

ACCA paper F5 Exam Evaluation – June 2015

Question 1

Few would have been surprised with ABC making an appearance, as this is a key area, and a regularly recurring topic documented on technical articles published on the ACCA website. The Examiner has always been very clear on the fact that implementing a full-blown ABC is not always a good idea. So, after part (a) that required a calculation of the full cost per procedure using ABC, part (b) was indeed asking for a commentary: ABC can be a lot of costly work to implement. Whilst the comparative costs are different, they are not significantly different, and it may be that a similar allocation in overheads can be achieved simply by using a fairer basis to absorb the costs.

Question 2

The dreaded Transfer Pricing Question.....the hardest in this exam, by far. Knowledge of this area is absolutely essential - this question is impossible to score well on if the basics are not known. This proved to be the most unpopular question. This was compounded by a single requirement (a 10-marker block) that should have been tackled by proper planning and a thorough read of the question. Another element of exam technique is the workings – those will get credit even if the question is not fully answered – so students must remember to show them as much as possible,

Question 3

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. This was an interesting question mixing variances with learning curves and there again, students had been warned this was in the pipeline.

With requirement (a), a well prepared student should have found to be an easy 5 marks on learning curves, but the weaker candidates would have perhaps benefited from a kinder, more 'split' requirement.

Requirements (b) required a discussion, 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.

Question 4

This was a 'complete' question mixing calculations and narrative in a review of pricing, with the demand equation and pricing strategies. It drew on assumed knowledge of, for example, the high low method to split fixed costs from variable costs. This question could have penalised poor planning and lack of question practice. However, pricing decisions are a pillar of Management Accounting knowledge, and of this F5 paper.... Application of pricing principles is key, as is a solid understanding of cost behaviour professional layout of answers. Students historically score well on these questions.

Question 5

Knowledge of the zero-based budgeting concepts is absolutely essential - this question is impossible to score well on if the model is not known. Part (a) was bookwork for 3 marks, then part (b) required the student to apply the knowledge to the scenario, for 9 marks; and Part c required three potential benefits, which was also at least partially achievable. Still - a tricky question in this section of the paper, as it was entirely narrative and challenging, but very fair and ZBB in the public sector is clearly examinable. Including this topic 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.

Conclusion

A slightly more challenging Section B indeed for the second sitting under the new syllabus. The Transfer Pricing question would have proved unpopular but there was no difficult concept to struggle with and the topics were some of the most predictable. 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 Exam Evaluation – June 2015

Section A

In the Section A MCQs there was a fairly even split between computational and narrative questions. This differed from the specimen paper which was far more heavily weighted towards computational questions.

The narrative questions would have been straight forward and quick to answer for a well prepared student, providing additional time to tackle the other parts of the paper. The computational questions would have been more time-consuming but would also have been comfortably answered within the allotted time.

Question 4 tested the calculation of corporation tax for an accounting period that straddled two financial years and students may have missed the straddling aspect of the question, leading to an incorrect answer being selected. Question 1, 6, 9 and 14 on tax administration and self-assessment may have also been problematic as these areas of the syllabus are typically not revised thoroughly by many students.

Section B

Question 1

This ten-mark inheritance tax question comprised two independent parts.

The first part required students to differentiate between a potentially exempt transfer and a chargeable lifetime transfer for two marks and should have represented easy marks.

The second part for the remaining eight marks, concerned the calculation of inheritance tax due on death in relation to a CLT made within seven years of death. The deceased had also made a previous PET, meaning that the nil rate band applied to the CLT was not restricted during lifetime, but was restricted on death. In addition, students needed to increase the nil rate band available on death only, by the unused proportion of a deceased spouse's nil rate band. These aspects are likely to be difficult to deal with for many students. However, if a methodical approach was taken, students could score enough marks to pass even if the nil rate band is not calculated and applied correctly, as there were straight-forward marks available for the application lifetime exemptions, the calculation of inheritance tax in lifetime and on death, and for the application of taper relief.

Question 2

This ten-mark question on chargeable gains for a company is comprised of two independent parts.

The first required students to explain for two marks, whether indexation allowance can be deducted in a loss-making scenario. Students should have found this straight-forward, although the wording of the requirement may have led some to believe the allowance could be used elsewhere if there is not sufficient gain to offset the full amount available.

The second requirement was to calculate the chargeable gain arising on a disposal from a share pool and on a takeover. Students often find these topics tricky and therefore many are likely to have struggled here. However, students are instructed to 'show full workings for the share pool' which will have helped many to understand the steps needed in relation to this disposal.

Question 3

A ten mark comparison-style question, requiring students to calculate the tax cost of operating a business through a limited company, and then compare this to a given tax cost of operating as a sole trader.

This question requires students to perform simple income tax, NIC and corporation tax computations should have been straight-forward for students to answer provided that they were not unsettled by the comparison element, which was only worth one mark. Students were guided on which taxes they should consider, which will have assisted students to be able to score marks they otherwise may not have without guidance.

Question 4

A ten mark question on VAT that was divided up into three parts.

Part (a) concerned the calculation of VAT payable by a sole trader for six marks and should have provided an opportunity to pick up easy marks for demonstrating knowledge of the treatment of impairment losses, private expenditure and customer entertaining. There was a trickier point to deal with on continuous supply of services, which students may have been unsure how to approach.

Parts (b) and (c) related to the VAT flat rate scheme and were worth two marks each. In part (b) students were required to state the criteria for joining and leaving the scheme. In part (c) they needed to explain whether it would be beneficial for the sole trader to join the scheme by calculating the VAT payable under the flat rate scheme and compare this to the VAT payable calculated in requirement (a). Both of these requirements would have represented easy marks provided the VAT flat rate scheme had been learnt.

Question 5

Part (a) comprised an adjustment to profit, in a format similar to that seen in previous exams and should have looked familiar to students provided they had attempted past questions on this topic. Straight-forward marks were available for making the appropriate adjustments in respect of depreciation, impairment losses, high-emission lease cars, fines, interest payable and for the calculation of capital allowances.

Parts (b) and (c) related to corporation tax losses. In part (b) students needed to apply the loss calculated in part (a) to the total profits of the prior 12 months. There was an added complication of an accounting period of seven months immediately preceding the loss making period, meaning that apportionment was necessary to calculate the maximum loss offset for the remaining five months. This element will have caused problems if students were not comfortable with this topic. Part (c) required students to identify the remaining loss available to carry forward and identify how it can be utilised. This should have represented easy marks provided students exercised good time management and had sufficient time to answer.

Question 6

A fifteen mark income tax question comprised of two independent parts.

In part (a) students were required to calculate taxable income for an employed individual for 12 marks. Straight-forward marks were available for the receipts basis, mileage allowance, company car benefit, living accommodation benefit and a few exempt benefits. This part should not have been problematic for a well prepared student.

In part (b) students were required to state the information to be included in PAYE forms P60 and P11D and their due dates. Again, this part should have been straight forward for a well prepared student. However, time management issues may have meant that these marks were not attempted.

Conclusion

A straight-forward paper focused mainly on core syllabus areas with very few fringe topics tested. Well prepared students would have found this paper easy to approach and would not have been under time pressure.

ACCA F7 Exam Evaluation – June 2015

Question 1

Question one was probably the nicest on the paper, requiring the calculation of goodwill and the preparation of a consolidated statement of profit or loss. There was a strange note about borrowing costs which would immediately have put students off, but completely ignoring the note would still mean students could have scored 13.5 out of 15. A question that well prepared students should be scoring more than 10 on.

Question 2

This question would have been the least popular of the three, requiring adjustments to financial statements before the calculation of ratios. Students should have been able to score at least 50% on the ratios, with 'own figure' marks available for ROCE and Net Asset Turnover.

The lack of information in the narrative would have been unpleasant for students, who may have felt forced down the route of making more generic points than they would have liked.

Question 3

The trial balance contained many nice adjustments, such as a finance lease, the usual tax adjustments, a FVPL investment and interest. The deposit on the finance lease may be unusual, but isn't going to cost students a lot of marks.

The EPS with a rights issue should have been 3 marks for any students who has revised EPS.

The cash flow element was unexpected, and would be the type of question that a large number of students would have ignored in the exam.

Conclusion

While many students said that section A was the real killer in this exam, section B was an area where students could pick up marks. A nice group and TB question should make up for the cash flow curveball in question 3.

ACCA F8 Exam Evaluation – June 2015

Question 1

Q1 examined ethical threats. This question was expected as ethical threats have not been examined for several sittings. Whilst some of the threats were ones less commonly tested at this level, students should have coped well with this question and found this a nice start to the written questions.

Question 2

Q2a covered the components of an internal control system which should not have been a problem for students that had a reasonable knowledge of the study text. Part b asked for tests of controls. Students tend to struggle with the difference between substantive procedures and tests of controls. Better prepared students will have found this quite straightforward, weaker students may have found it more difficult.

Question 3

Q3 covered audit reporting. The question dealt with two clients with marks split equally between them. The issues were quite straightforward and a well prepared student will have done well on this question. Students that don't do well on audit reporting questions could still score marks by calculating materiality and discussing the issue, even if they went on to suggest the wrong opinion.

Question 4

Q4 was the control deficiency question. As always there were several more deficiencies in the marking scheme than needed to score full marks so students should not have struggled to score well. The deficiencies were also typical deficiencies seen in previous exams.

Question 5

Question 5 covered several syllabus areas: fraud, audit risk and review engagements. Audit risk always appears on the exam and students should have been prepared for this. Students needed to make sure they explained the risk in relation to the financial statements rather than describing a business risk which is a common mistake.

Responsibilities in relation to fraud and error and differences between review engagements may have been slightly more difficult for students that hadn't revised the whole syllabus. However, they should still have been able to score some marks.

Question 6

The final question covered financial statement assertions and substantive procedures. Assertions have been examined in this style in the past so students who have practised past exams will have dealt with this question well. Substantive procedures in respect of supplier statement reconciliations may have been trickier as this has not appeared in an exam before. Bank reconciliations and receivables procedures should not have posed any problems for most students. Good exam technique would have been to leave this part until last as it was only worth 3 marks and come back to it once the other easier sections had been attempted in relation to bank reconciliations and receivables.

Conclusion

A fair paper, slightly more focussed on controls than previous exams. A well prepared student will have performed well on this exam.

ACCA F9 Exam Evaluation – June 2015

Question 1

The scenario for this exchange rate/ interest rate risk question was nice and short, with the information laid out in a standard way. There were a fair few easy marks in the money market hedge and forward market hedge calculations. A well-rehearsed candidate should have been able to follow a methodical approach and score well. Part (b) was a fairly straight forward test of basic knowledge in relation to forward rate agreements and how they can be used to manage interest rate risk. The key was to have a clear and succinct discussion with a logical flow.

Question 2

This question was fairly time pressured. Students needed to work quickly through the various stages of calculations in order to end up with a valuation using the dividend valuation model, for 3 marks and using the earnings yield method for 2 marks. Part (c) was standard knowledge about the relative merits of the two methods used, hopefully providing some quick and easy marks to compensate for more tricky elements of the paper. The requirement did not ask for a lengthy list of drawbacks of each method.

Question 3

Part (a), asking for calculations to determine whether the factor's offer is financially acceptable to the company, for 7 marks, was quite tough. There was a lot to get through in the time and a danger of getting bogged down in the calculations with insufficient discussion. Time could be made up on part (b) which was standard fare on assessing creditworthiness of potential customers.

Question 4

Part (a) asked for calculations to determine the effect on the wealth of shareholders of using the proceeds of a rights issue to redeem loan notes. The key to scoring well in these parts was to use a methodical approach when working through the steps involved. This was a tricky question as many candidates will not have seen this angle taken on a business finance question before. The calculations included determining the market value of the company before and after the rights issue, interest savings, revised earnings per share as well as using the P/E ratio to determine the share price after redeeming the loan notes. The question was very time pressured. The discussion in part (b) was also scenario driven in terms of the company achieving optimal capital structure. Generic points will not score well – comments relating to Modigliani and Miller and traditional theory etc need to be related to the company in the question to maximise marks.

Question 5

The scenario for this investment appraisal question was nice and short, with the information laid out in a way students will have seen before. There were a fair few easy marks in the net present value calculation concerning sales income and variable costs, overheads and tax-allowable depreciation. In fact, there were no red herrings in the information provided. Part (b) asked for a critical discussion of sensitivity analysis. One would hope that students could manage a basic discussion of the technique but the request for a link in to the scenario at hand presented a good test of both knowledge and understanding.

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 more unusual bits to sort out the prize winners.

ACCA P1 Exam Evaluation – June 2015

Question 1

The question was based around a privately owned surgical supplies company and controlled by a strong and domineering individual who owned the majority of the shares. The company had expanded very rapidly to take advantage of the growing need for knee and hip replacement as a result of the aging population branching into manufacturing five years ago. Despite being subject to strict regulatory controls concerning hygiene and the use of surgical grade materials for the manufacture of the replacement joints (which were subject to verification by two directors), the owner had the idea to reduce the company's unit costs by switching some of the surgical-grade materials used in manufacture for a cheaper industrial grade instead, increasing the risk of fracture and deterioration once the replacement joints were used in a patient.

The owner had requested the Finance Director, to produce detailed costing calculations for the switch and later, on the instructions of the owner, to approve the investment and oversee the changes in manufacturing and the purchasing processes; this with full knowledge that these changes were both illegal and unethical. The problem came to the public attention some time later when joints made from the inferior material began to deteriorate and cause infection in patients some of which had died as a result of the effects of the product failure. Subsequent investigative journalism and further investigation by the regulator noted that two directors had signed the most recent compliance reports, certifying that the company was fully compliant with material usage and quality standards i.e. the owner and the Finance Director.

Examining the domineering nature of owners of family companies, risk and the need for professionally qualified individuals to act in the public interest, the question drew comparison with the recently publicised cases of similar circumstances in India, for example, where over 4500 hip implant surgeries were performed using such defective implants from May 2004 to August 2010 before a product recall. This firmly supports the examiners desire for students 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 an article for an investor's magazine addressing some core P1 topics, made this question demanding, addressing some sensitive areas.

Part a), for 10 marks, and using the verbs "distinguish and explain", asked candidates to consider the differences in governance between family-owned and public listed companies. 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 and using the verb "criticise", addressed the need for professionally qualified accountants to act in the public interest. 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 8 marks required the candidates to "briefly explain" and "discuss" explanation and application of risk and the importance of specific risks to the company depicted in the scenario. This may have caused some students a problem but 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.

Part d) was split into two parts. Part i) for 8 marks asked candidates to discuss the benefits of an effective non-executive Chairman for the company depicted in the scenario. Part ii) for 10 marks, requested candidates to explain how risk awareness might be embedded in a company, such as that depicted in the scenario. This would have been a significant challenge to the unprepared student requiring syllabus knowledge, good application of this knowledge and very significant time pressure.

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 very familiar areas of private and institutional shareholders and agency problems, 'corporate social responsibility (CSR) strategy' and 'strategic CSR' (which was covered by a recent technical article) and stakeholder claims using a suitable stakeholder analysis framework.

Part a) for 7 marks asked the candidates to distinguish between private and institutional shareholders and agency problems which might arise when an institutional shareholder holds funds on behalf of clients. This was a testing question requiring the candidate to know the differences between the shareholder groups, agency and then apply this knowledge to the requirement.

Part b) for 10 marks then required an explanation of the differences between CSR strategy and strategic CSR and then apply this to the building of a large estate of new homes. This was an excellent question and would have tested the knowledge of many candidates. Good preparation for the exam by reading the examining teams articles on this area would however have allowed students to score well in this question. This should have been straightforward and was an exam tip for this sitting.

Part c) for 8 marks required candidates to explain why stakeholder claims can sometimes be in conflict and assess the competing claims of two key stakeholders. This is fundamental knowledge and the well prepared student would have been aware of the examining teams increased emphasis in this syllabus area and scored well.

Question 3

This question should on the surface have presented few problems. It was however a well constructed question requiring good application of syllabus knowledge.

Part a), for 8 marks, asked candidates to "define" independence and the application of this key concept to the members of the audit committee, requiring knowledge of the key attributes of the syllabus area. The remaining part of the question was however well constructed in the way it applied this knowledge. Some candidates may have found this challenging.

Part b) for 8 marks looked at how the recent and relevant financial experience, might threaten the effectiveness of the contribution of the audit committee. On the surface, this question should have been straightforward, but candidates may have struggled with the application of these principles to the company depicted and its particular circumstances.

Part c) for 9 marks, then changed the emphasis to consider the relationship with the company's external auditors and how the audit committee should respond if the relationship was considered to be too close. In a similar vein to the comments above, candidates may have struggled with the application of these principles.

Question 4

This question, examined the key syllabus areas of Kohlberg's Cognitive Moral Development theories, internal control and environmental reporting.

Part a) for 9 marks required students to distinguish between Kohlberg's conventional and post conventional ethical responses and explain which had been adopted by the manager referred to in the case. Thorough question practice however would have provided sufficient background to allow candidates to score well. In addition the scenario provided guidance to prepare a good answer.

Part b) for 8 marks asked for candidates to “construct the case” for the subsidiary company to publish its own environmental report. This tested a key knowledge area and should have been straightforward.

Part c) for 8 marks tested a key knowledge area, presented few problems and was an exam tip for this sitting.

Conclusion

The exam was well constructed, drawing on the new and amended syllabus areas and relevant technical articles. As always the examination would have but would have been challenging from a time management perspective but comprehensive and through question practice, as advised by the examining team, is recommended to circumvent this challenge. The 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 again demonstrates the intention to continue to test in this manner as has been noted repeatedly in the examiner’s reports.

ACCA P2 Exam Evaluation – June 2015

Question 1

Whilst many would have been happy to see a consolidated statement of financial position, it was significantly more difficult than usual. In particular, it is likely that students would have struggled to calculate the fair value of the consideration and the fair value of the non-controlling interest using the information given. Since this part of the question is normally quite straight forward, some may have panicked and potentially wasted time. The adjustments relating to pensions and lease accounting were also trickier than normal.

Question 1(b) asked for the differences between debt and equity, which has been a very common exam topic in recent sittings.

The requirement in question 1(c) to discuss the ‘philosophy behind “rules based” and “principles based” accounting standards’ was strikingly different from the usual ethical scenarios tested by the examiner.

Overall, many students will have found question 1 harder than expected and will be more dependent on scoring well in section B of the exam.

Question 2

This question covered the use of fair value accounting in a number of different situations. Part (a) tested students on their knowledge of principal and advantageous markets. Part (b) linked fair value accounting to agriculture. Part (c) covered cash-settled share-based payments, and was arguably the easiest section of the question. Part (d) tested students on their knowledge of the ‘highest and best use’ of an asset.

Students with a sound knowledge of IFRS 13 Fair value measurement and IFRS 2 Share-based payments should have attained reasonable marks. However, the level of detail tested would make it difficult to score highly.

Question 3

As is often the case, question 3 was more discursive and less numerical than question 2. The examiner made it clear that part (a) was about operating segments, although this is a standard that many may have neglected during their studies. Parts (b) and (c) involved much greater application skills and, therefore, some students will not have been able to identify the relevant accounting standards. However, those who were well prepared and who had practiced past exam questions should have performed strongly here.

Question 4

Question 4 covered topics which were widely perceived to be ‘current issues’ – other comprehensive income and Integrated Reporting. Articles on both of these topics were recently published on the ACCA website and so students should have been well prepared. Hedge accounting is a tricky topic so part (b) may not have gone so well. Despite this, many students will have scored a strong overall mark on this question, perhaps compensating for a lower score in question 1.

Conclusion

Question 1 was more difficult than usual, and also extremely time-pressured. However, as long as they managed their time effectively, well-prepared students should have scored good marks in section B of the exam.

ACCA P3 Exam Evaluation – June 2015

Question 1

This question focused on strategic analysis and strategy evaluation. Students typically score well in strategic analysis (worth 30 marks) and the key dangers to watch out for were to ensure that appropriate models were used and that the marks available were used to determine the areas in which to spend more time. Part (a) will also have been very time pressured. For each of four strategies students need to provide the advantages, disadvantages and a financial assessment. These should not have been too challenging but may have been very difficult to provide in the time available.

Question 2

This question concerned some cost accounting as well as an assessment of generic strategies. In part (a), on cost accounting, students may have over-emphasised the calculations and spent too much time on these at the expense of a discussion of the decision involved which is likely to have been both easier and worth more marks. Part (b) concerned the four key generic strategies which were clearly flagged by the examiner. A brief evaluation of each option was required where the key will have been making points which were relevant to the company in the scenario.

Question 3

This question focused on project management – an area that the examiner sees as a key part of the syllabus. Part (a) may have put some students off from choosing this option question. But it was only worth 5 marks and focused on a core syllabus area. Part (b) would have been more challenging had the examiner not clearly illustrated the benefits scale in the scenario. But the examiner explained the types of benefits that may exist, making this part a lot more manageable for students. Part (c) required the use of Mendelow's matrix, and students who used this model will have scored well here.

Question 4

This question concerned the learning organisation and knowledge management which were covered in a recent article on the ACCAglobal website. A reasonable amount of marks could be score for a regurgitation of knowledge, which may have suited some students. Part (a), on strategic drift, has not been a regularly examined area but the idea crops up across the syllabus and should be one that students are familiar with. But overall this questions is likely to have appealed most to students who have the requisite knowledge on these periphery syllabus areas and may otherwise have been challenging to many other candidates.

Conclusion

This exam focused on core syllabus areas. The key challenge for students will have been managing their time and not trying to do too much for very few marks.

ACCA P4 Exam Evaluation – June 2015

Question 1

This was a 50 mark compulsory question, covering the key syllabus topics of international investment appraisal and strategic issues.

There was a lot to do here, but most students would have been pleased to see a large question on these topics.

A good exam technique would have been critical. With three different currencies in the question, and lots of different cash flows, it was important to set out workings clearly.

Although there were lots of cash flows to deal with, none of them were particularly unusual apart from the tax. With regard to the tax, at least the examiner explained clearly what he wanted students to do, so most students should have been able to cope with this.

The discussion points in the question were very straightforward, and similar to many previous exam questions.

A well prepared student, who presented the answer in a report format and left enough time to answer to both calculations and discussions, should have been able to pass this question easily.

Question 2

This was a 25 mark optional question covering dark pool trading and corporate failure.

Dark pool trading had been tested in a similar way recently, so students should have had few problems with the first 5 marks. However, part (b) of the question (worth 20 marks) was quite unusual. In the P4 paper, previous questions have sometime expected students to appraise the performance of a company, to identify whether the company is likely to fail, but the open-ended nature of this requirement would have caused problems I think.

Given that 10 marks were available for calculations and 10 marks for discussion, it would have been important not to spend too long calculating ratios, and to leave plenty of time for commentary.

Question 3

A 25 mark optional question covering the core syllabus areas of mergers / acquisitions, financing and business valuation.

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 financing (assessment of the covenant).

Remember that if a loan is to be repaid in equal instalments, the annual payment is calculated using the annuity factor for the relevant number of years.

Question 4

A 25 mark optional question covering interest rate hedging.

The recent (republished) article on the ACCA website flagged up this topic as important, so students should have been expecting this. Part (a) of the question covered the topic in the same way as many previous exam questions. There were no unexpected complexities here.

Part (b) was more unusual, but again a recent article had covered the topics of margins and marking to market, so well prepared students should have been ready for this.

Once again, this question showed how important it is to review the recent articles on the ACCA website.

Conclusion

There were some long and time-pressured questions on this paper. Despite there being some unusual parts of questions, a well-prepared candidate should have been able to find plenty of familiar questions and easy marks on core syllabus areas.

ACCA P5 Exam Evaluation – June 2015

Question 1

Question 1 was based on MS, a sportswear development and marketing business. Candidates had to absorb a reasonably large amount of information including information in five separate appendices some may have been overwhelmed by this.

Part (i) asked for an assessment of the current metrics and for suggestions for improvement. Some candidates may have been put off by the use of the term 'performance dashboard' but this was simply the performance report. A well prepared candidate should have been able to examine the pros and cons of the five existing metrics. Some candidates will have lost marks by not adequately linking their assessment back to MS's strategy and aims and not making recommendations in the context of the SWOT given.

Parts (ii) – (iv) focused on the possible actions that could be taken by MS in reaction to a recent competitor scandal. This is a good example of how ethics may be tested in P5, i.e. it is unlikely to be examined in isolation but will instead form the basis of a discussion on performance management and measurement. Candidates had to perform some calculations here but these really served to underpin the subsequent discussion.

Part (v) was a slight aside on the implications of using value chain analysis for performance management. This is reflective of the syllabus and candidates should expect the value chain to be tested in this way.

Overall, this was a fair but challenging question. Candidates needed to take the time to absorb the information and planning was essential.

Question 2

Question 2 was based on an electronics manufacturer, Forion. Rapid growth had resulted in inadequate information systems. In addition, the company was considering the formation of a strategic alliance to assist in the launch of a smartphone. Overall, the scenario was reasonably straightforward and comparable to other recent exams.

In (a) candidates had to discuss an ERPS and its impact on Forion's performance management issues.

Candidates are not expected to be IT experts and could keep their explanation high level. It was more important that they focused on how an ERPS could be used to address the company's issues.

Part (b) asked for an evaluation of the usefulness of the given CSFs and KPIs in measuring the performance of the potential business partner. Metrics were also examined in question 1 showing the examiner's belief that these are vital to good performance management. Candidates were expected to take each of the three areas in turn and to address both the pros and the cons.

Part (c) relied a little more on book knowledge and asked for an evaluation of financial and non financial data from internal and external sources. Most candidates will have been able to come up with a number of relevant points but some will have failed to adequately link their points to Forion.

Overall, this was a fair and manageable question. However, it focused on some less commonly examined syllabus areas and may therefore not have been a popular choice.

Question 3

Question 3 was based on a logistics support business, Victoria, and examined the key areas of the balanced scorecard and reward systems.

In part (a) candidates had to discuss the link between the customer and financial aspects of the balanced scorecard. Most candidates will have understood this link but some may have struggled to get enough detail down for the five marks available – an answer plan would have been desirable here.

Part (b) focused, once again, on metrics. Candidates had to ensure that they answered all three parts of the requirement – recommending and calculating suitable performance measures and commenting on the problems of using a particular metric.

Part (c) asked for advice of the two reward management issues discussed. Most candidates will have been able to apply a bit of common sense here but some may have struggled in advising rather than simply outlining the problems.

Question 4

Question 4 was based on a family owned business, Beach, that was considering the implementation of a divisional structure. The scenario was comparative, in length and in substance, to previous exam questions. The inclusion of the appendix may have left some candidates feeling that they had a lot of information to absorb.

Parts (a) and (b) focused on divisional performance measures. Part (a) required an assessment of the current measure, EVA. Most candidates should have been comfortable with the pros and cons but they needed to relate their points back to Beach. Part (b) required a calculation of ROI and RI for one of the divisions along with an assessment of the assumptions made. Most candidates should have been able to make a good attempt at this.

Part (c) was based on a given BCG matrix. As can be expected in P5, a straightforward explanation of the matrix was not required. Instead, candidates had to use the information to make recommendations for divisional control and management style.

Overall, a fair question but students had to be careful to address the specifics of each requirement.

Conclusion

A fair, if challenging paper. Areas examined were reflected in the syllabus. The examiner covered metrics in three of the four questions, emphasising the importance of this topic in P5. Some candidates may have struggled to absorb or use the scenario information but those who had practised enough questions should have felt comfortable with this.

ACCA P6 Exam Evaluation – June 2015

Question 1: 35 marks

This question covered the statutory residence test, terminal loss relief for a sole trader, CGT with overseas aspects and entrepreneurs' relief, overseas aspects of IHT, and VAT on cessation of trade.

Part (a) required application of the automatic UK residence test and the sufficient ties tests, and was very similar to part of one of the optional questions in the December 2014 exam. Those who had learnt the rules should have found this straightforward.

Part (b) required the calculation of a terminal loss for a sole trader and the tax saving that could be obtained by using this loss. This is an F6 topic, so should not have caused too many problems....for those who could remember how to do it. Those who struggled to calculate the loss could still obtain consistency marks for calculating the tax saved.

Part (c) covered the temporary absence rules for CGT, which have been tested several times before, and calculation of CGT. There were some easy marks for basic calculations here, although few students are likely to have spotted the deferred gain crystallising on emigration.

Part (d) covered overseas aspects of IHT, which have also been tested several times before and should have been well practised. VAT deregistration (an F6 topic) was also tested here, and should have offered some easy marks.

Question 2: 25 marks

This was a corporation tax question covering gains groups, degrouping charges, substantial shareholding exemption, stamp duty land tax, rollover relief, pre-entry capital losses, loan relationship rules, and ethics re a new client. This question was similar to previous past exam questions, with no surprises.

Part (a) required calculation and explanation of a gain on disposal of shares with a degrouping charge, which should have caused no problems. The explanation of the substantial shareholding exemption was tricky and tested an exception to the normal 12 months ownership rule, which students may have forgotten. There should still have been plenty of marks here for the basic rules though. The points regarding stamp duty land tax were not obvious, although have been tested before.

Part (b) was a written section on the loan relationship rules and the treatment of a loan relationship deficit, which is an area that has been regularly tested. The splitting of the arrangement fee may have confused some, although this did feature in a question in the pilot paper.

Part (c) tested rollover relief – another popular topic – and pre-entry capital losses, which are not often seen. To score well here students needed to describe how relief could be given for the pre-entry loss, not just the restriction on relief.

Part (d) should have been a very easy 5 marks on the ethical issues associated with taking on a new client.

Question 3: 20 marks

This question covered close company benefits and loans, and partial exemption for VAT. It was not an easy question, and part (a) in particular required some careful thought. The VAT partial exemption tests have been examined several times recently, so should have been familiar to students, although they may not have been aware of the annual test.

Part (a) covered the provision of benefits to a shareholder of a close company, but required the cost to the company rather than the tax treatment for the individual (as has been tested previously). The key here was to think about whether any corporation tax would be saved.

Part (b) covered a loan from a shareholder to a close company. More often, questions test the provision of loans from close companies to shareholders, so this may have caught out some students if they did not read the question carefully.

For those who had learnt the VAT partial exemption tests, part (c)(i) should have been straightforward application of the rules, and was similar to questions seen in previous exams.

Part (c)(ii) covered the less commonly tested rule that a 'de minimis' business can provisionally reclaim all of its input VAT in the following year, rather than applying the limits every quarter. Those who missed this may have wasted time writing about other VAT schemes such as the annual accounting scheme.

Question 4: 20 marks

This question mainly covered capital gains tax and inheritance tax, which are often tested together in Section B of the exam, and also various aspects of trusts.

Part (a) required calculation of the number of shares to sell to generate a specified amount of cash after tax. This was actually quite challenging, and any non-mathematicians would have been advised to have a go but quickly move on, as it was only worth three marks.

The transfer of assets to trust in part (b)(i) should have been more straightforward, and has been tested several times before, as has the income tax treatment of trust income which was in part (b)(ii).

Part (c) covered the associated operations rules for IHT, which have only ever been tested in one previous exam, as part of a written question. This section required explanation and calculation of the increase in IHT if the rules applied. Very few students are likely to have known what to do here, although the fact that there were two sets of values given was a clue that all that was needed was a calculation of IHT for each, and the difference between the two! This then became a fairly standard IHT computation with related property valuations.

Question 5: 20 marks

This question covered three areas: calculation of the cost of taking on an employee; badges of trade, and CGT arising versus remittance basis for a non-domiciled individual. As long as students spotted that part (b) was testing the badges of trade, this should have been a good question to attempt.

Part (a) was similar to questions seen in previous exams, and involved calculating the after tax cost of taking on an employee. This was simply the cost of the salary and benefits provided, plus the employer's NIC, less the income tax and class 4 NIC saving. Students may have missed the effect on the personal allowance and the fact that the excess mileage was subject to employer's NIC, whereas the childcare vouchers were exempt.

Part (b) required F6 level discussion of badges of trade, and should have offered an easy 5 marks.

Arising versus remittance basis has been tested several times in recent exams, and part (c) should have caused no problems to those who had practised previous questions on this area.

Conclusion

Nothing unexpected in terms of format and style of questions.

A fairly tough and unpredictable exam with some more obscure areas tested, especially in the optional questions.

Very strong emphasis on overseas aspects of personal tax.

Not as much IHT as in some sittings.

Overall, a harder exam than the last sitting, but a well-prepared student should still have been able to score enough marks to pass.

ACCA P7 Exam Evaluation – June 2015

Question 1

Q1 as always covered risk assessment. Audit risk was the risk of choice with financial information being provided to enable analytical procedures to be performed. This was expected for this exam sitting. Students should be familiar with audit risk and analytical procedures so for students who had done their revision, this question should not have been problematic. Students may have struggled with the terminology in part (a) and focused specifically on opening balances rather than considering obtaining an understanding of the entity and its internal controls. The audit procedures may have caused issues for students who find it difficult to apply knowledge as short term investments and EPS have not been examined in this way in past exams. Students who are capable of generating procedures in relation to a scenario shouldn't have a problem. UK students may have struggled as there was no split of marks given. UK students can refer to INT papers to judge the split of marks in previous exams to use as a guide.

Question 2

Q2a covered matters and evidence which has been examined more frequently in recent years and should therefore not have caused any problems for students. Use of the 'MARE' approach would have provided students with structure to get the marks easily.

Part b covered laws and regulations and ethical matters. Students should not have been surprised to see ethical matters appearing in the compulsory section. Many questions in recent sittings have seen ethical issues appear in Q1. Students may have struggled to write enough of an answer for the 9 marks available. This is where good exam technique needs to be applied and students should do what they can and then move onto another question so as not to waste time.

The second part of the requirement asked for four elements of an anti-money laundering programme an audit firm should have in place. This is pure knowledge and all students should have been able to answer this requirement well.

Question 3

Q3 covered professional scepticism which was expected to be examined. Students should have read the technical article on professional scepticism to prepare for this question. Part (a) should not have presented any issues. Part (b) may have been more difficult for some as once again it required application of knowledge. Audit procedures and forensic investigation procedures should not have caused any issues.

Question 4

Q4 asked for quality control, ethical and professional matters for 3 issues. The first dealt with quality issues in the performance of an audit engagement. A similar question was included on the QBD. The second dealt with using auditors from another office and should have been well answered. The third involved the audit firm providing incentives to audit team members to cross sell services. Students may have struggled to generate a length of answer sufficient to score 9 marks. All of these are straightforward ethical or professional issues and students should not have had too much trouble identifying them and explaining them.

Question 5

Students may have panicked when they saw construction contracts but the issues themselves were straightforward. Students need to keep a calm head and read the question carefully before making any judgment on the section B questions and whether to attempt it or attempt a different question. Q5 as always included implications for the auditor's report. This has appeared on every past paper so students should have prepared for this and been able to do well on this question.

Conclusion

A fair paper with good coverage of the syllabus. Whilst the procedures questions covered some trickier financial reporting areas, all requirements were quite common and should have been well practised. A well prepared student should perform well.