

ACCA F4 Corporate & Business Law (ENG) Exam Evaluation – December 2014

Objective Test Questions

There were some challenging questions amongst the 45. The spread across the syllabus was as expected. On balance a well prepared student would have achieved a pass on this section.

Multi Task Questions

There were 5 multi task questions in the paper. On the whole they were fair questions and the requirements were clear. The one that students probably found the most challenging was the scenario on articles of association. A potential issue maybe time management. Students must ensure that they kept their answers concise and to the point to ensure they got through the five questions.

Conclusion

A much anticipated paper as it is the first in the new format. It wasn't as straightforward as expected as there were some challenging objective test questions. However, a well prepared student should have achieved a pass on this exam.

ACCA F5 Performance Management Exam Evaluation – December 2014

Section A questions

This is a new format exam and not much was known about these multiple choice questions in terms of breadth and depth; but we needn't have worried. Like the Specimen paper offering, these presented the candidates with a good mix of syllabus areas. As is the nature of these, one or two would take longer than 4 minutes (probably the decision tree), but the knowledge based ones were indeed very quick to answer. That is not to say that they were too easy, or predictable. Even if mere textbook knowledge was enough for some (such as Q4), some tested interesting combination of topics (such as breakeven and relevant costs in Q5) and required more than superficial knowledge of, for example, pricing strategies (such as Q20).

Question 1

A fair question on learning curves. Part (a) was a standard "find the time for the nth unit," with a little bit of cost-plus pricing. A well prepared student should have found to be an easy 5 marks, but the weaker candidates would have perhaps benefited from a kinder, more 'split' requirement asking them to find the time for the 8th unit first. Part (b) was new - find the actual learning rate, but the article on the subject covered this in enough detail.

Question 2

Few would have been surprised with throughput accounting ratios making an appearance, as this throughput, a regularly recurring topic, documented on technical articles published on the ACCA website.

This is reinforcing the fact that practising past papers is essential in F5. Part (a) required understanding of what a bottleneck was, part (b) was TPAR - again, providing a student knew the formula for TPAR, this was a very passable question. Bottlenecks and throughput have been examined before and should have been tackled on revision. However, passing the question should have been no problem for the well-prepared student.

Question 3

This was a 'complete' question mixing calculations and narrative in a big 10-marker block, which could have penalised poor planning and lack of question practice. However, relevant costing principles are a pillar of Management Accounting knowledge, and of this F5 paper. This question was very similar to, but obviously shorter than, Question 1 from Dec 11. Application of relevant costing principles to several different cost types is key, as is a professional layout of answers. Students historically score well on these questions.

Question 4

Ah, the Balanced Scorecard..... Knowledge of this model is absolutely essential - this question is impossible to score well on if the model is not known. Part (a) was bookwork for 6 marks, then part (b) required the student to apply the knowledge to the scenario. Probably the trickiest question on the paper, but very similar in structure to Question 2 in the June 13 paper - including this question as part of revision would have made life much easier on exam day. Any student practising that as part of their revision would be well set.

Question 5

There is very little to comment on as far as advanced variances are concerned: they are very clearly a core F5 topic, following on logically from the F2 basic variances that should form the basis of budgetary control knowledge for would-be management accountants. The split of sales variances between planning and operational elements is unavoidable in a well constructed revision programme. Therefore, this question on mix and yield was a gift, with no real tricks in part (a) – candidates have to know the approach, and get the calculation done. Part (b) required an understanding of what the variances mean, which can be trickier, but students should be able to harvest some marks from this.

Requirements (b) required discussions, and students may have been uncomfortable with the narrative dimension of this question, but the Examiner has made no secret of her willingness to test the students' ability to put their point across in a clear and concise way. Practicing different types of questions is important in any revision programme. Variances lend themselves very well to non-computational questions and candidates should have been well prepared for a test on that topic.

Conclusion

A very fair exam indeed for the first sitting under the new syllabus. There was no difficult question to struggle with and the topics were some of the most 'popular'. The requirements were clear, well split and the exam very manageable in the time given. Questions were set at an appropriate and consistent level of intellectual demand and were mostly consistent with previous exams in content, even if the format has changed. All topics examined are within the syllabus, the exam was balanced in terms of knowledge areas. Mark allocations across the topics examined were appropriate. A well prepared student would have been able to pass the exam.

ACCA F6 Taxation (UK) Exam Evaluation – December 2014

Question 1

A very detailed income tax and NIC question for 30 marks. Part (a) was for 23 marks and not broken down other than the mark allocation between the two individuals, so time management may have been an issue.

There were no unusual aspects apart from identifying which capital additions were plant and qualified for capital allowances. However, there were many detailed aspects to consider, including a partnership, withdrawal of the personal allowance, multiple benefits and charitable donations. In working through these parts many easy marks could have been gained.

The question asked for balancing payments rather than income tax liability, therefore the Class 4 NICs also needed to be calculated.

Part (b) covered basic self-assessment issues which should have been straightforward if learnt.

Part (c) was likely to be challenging as it asked for an explanation of why one option would not be more expensive than another, but without specifying which taxes students needed to consider. If students did not spot that this related to NICs, it would be very hard to score any marks here. However, for those who did spot this it involved very straightforward calculations.

Question 2

Part (a) was a somewhat unusual presentation for question 2, although it was not dissimilar to the same question in the December 2012 exam. Rather than being asked to prepare the corporation tax computation from scratch, students were required to provide a revised version of the one already given in the exam question. This involved reversing calculations carried out incorrectly before doing the revised calculations, and required a good understanding of the way the calculations work, rather than just the ability to follow the pro forma and crunch the numbers. This was not a popular question with students. However, it was only for 12 marks, therefore a poor performance in this question would not necessarily mean students would fail the whole exam.

The second part required students to identify why the company would not pay instalments in the current year and why they would be due in the following year, which was straightforward provided these aspects of administration had been learnt.

Part (b) was 10 marks on VAT and covered various administrative aspects including default surcharges, accounting for supplies of services from the EU, disclosure of VAT errors, default interest and penalties for errors. All aspects were manageable provided the detailed administration rules had been learnt.

Question 3

Part (a) covered the new residence rules, and was fairly challenging as it tested the detailed significant ties tests. Students would have found this difficult unless they knew the new rules very well.

Part (b) was a new presentation for a CGT question – looking at three potential disposals and identifying which would generate the highest net proceeds after tax. Each disposal calculation was relatively straightforward, and easy marks could be obtained. Some students struggled to identify which figure to deduct the tax from – the gain or the proceeds.

Question 4

Part (a) involved two very straightforward corporation tax calculations, and a comparison of which trading structure would result in the lower corporation tax charge. It was a new approach, but should not have caused difficulty.

Part (b) involved group losses and was fairly detailed - including non-coterminous year ends, relief of qualifying charitable donations and a small element of planning. The question was quite challenging for one 6 mark question.

Part (c) was 5 marks on chargeable gains groups and was much more manageable.

Question 5

This question covered a mixture of inheritance tax (10 marks), pensions (3 marks) and ISAs (2 marks).

The inheritance tax was largely straightforward. However, it did ask how much the individual inheriting the residue of the estate would receive after tax, which is again a new approach to the topic. It tested the knowledge that specific legacies are received free of inheritance tax, which had not been previously tested. However this was only worth one mark and should not have prevented students scoring highly on this part.

Part (b) on pensions was somewhat difficult as it asked for the maximum amount of additional gross pension contribution which he is permitted to make – many students would have been caught out by this as there is no maximum. It may have caused confusion, but was only worth ½ mark.

The ISA question was very easy and could be answered using the figures from the tax tables.

Conclusion

Although there were few difficult technical areas, the presentation of a number of the questions was very challenging and would have created additional time pressure. Students would only expect one such question in F6 based on recent sittings. Whilst this provides a good bridge to P6, it will have caught students off guard.

It is likely that fewer students will pass compared with recent sittings, and many students may not have performed to the best of their ability due to the question style.

ACCA F7 Financial Reporting (Int) Exam Evaluation – December 2014

Section A

As expected, a tough set of multiple choice questions. There were plenty of questions on core areas, especially those involving calculations. The narrative questions examined some niche areas of the syllabus, highlighting the need for students to have knowledge from all of the topics.

Question 1

The toughest question on the paper. The analysis should have been relatively straight forward, but students would not have liked part a, where the ratios needed to be adjusted before comments could be made.

Question 2

Part a was unusual, as it required a re-draft of Retained Earnings rather than a full statement of profit or loss. However, the adjustments in the question were all very common areas that the students should have been comfortable with.

Question 3

The nicest question on the paper. While a post acquisition revaluation isn't the nicest adjustment, all of the core group adjustments were there, meaning many students should have done well on this.

Conclusion

One of the tougher papers in recent times. Section A was difficult as expected, but no more difficult than the sample paper. Question 1 and 2a would have thrown students, but Questions 2b and 3 were gifts for a well prepared student.

ACCA F8 Audit and Assurance (Int) Exam Evaluation – December 2014

Section A - Objective testing

A fair set of questions covering the syllabus.

Question 1

A straightforward, knowledge question covering the importance of planning. This should be something students have memorised and should not cause any problems. Part b was slightly trickier as the question focused on procedures to be performed over wages where there was an increased risk of fraud. This was more unusual than a standard audit procedures question and some students may have struggled.

Question 2

A straightforward audit risk question which students should expect to see on every exam. There were some very typical risks included and this should not have caused any problems for students who have revised properly.

Question 3

This question covered audit committees and appointment of non-executive directors. Benefits of establishing an audit committee is a basic knowledge requirement that most students should have dealt with well. Advantages and disadvantages of appointing the two candidates as non-executive directors was an unusual question but students who knew the role and characteristics of non-executive directors should have been able to generate a good answer.

Question 4

Part a required simple recall of the study materials with regard to the elements of an unmodified audit report. This should not have caused any problems. Part b covered a typical subsequent event of a customer experiencing cash flow difficulties. This is probably the most common example of an adjusting event that students see in their studies and most students should have dealt with this well.

Question 5

This question covered control deficiencies in respect of the sales system described along with a covering letter. This type of question is expected on every exam paper and the only thing unusual about the question was that seven deficiencies were required compared with between four and six in previous exams. The deficiencies were quite easy to identify and well prepared students should score well.

Question 6

The final question focused on evidence and audit reports. The factors to consider before placing reliance on the work of an expert requires regurgitation of the study materials. Some students may have found it difficult to find five points. Audit procedures in relation to the revaluation of land and buildings and valuation of WIP should be straightforward. Some students may have given audit procedures to be performed over land and buildings or inventory in general rather than focusing on the revaluation or WIP aspects specifically which may mean they don't earn the marks. The audit reporting requirement was very typical and students should have dealt well with this.

Conclusion

A fair paper with good coverage of the syllabus. Not too many tricky questions and plenty of questions seen on past papers which should mean students can score well on this paper.

ACCA F9 Financial Management Exam Evaluation – December 2014

Multiple choice questions

The multiple choice questions were of an expected standard and format. The mix between narrative and calculations was also as expected. No surprises here and there was a reasonable amount of work to be carried out in the allocated time.

Question 1

There was a lot of information provided in the scenario and in order to score well in part (a) it was necessary to work fast all the while being careful not to make careless errors. Various pieces of information linked together to arrive at the cash balance at the end of each month and it was absolutely vital to lay out the answer in a clear format which was easy to follow. Part (b) involved a couple of steps in order to arrive at the various components of the forecast current ratio. As long as a methodical approach was adopted this should not have presented problems. Part (c) for 3 marks took on a slightly unusual slant in terms of prompting a discussion of how to invest a short-term cash surplus. Investing in shares listed on a large stock market was suggested and three sensible comments in response to this would have scored full marks. The key focus here would be to recommend that a short-term cash surplus be invested in say a bank deposit, seeking to best match the time-scale of the investment with the period of cash surplus.

Question 2

Part (a) called for a calculation of the market value of convertible debt and a decision as to whether conversion would be recommended. This was a straight-forward working that the well-rehearsed candidate should have dealt with efficiently. The share price calculation in part (b) was simple but the bulk of the marks lay in the discussion of problems relating to the method used. Some standard points could be brought out here but it was imperative to tie your comments to the scenario at any given opportunity. With adequate exposure to past questions, students should have been well-prepared for the discussion.

Question 3

Part (a) should have been managed well as students have seen similar requirements numerous times before. It incorporated some calculations to determine the outcome of the hedging arrangement and then equal marks were awarded for a discussion on the preference for hedging. Part (b) called for a further calculation relating to interest rates and, if approached with a practical mindset, should also have been dealt with well. On the face of it, part (c) seems straight-forward but the difficulty lies in generating enough points here. Four marks were available for a discussion on whether the company should invoice in their home currency, thus avoiding exchange rate risk. An obvious point would be that it might make them less attractive to customers in the commercial arena as the customer would bear the exchange rate risk but in addition it was necessary to generate further points to score well.

Question 4

This was a particularly unusual way of testing investment appraisal. Students were presented with an NPV calculation and then asked to revise it based on the information provided. After commenting on the project's financial acceptability, it was necessary to explain any two of the revisions that were made. Faced with an unusual style such as this, it is vital to keep calm and think logically as to the best approach. Amendments were necessary to inflation, tax-allowable depreciation, interest payments and the final year tax liability. In terms of the workings carried out, a good layout would mirror the layout given in the body of the question.

Question 5

Part (a) tested knowledge of the weighted average cost of capital (WACC) but had an unusual twist. It asked for a calculation based both on market values and book values. It was necessary to draw a lot of information from various different parts of the question and only a candidate who was well rehearsed in these calculations would have found this part of the question to be manageable in the time given. Part (b) was absolutely standard knowledge relating to raising funds via rights issue. Hopefully this provided some quick and easy marks to compensate for more tricky elements of the paper.

Conclusion

Overall, the exam was fair, with nothing too unexpected. It was time pressured but not excessively so. There was a good mix of core syllabus areas along with some less commonly tested areas. The balance of calculations and discussion was as expected.

ACCA P1 Professional Accountant Exam Evaluation – December 2014

Question 1

The question was based around a large clothes retailer driven by a cost leadership strategy. This strategy was supported by a complex supply chain part of which entailed sourcing garments from developing countries where cheap labour was prominent and workplace regulation was perhaps superficial. The extent of the supply chain exposed the retailer to significant risks which needed constant monitoring to reassure shareholders.

Examining stakeholder claims and the potential conflict between them, corruption and the effect on insufficient building regulation, the question drew comparison with the well-publicised collapse of buildings in Bangalore and Bangladesh which predominantly housed garment factories, supporting the need to keep up to date with developments within the business world. In addition the explanation of risks pertinent to the company depicted and the need to draft a press statement from the board of directors covering some familiar and newly introduced topics to P1 such as integrated reporting made this question both demanding and covering some sensitive areas.

Part a), for 7 marks, and using the verb discuss, asked candidates to consider the claims of two very specific groups of stakeholders and how their claims may conflict. These are common themes in P1, forming the very basis of understanding and as such should have presented few problems.

Part b), for 10 marks, was a more challenging question around the concept of corruption asking candidates to apply their knowledge to the scenario. This was a good question. The examining team have made it very clear that candidates should be able to apply their knowledge rather than regurgitate facts.

Part c), for 9 marks required the explanation and application of risk and the importance of these specific risks to the company's shareholders. This may have caused some students a problem as some of the risks asked for were not specifically mentioned in the syllabus. The scenario however helped a great deal to understand and explain these risks. The well prepared candidate would have been aware of this potential questioning approach and used common sense to answer the requirement.

Part d) was split into three parts. Part i) for 6 marks asked for an explanation of the company's role as a "corporate citizen" as applied to its international supply chain. Part ii) for 6 marks requested candidates to explain accountability and fiduciary duty using the pristine capitalist perspective. This would have been a significant challenge to the unprepared student requiring syllabus knowledge, good application of this knowledge and very significant time pressure. Part iii), for 8 marks required candidates to describe the basics of the newly introduced syllabus topic of integrated reporting with particular emphasis on the different capitals and the benefits of to the company's stakeholders. This would again have been a challenge in knowledge retention, application and time management.

There were 4 professional marks available with the parameters clearly noted as to how to achieve these marks. The background knowledge to answer all parts of this question part is very well covered in the relevant chapters of Kaplan text.

Question 2

This question, split into three parts focused on the area of public sector governance and in particular the application of this specialised area to a state funded school. The scenario depicted worsening examination results, despite increases in budget, and examined the role of the oversight board against key concepts in the corporate governance syllabus.

Part a) for 10 marks asked the candidates to explain the characteristics which categorised the school as a public sector body and how the objectives of such a body many not have been met.

This was a testing question requiring the candidate to know the difference between public sector and private sector objectives and then apply this knowledge to the requirement. Good preparation for the exam by reading the examining teams articles on this area of governance would however have allowed students to score well in this question.

Part b) for 9 marks then required an explanation of the role of the oversight body for the school and then apply this to the key governance concept of transparency in the light of a comment made by a member of the oversight body. This was an excellent question and would have tested the knowledge of many candidates.

Part c) for 6 marks required candidates to discuss the advantages of replacing the head teacher and was a test of common sense rather than syllabus knowledge. Any sensible comments would have scored marks but may have been a difficult question for many candidates under exam conditions.

Question 3

This question explored key syllabus areas, and examined candidates on the application to individuals as well as corporate bodies.

Part a), for 10 marks, asked candidates to “assess” the suitability of an individual to become a CEO of a listed specialised scientific company. This required knowledge of the key attributes of a CEO and whether the individual depicted in the scenario would have been suitable for that role. Some candidates may have found assessing the suitability challenging but careful reading of the scenario would have provided many clues.

Part b) for 9 marks looked at the benefits of appointing non-executive directors, their recruitment and the difficulties that the newly formed company may experience in recruiting suitable non-executive directors. On the surface, this question should have been straightforward and candidates would have been aware of the wider benefits of NED’s, but may have struggled with the application of these principles to the company depicted and its particular circumstances.

Part c) for 6 marks, then changed the emphasis to “explain” conflict of interest and should have presented the well prepared candidate with few problems.

Question 4

This question, examined the key syllabus areas of internal audit, internal control and the less familiar (and often overlooked) area of continuing professional development (CPD).

Part a) for 10 marks required students to “construct the case” for establishing the internal audit function. The construction of a case can often provide some candidates with problems. Thorough question practice however would have provided sufficient background to allow candidates to score well. In addition the scenario provided lots of guidance to prepare a good answer. This should have been straightforward and was an exam tip for this sitting.

Part b) for 9 marks asked for candidates to explain the reasons why internal controls can never be guaranteed to be effective. This tested a key knowledge area and again was an examination tip for this sitting.

Part c) for 6 marks would have presented the most problems with candidates being requested to apply their knowledge of continuing professional development to the circumstances in the scenario.

Conclusion

The exam was well constructed, drawing on the new syllabus areas, but would have been challenging from a time management perspective. Candidates were tested on their ability to apply rather than just regurgitate their knowledge. This application of core definitions and key syllabus areas to unfamiliar scenarios may have presented problems for the ill-prepared candidate. The use of a variety of verbs in the requirements demonstrated the intention to continue to test in this manner as has been noted repeatedly in the examiner's reports.

ACCA P2 Corporated Reporting (Int) Exam Evaluation – December 2014

Question 1

Many students would have been happy to see a statement of financial position in question 1a. Measurement period adjustments and a gain on a bargain purchase may have thrown those who were less well prepared. Moreover, many students would have struggled with the joint arrangement in note 5 of the question. However, well-prepared students should have been able to score many of the easy marks available. Question 1b tested some detailed rules around share based payments, but solid marks could be scored for demonstrating a basic knowledge. The ethics requirement in part 1c should have been a source of easy marks.

Question 2

This question tested extremely detailed knowledge. Very few students would know about related party disclosure exemptions for government entities or about financial guarantee contracts. Although the hedge accounting question tested core knowledge, students tend to struggle with this topic.

Question 3

This question had two requirements for 12 and 11 marks respectively. Questions 2 and 3 in recent P2 exams have tended to have 3 or 4 requirements, so this would have taken many by surprise. Part a concerned whether an investment should have been consolidated or not. This tested detailed rules in IFRS 3 about the nature of 'businesses' which students may have been unfamiliar with. However, a good knowledge of the nature of control and consolidation per IFRS 10 would have helped. Part b concerned property, plant and equipment. Both parts of the question involved detailed and relatively obscure scenarios, but students with good exam technique should have picked up solid marks.

Question 4

This question concerned the impairment of assets and the extent to which IAS 36 is being correctly applied. This has been highlighted as a current issue in recent examiner reports. Whilst many would have been expecting a question on integrated reporting, this topic should not have come as a complete surprise.

Conclusion

Students with a strong knowledge of consolidation as well as good overall exam technique will obtain the pass mark that they deserve. It is, however, a shame that so many requirements across the P2 exam tested non-core knowledge that is buried deeply within the accounting standards. Many students will feel frustrated that, in an exam with such a large syllabus, they are being tested on such detailed and niche areas.

ACCA P3 Business Analysis Exam Evaluation – December 2014

Question 1

This question should have been one that candidates were well prepared for. It started with 21 marks where the BCG matrix was needed along with financial analysis in order to appraise the performance of three business units. This has been a common requirement over the last few years and candidates who had attempted similar questions in the past should have scored well. The second part required the use of the Johnson, Scholes and Whittington strategy evaluation tests - another commonly examined area that candidates should have been expecting to see in the exam. Part (c) was tougher as it is not a syllabus area that we see a lot, but it was only worth 10 marks and sensible analysis would have scored some reasonable marks here. Overall, this should have been a question that well prepared candidates will have scored well in.

Question 2

This question concerned two areas that can sometimes catch out the less able candidates. Party (a) concerned the redesign of a business process. Too often in the past candidates have focused on the theory or the models here which does not score many (if any) marks. Instead candidates who have practiced similar past questions will have focused on identifying problems in the scenario and suggesting solutions for each one. A similar point applies to the second part of the question where weaker candidates might focus on the textbook advantages and disadvantages of outsourcing rather than the make points that are relevant to this scenario (such as using some of the financial data that was provided). This is likely to have been a popular question in the exam, but one in which less able candidates are likely to have become over-reliant on the study text rather than the scenario and may well not have scored as well as they will have hoped.

Question 3

Project management is a key exam area that candidates should expect to see in every P3 examination. To score well here candidates will have required a reasonable amount of knowledge and putting some of that knowledge into the scenario would have scored some marks. Candidates then needed to apply their knowledge to the scenario. So for those students with the requisite knowledge, this would have been a straightforward question.

Question 4

This question mixed together two very different topics. Part on the value chain will have been very popular with candidates and one in which they are likely to have scored well. Party (b), on forecasting techniques, is much more challenging and included a requirement to perform some calculations. This is an area that candidates have struggled with in the past and it will have been important that candidates read the full question before choosing this option and getting caught out by a tricky part (b).

The examiner has stated in the past that students are unlikely to have to perform calculations on forecasts. So this part of the question (although relatively simple) will have caught out many students.

Conclusion

This exam focused on the key exam areas. Candidates should have practiced many similar questions from past exams and been well prepared to pass this paper.

ACCA P4 Advanced Financial Management Exam Evaluation – December 2014

Question 1

This was a 50 mark compulsory question, covering the topics of business valuation, investment appraisal and strategic issues.

There was a lot to do here, but the various different parts of the question were all independent. Hence, it would have been important for students to start with their favourite part of the question, and not to allow themselves to become bogged down in the detail of the calculations.

For example, the discussion elements could have been attempted first, or a student could have chosen to start with the calculations on either valuation or investment appraisal.

The valuation calculations used a method of multiple of free cash flow to equity, which would have been unfamiliar to most students. However, its similarity to the very familiar price-earnings method made the calculations quite easy for students who kept calm. It is important to keep calm in an exam even when faced with a topic that looks unfamiliar.

The probability information made the NPV calculation more complex than usual, but again students who kept calm would have scored good marks here.

The WACC calculation, using proxy company information, was entirely in line with expectations.

The option to abandon was unusual. No information was given regarding volatility, so it was impossible to use the Black Scholes model. Therefore, it was necessary to simply compare the present value of the abandonment receipt to the expected present value of the future cash flows to decide which was better.

Question 2

This was a 25 mark optional question covering the core syllabus topic of interest rate hedging.

The recent (republished) article on the ACCA website flagged up this topic as important, so students should have been expecting this.

The question covered the topic in the same way as many previous exam questions. There were no unexpected complexities in the calculations.

Question 3

A 25 mark optional question covering the core syllabus area of investment appraisal.

The examiner has tested investment appraisal in this way before – i.e. he presents the information for one project then asks for calculations on another project before asking students to compare the two projects. IRR and MIRR are commonly tested and students generally find the calculations straightforward. Although VAR is tested less frequently, it should have caused few problems to students who had practised using the normal distribution tables and attempted the examiner's previous questions.

Question 4

A 25 mark optional question covering performance appraisal.

EVA has been tested several times before, so students should have been pleased to see it here. However, there was a lot of information presented in the question, so some students might have struggled to pick out the key figures. Remember that EVA is a cash based figure, so profits need to be adjusted (if possible) to reflect the differences between cash and profits.

When assessing performance, remember to compare ratios to previous years and to industry averages in order to give plenty to comment on.

Conclusion

There were some tough questions on this paper, and time pressure would have been intense. However, the topics covered were all core syllabus areas, so a well prepared student should have been able to achieve a pass.

ACCA P5 Advanced Performance Management Exam Evaluation – December 2014

Question 1

Question 1 was worth 50 marks and was based on a listed engineering business called Boltzman. The scenario was reasonably succinct with clear explanations of exactly what was and was not required. There was a quite a lot of information to absorb in the three appendices but these were clearly related to the individual requirements.

Requirement (i) was on the Performance Prism. It was a typical requirement in that it tested the candidate's book knowledge (of the five facets in this case) but it then also expected candidates to relate the facets back to the information in the scenario. Some candidates may have struggled with this application.

Requirement (ii) asked for an analysis of the company's stakeholders. Most well prepared candidates will have correctly used Mendelow's matrix to answer this requirement and should have been able to score a reasonable mark. The second part of this requirement asked for an evaluation of the suggested performance measures – a typical requirement of this examiner. Candidates were expected to present a balanced answer with both pros and cons.

Requirement (iii) asked candidates to carry out a benchmarking exercise using five suggested measures and two measures of their own choosing. Candidates should have felt comfortable with this area and a reasonably easy five calculation marks were available. Candidates also had to evaluate the approach to benchmarking and so, again, would have been expected to discuss both the pros and the cons.

The final requirement asked for an explanation of the problems of JIT for Boltzman. Most candidates should have felt comfortable with this area but may have struggled to come up with enough separate point or to add the required depth to gain a good mark.

Question 2

Question 2 was based on a local authority and focused on its waste collection service. Candidates should anticipate that a scenario may be based on a NFPO. The scenario was reasonably long and contained some numerical information to absorb. However, the requirements were clear and most reasonably well prepared candidates should have felt comfortable in answering this question.

Requirement (a) asked for an explanation of why NFPIs are useful for public sector organisations, giving relevant examples. This was a test of core book knowledge and as long as candidates made a decent attempt to relate their points to the scenario they should have been able to score a pass/good pass.

Requirement (b) tested performance indicators once again (a very popular area) but now in the context of value for money. The link between value for money and performance indicators should have been anticipated by candidates. Some candidates may have struggled to understand exactly what was being asked of them but any candidate who had completed the mock should have been happy with this requirement.

Requirement (c) asked for difficulties in measuring qualitative factors and for possible solutions. Most candidates will have been able to come up with a handful of points but may have struggled to recommend appropriate solutions.

Question 3

Question 3 was based on an electricity generation firm, Maxwell, and the achievement of its environmental and other goals. As with question 2, there was a reasonably large amount of information to absorb. Candidates should expect this and must practise a large number of questions before the exam in order to feel more comfortable reading, interpreting and using the scenario.

Requirement (a) asked for an assessment of two given plans. Candidates would have been expected to carry out some calculations but the level of detail in the model answer went beyond what was needed. Candidates had to leave time to conclude on their calculations and some less able candidates may have failed to do this.

Requirement (b) asked for a discussion of lifecycle costing issues. Most well prepared candidates should have been able to gain a pass/ good pass here. Some candidates may have failed to adequately focus on the issues.

Requirement (c) asked how the introduction of input/ output analysis would affect environmental performance measures and information systems. Most candidates will have had some knowledge of this technique but I would anticipate that most would have struggled to adequately relate their knowledge to the particulars of the scenario or the requirement.

Overall, quite a challenging question but a well prepared candidate should have been able to achieve a pass.

Question 4

Question 4 was based on a mineral mining business and focused on the area of corporate failure. The scenario was much shorter than in the previous two questions, which may have been a relief to some candidates.

This question was typical of the examiner in that it did not require candidates to carry out long calculations or to remember complex formulae but instead focused on a useful interpretation of calculations that had already been done.

Requirement (a) asked candidates to evaluate the results of the calculations carried out and to evaluate the suitability of the two corporate failure models given. Candidates should have found the interpretation of the calculations reasonably straightforward but some candidates may have failed to adequately discuss the pros and cons of the two models, particularly the Q model which was only relevant to this question.

Requirement (b) covered lifecycle issues, as per question 3. Most candidates should have been able to come up with a good handful of points here but needed to ensure that their points were fully related to the issue of failure.

Requirement (c) asked for recommendations to reduce the probability of failure. A nice requirement, most candidates should have been able to come up with some good suggestions here.

Overall, a fair question. Candidates who had revised corporate failure should have been able to make a reasonable attempt at each requirement.

Conclusion

A fair paper. The style and standard were similar to previous sittings and there were no surprises. Candidates who had their core knowledge in place and who had practised a large number of past exam questions should have passed. As expected, the exam required candidates to use the scenario given and to contribute practically useful and relevant advice. This may have proved an area of weakness for some.

ACCA P6 Advanced Taxation (UK) Exam Evaluation – December 2014

Question 1: 35 marks

This question covered IHT and CGT for lifetime disposals, sole trader loss reliefs, self-assessment payment dates, ethics and VAT registration. Much of this was F6 level material.

Part (a) (i) was a straightforward section on IHT for lifetime gifts, and should not have caused any problems.

Part (a)(ii) was also straightforward, requiring calculation of capital gains tax on a part disposal and sale of the remainder of an asset. The biggest challenge in part (a) was recognising which values applied for IHT (diminution), and which for CGT (market value).

The use of trading losses, tested in part (b)(i) is a popular area that is often examined, so students should not have been surprised to see this. Some may have missed the offset against gains (from (a)(ii)) but should still have been able to score a pass by following through and summarising the tax savings that could be achieved.

Part (b)(ii) required a payment schedule for payments on account and balancing payments. Despite being an F6 level topic, this was tricky, and required some thought about the payments that would actually be due following the use of losses. Students also had to recognise that POAs could be reduced.

Part (c) should have offered easy marks for a discussion of tax evasion, an area that has been tested several times before.

Part (d) should again have offered easy marks for those who remembered the rules seen at F6 for compulsory VAT registration, and also pre-registration input VAT.

Question 2: 25 marks

This was a corporation tax question with some minor group elements. Topics covered include capital allowances and rollover relief (both F6 level topics), restriction of trading losses brought forward, patent box relief and the capital goods scheme for VAT.

Part (a) required students to identify that capital allowances had not been correctly calculated, as the accounting period was only 6 months long. There were marks for calculating rollover relief with partial reinvestment, and for doing a simple corporation tax computation. None of which should have caused too many problems. However, two-thirds of the marks in this section were for written notes, so those who just did calculations would not score a pass. There were also marks for discussing the restriction of trading losses following a change in owners, where there had been a major change in the trade, which was made quite obvious in the information provided.

Part (b) required a brief description of the new patent box regime, which has not been tested before but should not have been a surprise, as the examiner likes to test new areas.

Part (c) covered the recovery of VAT for a partially exempt business, and the capital goods scheme. These elements of VAT have been tested several times before, and should have been well practised by students.

Question 3: 20 marks

This question covered the very regularly tested area of CGT versus IHT, with planning points re: lifetime gifts, the reduced rate of IHT for substantial legacies to charity, deed of variation and CGT planning. It is likely to have been a very popular question.

Part (a) required students to think about IHT advantages of lifetime gifts, but not the use of lifetime exemptions. The only other advantages were the freezing in value of appreciating assets, and taper relief.

Part (b) covered the reduced rate of IHT for substantial legacies to charity. This is a new area that has not been tested before, but students should have been prepared to answer a question on this.

There were some easy marks in part (c) for stating the procedures for a deed of variation to be tax effective. Those who applied their knowledge to the scenario should have been able to pick up marks for the IHT and CGT advantages too.

Part (d) was less obvious, and required students to spot that capital losses could be crystallised to save CGT, either by selling shares that had gone down in value or by making a negligible value claim for shares that were worthless.

Question 4: 20 marks

This question covered two areas of the syllabus: change of accounting date and residence, including the remittance basis. Students who had not studied these two areas in detail would struggle to gain a pass here.

Part (a) required calculations of assessable profits following a change of accounting date, with explanations of the implications of choosing another date. These assessments were tricky, and required very good knowledge of the rules. There were easy marks for stating the date for notifying HMRC, and also the advantages of having a 30 April year end.

Part (b)(i) required application of the new statutory residence tests. Although this is a technically challenging area, lots of help could be gained by looking at the tax rates and allowances at the front of the exam paper and applying to the scenario.

Part (b)(ii) gave 3 marks for the remittance basis rules, which have been tested several times before. The main danger here would be spending too long explaining all the rules, rather than just answering the question set.

Question 5: 20 marks

This question covered three areas: corporation tax penalties; a comparison of share schemes: SIP versus CSOP, and the CFC rules. These areas are not regularly tested, but students should

Part (a) was F6 revision of filing dates for a long accounting period and basic corporation tax penalties. This should have offered easy marks for those who remembered the rules.

Part (b) required very detailed knowledge of the conditions for both SIPs and CSOP schemes. Those who had not learnt the rules would struggle here.

Part (c) also required detailed knowledge of a specific area: CFCs. Again, those who had not learnt the rules would not find it easy to pass this part of the question.

Conclusion

Nothing unexpected in terms of format and style of questions.

Quite a straightforward exam with lots of 'tipped' areas being tested.

Lots of self-contained parts of questions that could be attempted independently.

No big corporation tax groups question, which would suit some students.

More bias towards IHT and CGT, little income tax.

Lots of F6 knowledge tested, especially in Section A.

Overall, an easier exam than the last sitting, and a well-prepared student should have no problems.

ACCA P7 Advanced Audit & Assurance (Int) Exam Evaluation – December 2014

Question 1

A straightforward risk assessment question which students should expect to see in Q1. Business risk and risk of material misstatement were predicted to come up this time so students should have been well prepared for this. The question also asked for audit procedures which are a common follow on from a risk question and as such students should have expected to see this requirement. Finally, ethical issues were covered in the compulsory section which we have seen in previous exams and students have been told to expect any syllabus area in any question. Students should have found this question very straightforward.

Question 2

Matters and evidence questions are a common feature of the P7 exam but are not usually covered in Q2. Hopefully this did not cause students too much of a scare. Students who remembered the 'MARE' approach will have scored well. There were three matters to deal with which well prepared students should have been able to score well on. UK students may have struggled more as the mark allocation was not split out for them.

Question 3

Possibly the most unusual question on the paper. This covered audit matters and social and environmental reporting. Social and environmental reporting was expected having not been examined for several sittings. All requirements were quite straightforward and students should have coped well.

Question 4

Q4 typically covers ethical and professional issues. This question covered tendering and ethical matters regarding fees and long association. Both of these syllabus areas were expected to be examined. The tendering question is similar to previous past paper questions and the ethical matters were both quite straightforward. A well prepared student should have scored well.

Question 5

Q5 typically covers audit reporting although in this case the reporting requirement was only worth 4 marks. Quality control issues are frequently examined and students should have practised this syllabus area. The quality control issues were quite straightforward to identify. Uncorrected misstatements should not have posed any issues in part bi and the audit reporting question should also have been dealt with well.

Conclusion

A very straightforward exam covering a range of syllabus areas that have been examined in a similar style in the past and as such, well prepared students should have coped well.