liabilities, including tax-allowable depreciation (TAD) benefits but also subtracting TAD from taxable cash flow to give taxable profit, failing to recognise or correctly calculate the final year TAD, taxing cash flows that included working capital figures and/or the residual value of the asset and not showing an understanding of the difference between calculating TAD on a straight line as opposed to a reducing balance basis.
- Errors relating to working capital, where candidates need to recognise the three distinct parts to be addressed and correctly timed: initial investment in working capital, incremental investment in working capital, and working capital recovery at the end of a project.
- Timing errors, such as locating initial investment at the end of year 1,
- Errors relating to cost of capital, such as discounting by the general rate of inflation; or calculating a different nominal cost of capital to the one provided in the question; or using the nominal cost of capital as the real cost of capital and vice versa.

One part-question in this diet required a calculation of the real NPV of an investment project when specific inflation of selling price, variable cost and fixed cost was present. The correct approach here is to deflate the nominal cash flows resulting from specific inflation by the general rate of inflation, adjust for taxation and then discount by the real cost of capital. Many answers used an incorrect approach, for example by using nominal cash flows as real cash flows. Another incorrect approach ignored specific inflation and inflated cash flows by the general rate of inflation, then discounted the resulting nominal cash flows by the nominal discount rate. The most common incorrect approach to finding the real NPV was to calculate cash flows ignoring inflation, adjust for taxation and then discount by the real cost of capital. Many candidates were not aware that the nominal terms approach and the real terms approach should give the same NPV in the given scenario, discussing in their findings reasons why there was a numerical difference between their real and nominal NPV.

One part-question asked for discussion of two approaches for dealing with inflation in relation to an investment decision where both specific inflation rates and a general inflation rate were available. These circumstances called for a discussion of the real and nominal approaches to investment appraisal. Some candidates did not gain marks here by discussing topics that did not address the requirement, such as probability analysis, sensitivity analysis, and the relative merits of NPV and

IRR. Some candidates incorrectly believed that the real approach ignored inflation. However, many answers were clear that the presence of specific inflation meant that a nominal terms approach to calculating the NPV was required.

A tax-free government subsidy linked to sales volume was included in one part-question from this area of the Financial Management syllabus. Some answers lost marks by omitting the subsidy from their NPV calculation, or by treating it as working capital investment, or by treating it as taxable income.

Adjusting for risk and uncertainty in investment appraisal

In this area of the Financial Management syllabus, candidates were assessed on their ability to calculate sales volume sensitivity, their ability to discuss sensitivity analysis and their understanding of discounted payback. In the narrative parts of these questions there were many responses that were far too brief for the marks on offer.

One part-question asked for discussion of the usefulness of sensitivity analysis in assisting a company in an investment decision Many answers did not gain many marks because they did not address the requirement, for example by discussing probability analysis, or by explaining the sensitivity analysis process, or by describing the weaknesses of sensitivity analysis, or by not linking their answer to the company in question. Some answers were too brief for the marks on offer, while others avoided discussion and used a list of key terms approach.

Calculating the sensitivity of NPV to changes in sales volume was required by another part-question. The correct approach here is to calculate NPV/ present value of contribution on an after-tax basis, expressing the result as a percentage. Weaker answers used sales revenue instead of contribution in calculating sensitivity, or used undiscounted contribution in the sensitivity calculation. Only cash flows affected by sales volume changes should be considered, so it was incorrect to include TAD benefits in calculating sensitivity because TAD is not dependent on sales volume. It was correct, however, to include a sales-volume-dependent tax-free government subsidy.

One part-question asked for discussion of the usefulness of knowing a project's discounted payback (DPB) period and the limitations of DPB as an investment appraisal method. Briefly, DPB can offer useful information if a company faces liquidity problems and it can assist in assessing sensitivity to a change in project life. Most candidates did not discuss either of these points, focusing instead on explaining the limitations of DPB and how to calculate it. Some answers calculated DPB when this was not required. As in other narrative questions, many answers were very brief for the marks on offer and, rather than discussion, as the question required, offered very brief bullet points. Definitions of DPB period tended to be weak and some answers incorrectly commented that DPB ignored the time value of money, or that it used profit instead of cash.

Specific investment decisions

Candidates were required by one part-question to explain the approach that a company should use to determine the optimum replacement cycle for a fleet of cars, and many answers gained full marks by correctly explaining the equivalent annual cost (EAC) approach. However, some candidates incorrectly believed that EAC is calculated by dividing the NPV of a cycle by the length of the cycle in years.

This part of the Financial Management syllabus includes evaluating investment decisions under single-period capital rationing and candidates were asked to calculate the optimum investment combination and the resulting NPV for a set of investments. Many answers were able to calculate correctly the profitability index of each of six divisible investments, although some did not then rank them. Some answers, however, incorrectly divided initial investment by NPV in calculating profitability indexes. As in previous diets, some answers lacked understanding of the term 'mutually exclusive' and included two such projects in their optimum investment schedule. Some answers lacked understanding of the term 'divisible' and after ranking projects by profitability index, calculated the NPV of different combinations of projects to determine the optimum combination, instead of being guided by the profitability index ranking.

Sources of and raising business finance

In this part of the Financial Management syllabus, candidates are expected to identify and discuss internal sources of finance, including retained earnings, increasing working capital efficiency and the relationship between dividend policy and the financing decision. One part-question in this diet addressed all three of these areas and produced answers of variable quality. One suggestion of how to finance an investment projects was to use the reserves in the statement of financial position and a surprising number of answers thought that these retained earnings were cash, when only the amount given in 'cash and cash equivalents' can be considered as such. A related suggestion was to free up cash by reducing investment in working capital and many answers discussed this well, gaining good marks. A second suggestion was to raise the required funds by selling the company's headquarters, and again many answers discussed this well, for example in relation to the hidden operating and other costs attendant on such a move. A third suggestion was a three-year dividend cut to raise the required investment funds, and many answers correctly discussed, for example, the possible reactions of shareholders to a cut in dividends. Many candidates could have gained higher marks by making more use of the data provided by the question, for example by considering the value of recent dividend payments.

Estimating the cost of capital

This part of the Financial Management syllabus includes estimating the cost of equity including application of the CAPM, its assumptions, advantages and disadvantages. One part-question in this area required candidates to discuss the advantages and disadvantages of using the CAPM to calculate a project-specific cost of equity. Most candidates provided better discussion of disadvantages than advantages, although the discussion was often of a general nature.

Many candidates struggled to gain marks here. Some candidates gave very brief answers and so attracted very few marks. It is not possible to gain many marks by writing one or two sentences. Some candidates, rather than discussion, offered bullet-point lists of very general points that lacked content, for example listing as advantages of the CAPM that it was widely used, simple to calculate, easily understood, reliable, more realistic, gave a detailed answer, and used the equity beta. Similarly, disadvantages of the CAPM were often phrased in very general terms, such as time-consuming, does not consider growth, may not be accurate, may understate the cost, may overstate the cost, ignores dividend growth, ignores project life, ignores inflation, and complicated formula.

Rather than explaining the advantages of using the CAPM to calculate a project-specific cost of equity, some answers described the procedure by which the CAPM calculates it. Weaker answers compared the CAPM to the DGM.

Candidates were required by another question from this area of the Financial Management syllabus to calculate a weighted average cost of capital (WACC) and many candidates gained good marks. Errors that led to candidates scoring less than full marks included:

- Attempting to use the dividend growth model when the information required by this model was not available;
- Errors in calculating the cost of equity using the capital asset pricing model (CAPM), such as using the equity risk premium as the return on the market, and subtracting the risk premium term instead of adding it;
- Errors in calculating the cost of preference shares, such as not calculating the preference dividend, using the percentage of nominal value as a preference dividend, and including a tax effect in the calculation;
- Errors in calculating the after-tax cost of debt, for example using the before-tax interest payment, omitting the year 0 market value from the interpolation calculation, replacing the year 0 market value with nominal value, adding interest to the year 5 redemption value, and using the spreadsheet IRR function incorrectly, for example applying it to three cash flows (-103.5, 6.4, 110) rather than to six cash flows (-103.5, 6.4, 6.4, 6.4, 6.4, 116.4);
- Errors in interpolation, such as choosing a higher second discount rate when the first discount rate had given a negative NPV and then struggling to extrapolate from two negative NPVs (for example, making a negative NPV positive), and exchanging NPV1 and NPV2 in the interpolation calculation;
- Errors in relation to the bank loan, such as ignoring it, using the CAPM-derived cost of equity as the bank loan cost of debt, and using a figure for the cost of debt for which no justification was offered;
- Errors in calculating WACC, such as calculating market value weights incorrectly, using book values instead of market values, including reserves in market value calculations, miscalculating the number of ordinary shares, treating the preference shares as ordinary shares, treating the preference shares as loan notes, multiplying the after-tax cost of debt by (1 – t) in the WACC calculation or multiplying the total calculated WACC by (1 – t).

Sources of finance and their relative costs

This part of the Financial Management syllabus includes the application of the CAPM in calculating a project-specific discount rate and one part-question in this diet required candidates to do this. There was a very wide variation in answers, ranging from full marks to no marks at all, but in general, answers were of a very poor standard. Few candidates demonstrated an understanding of how to calculate the project-specific cost of equity. In a previous examiner's report, this part of the syllabus was described as 'fundamental knowledge in the Business Finance section of the syllabus', however the very poor overall standard of answers indicated that many candidates were unprepared for this question. Some candidates did not even attempt to answer it. The asset beta formula and the CAPM formula are in the examination formulae sheet.

While many candidates were able to calculate the cost of equity using the CAPM, the equity beta used was often incorrect. Many candidates were able to calculate correctly the market values of a company's equity and debt, but some candidates then calculated gearing ratios, which were not necessary. There was a general unfamiliarity with applying the step-by-step process of calculating a project-specific cost of equity. This process requires ungearing one or more proxy company equity betas to provide asset betas: adjusting an asset beta (if necessary) of a proxy company with mixed business; calculating an average asset beta; regearing the average asset beta to give a project-specific equity beta; and then using the CAPM formula from the formula sheet to calculate a project-specific cost of equity. Ungearing a proxy company's equity beta uses the proxy company's capital structure, while regearing an asset beta uses the investing company's capital structure.

Errors that caused candidates to score fewer marks included:

- Errors relating to ungearing, for example ungearing the investing company's equity beta using its own equity and debt: ungearing a proxy company equity beta with the investing company's equity and debt; ungearing the investing company's equity beta with the investing company's equity and debt; and ungearing an equity beta to give an asset beta and then ungearing the asset beta instead of regearing it;
- Errors in relation to asset betas, such as not extracting an industry-specific asset beta for a mixed business proxy company: not calculating an average asset beta; and adding one asset beta to another;
- Errors in relation to using the CAPM formula to calculate a project-specific cost of equity, such as using the equity risk premium (market risk premium) as the return on the market: inserting equity and debt market values into the CAPM; and calculating a cost of equity that was a monetary amount;
- Errors in relation to the values of equity and debt, such as using book values instead of market values: not using the after-tax value of debt; and applying the business mix percentages to equity market values;
- Errors in relation to the overall calculation process, such as ignoring the second of two proxy companies: just calculating three costs of equity, one for each company, using the CAPM formula; calculating two project-specific costs of equity, one for each proxy company; and unnecessarily calculating a WACC.

Overall, it was clear that many candidates were poorly prepared to calculate a project-specific cost of equity, even though this is fundamental knowledge in this part of the Financial Management syllabus.

Spreadsheet and Word Processing Technique

The extent to which spreadsheet functionality is being used well by CBE candidates continues to improve. There were many well-presented numerical responses, professionally constructed and clearly labelled, with workings showing how final figures were built up.

By contrast, candidates need to use care and precision in spreadsheets. It is essential for candidates' work to be presented in a way that can be easily read and understood, i.e. it should be clearly visible without the need for markers to manipulate cells or column width. Furthermore, where text is put into cells, the presentation should be as good as it would be in a professional work environment. Markers should not need follow text across a large distance in order to read it.

Cell formulae can, of course, be used to perform computations, but care must continue to be taken in entering formulae in the spreadsheet. For instance, when using the sum formula, the cell range needs to be added correctly. Errors here include adding all items when some figures should be deducted and adding too many or too few items, yielding incorrect totals and sub totals.

Markers can see the formula in a cell and hence apply the own-figure rule where appropriate. However, the own-figure rule cannot be applied to figures placed in spreadsheet cells with no supporting calculations.

The same principles apply to calculations in computer-based examinations as in previous paper-based ones. Workings should be shown in order that 'method marks' can be awarded, and workings should be shown where markers can see them, in other words close to the main schedule being presented. Workings should not be placed in spreadsheet rows and columns far away from the main body of the candidate's answer.

In word-processed answers, candidates should respond to the requirements here as they would be expected to do in a professional work environment via continuous prose and appropriate Financial Management terminology. Using a computer does not remove the candidates' responsibility to prepare answers in a professional manner.

Furthermore, CBE candidates should continue to be guided by the provision of the designated spaces for some discursive responses. For example, requirements asking to 'Discuss three ways' will, in the CBE environment, ask candidates to respond in three separate 'boxes'. This should help candidates focus on providing the correct number of 'ways' for whatever is being asked.

Guidance and Learning Support resources to help you succeed in your exam

Preparing for the Financial Management exam can appear challenging but there are many resources available to help you. You should refer to these throughout your studies.

You should make sure you have made use of all of the resources found under technical articles for FM – these include technical articles, study support videos and exam technique resources – all developed with you in mind.

Additionally Examiner's Reports are available after each exam session. These are a valuable tool for understanding the exam, avoiding common pitfalls and developing exam technique. Work through the FM resource 'A guide to using the examiner's report' if you are sitting the exam for the first time or 'A guide to reflection' if you are retaking your exam. Both of these interactive tools can be found under the technical articles page for FM. These have been developed to sit alongside the self-study guide and the retake guide respectively, and provide you with further pointers for using the examiner's reports for previous sittings.

It is essential to practise as many exam standard questions as you can in the lead up to your exam. We strongly recommend that you use an up to date question and answer bank from one of our Approved Content Providers and also to work through the most recent past exams on our website. However, please note if you are using the past exams that these are not updated for syllabus changes or changes to the exam format since September 2016 and so should be used with caution – so check the latest syllabus and study guide for changes.

It is essential that you have a good understanding of the verbs typically used in ACCA FM exam questions. Take a look at the article What is the examiner asking? which sets out some of the most commonly used verbs, and ensure that you understand how these are used in the FM questions.