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**You are advised to bring a calculator to the exam hall for all papers. You are permitted to take a noiseless, cordless, pocket-sized, programmable or non-programmable calculator without printout or graphic/word display facilities.**

**It is strongly recommended that you refer to articles published in *student accountant* as part of your study preparation for the exams. No key examinable articles for the June 2007 exams will be published in the May 2007 issue of *student accountant*.**

# professional scheme

## financial accounting and auditing papers

### PAPER 1.1 PREPARING FINANCIAL STATEMENTS (INT)

#### INTERNATIONAL ACCOUNTING STANDARDS (IASs)/INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

No	Title
IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 7	Cash Flow Statements (excluding groups and foreign currency)
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events After the Balance Sheet Date
IAS 16	Property, Plant and Equipment
IAS 18	Revenue
IAS 37	Provisions, Contingent Liabilities and Contingent Assets (Note 2)
IAS 38	Intangible Assets (Note 3)
IFRS 3	Business Combinations (Note 4)
IFRS 5	Non-Current Assets Held for Sale and Discontinued Operations (Note 5)

#### OTHER STATEMENTS

Title
Framework for the Preparation and Presentation of Financial Statements (Note 1)

#### NOTES

- The IASB's Framework for the Preparation and Presentation of Financial Statements is examinable at an introductory level.
- The following paragraphs of IAS 37 are examinable in so far as they relate to contingent liabilities and contingent assets: 10, 27–35, 85–92, appendices A and B. The measurement rules in paragraphs 36–52 are not examinable.
- The following paragraphs of IAS 38 are examinable in so far as they relate to research and development: 7, 39–47, 55, 79, 88, 107, 115.
- The following paragraphs of IFRS 3 are examinable: 51, 54.
- The following paragraphs of IFRS 5 are examinable: 6, 15, 30–33b, 38.

#### APPROACH TO EXAMINING THE SYLLABUS

The examination is a three-hour paper in two sections as detailed below. Both sections will draw from all parts of the syllabus and will contain both computational and non-computational elements. Paper 1.1 can also be taken as a three-hour computer-based exam consisting of 50 objective test questions of two marks each including multiple-choice, number-entry, and multiple-response questions. The *Study Guide* provides more detailed guidance on the syllabus.

Number of marks

Section A:	25 compulsory multiple-choice questions (2 marks each)	50
Section B:	5 compulsory questions (8–12 marks each)	50
		<u>100</u>

### PAPER 1.1 PREPARING FINANCIAL STATEMENTS (GBR)

#### ACCOUNTING STANDARDS

##### STATEMENTS OF STANDARD ACCOUNTING PRACTICE (SSAPs)

No	Title
9	Stocks and long-term contracts (excluding long-term contracts)
13	Accounting for research and development

##### FINANCIAL REPORTING STANDARDS (FRSs)

No	Title
1	Cash flow statements (excluding group cash flow statements)
3	Reporting financial performance (excluding group aspects)
12	Provisions, contingent liabilities and contingent assets (Note 1)
15	Tangible fixed assets (Note 2)
18	Accounting policies
21	Events after the balance sheet date

#### NOTES

- The following paragraphs of FRS 12 are examinable in so far as they relate to contingent liabilities and contingent assets: 2, 3, 27–33, 91, 94, 96, 97 Appendix 2. The measurement rules in paragraphs 36–55 are not examinable.
- The following paragraphs of FRS 15 are examinable in so far as they relate to tangible fixed assets: 1–7, 34–36, 42–46, 61, 63, 72, 77–82 and 93. In relation to paragraph 2, only the following definitions are examinable: current value, depreciable amount, depreciation, recoverable amount, residual value, tangible fixed assets, and useful economic life.

#### OTHER STATEMENTS

Title
Statement of Principles for Financial Reporting

For students sitting Paper 1.1, Chapters 1, 2 and 3 of the Statement of Principles are examinable in detail. A detailed knowledge of the remainder of the Statement of Principles is not examinable.

#### APPROACH TO EXAMINING THE SYLLABUS

The examination is a three-hour paper in two sections as detailed below. Both sections will draw from all parts of the syllabus and will contain both computational and non-computational elements. Paper 1.1 can also be taken as a three-hour computer-based exam consisting of 50 objective test questions of two marks each including multiple-choice,

number-entry, and multiple-response questions. The *Study Guide* provides more detailed guidance on the syllabus.

	Number of marks
Section A: 25 compulsory multiple-choice questions (2 marks each)	50
Section B: 5 compulsory questions (8–12 marks each)	50
	<u>100</u>

### PAPER 2.5 FINANCIAL REPORTING (INT)

#### INTERNATIONAL ACCOUNTING STANDARDS (IASs)/INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

No	Title
	Preface to International Financial Reporting Standards
IAS 1*	Presentation of Financial Statements
IAS 2*	Inventories
IAS 7*	Cash Flow Statements (Note 2)
IAS 8*	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10*	Events After the Balance Sheet Date
IAS 11	Construction Contracts
IAS 12	Income Taxes
IAS 16*	Property, Plant and Equipment
IAS 17	Leases
IAS 18*	Revenue
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance
IAS 23	Borrowing Costs
IAS 24	Related Party Disclosures
IAS 27	Consolidated and Separate Financial Statements
IAS 28	Investments in Associates
IAS 31	Interests in Joint Ventures
IAS 32	Financial Instruments: Disclosure and Presentation
IAS 33	Earnings per Share
IAS 36	Impairment of Assets
IAS 37*	Provisions, Contingent Liabilities and Contingent Assets
IAS 38*	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement
IAS 40	Investment Property
IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 3*	Business Combinations
IFRS 5*	Non-Current Assets Held for Sale and Discontinued Operations
IFRS 7	Financial Instruments: Disclosures
IFRS 8	Operating Segments

#### NOTES

1 Statements marked \* are also examinable, in whole or part, in Paper 1.1.

2 IAS 7 is examinable for Paper 2.5 but excluding group cash flow statements and cash flow statements involving foreign currency.

#### OTHER STATEMENTS

No	Title
*	Framework for the Preparation and Presentation of Financial Statements

#### INTERPRETATIONS OF THE INTERNATIONAL FINANCIAL REPORTING INTERPRETATIONS COMMITTEE (IFRIC)

No	Title
SIC-10	Government Assistance – No Specific Relation to Operating Activities
IFRIC 4	Determining Whether an Arrangement Contains a Lease

#### APPROACH TO EXAMINING THE SYLLABUS

The examination is a three-hour paper in two sections. It will contain a mix of computational and discursive elements. Some questions will adopt a scenario/case study approach.

	Number of marks
Section A: 1 compulsory question	25
Section B: Choice of 3 from 4 questions (25 marks each)	75
	<u>100</u>

The *Study Guide* provides more detailed guidance on the syllabus.

### PAPER 2.5 FINANCIAL REPORTING (GBR)

#### STATEMENTS OF STANDARD ACCOUNTING PRACTICE (SSAPs)

No	Title
	Foreword to Accounting Standards
4	Accounting for government grants
5	Accounting for Value Added Tax
9*	Stocks and long-term contracts
13*	Accounting for research and development
19	Accounting for investment properties
21	Accounting for leases and hire purchase contracts
25	Segmental reporting

#### FINANCIAL REPORTING STANDARDS (FRSs)

No	Title
1*	Cash Flow Statements (excluding group cash flow statements) (Note 2)
2	Accounting for Subsidiary Undertakings Amendment to FRS 2
3*	Reporting Financial Performance (excluding group aspects)
5	Reporting the Substance of Transactions Amendment to FRS 5
6	Acquisitions and Mergers
7	Fair Values in Acquisition Accounting

8	Related Party Disclosures
9	Associates and Joint Ventures
10	Goodwill and Intangible Assets
11	Impairment of Fixed Assets and Goodwill
12*	Provisions, Contingent Liabilities and Contingent Assets
15*	Tangible Fixed Assets
16	Current Tax
18*	Accounting Policies
19	Deferred Tax
21*	Events After the Balance Sheet Date
22	Earnings per share
25	Financial Instruments: Disclosure and Presentation
26	Financial Instruments: Measurement
28	Corresponding Amounts
29	Financial Instruments: Disclosures

		<b>Number of marks</b>
Section A:	1 compulsory question	25
Section B:	Choice of 3 from 4 questions (25 marks each)	75
		<u>100</u>

**PAPER 2.6 AUDIT AND INTERNAL REVIEW (INT)**

**ACCOUNTING STANDARDS**

The accounting knowledge that is assumed for Paper 2.6 is the same as that examined in Paper 2.5. Therefore, candidates studying for Paper 2.6 should refer to the International Accounting Standards listed under Paper 2.5. However, Paper 2.6 only assumes a detailed knowledge of accounting standards that are examinable in Paper 1.1.

**INTERNATIONAL STANDARDS ON AUDITING (ISAs)**

No	Title
	Glossary of terms – revised Oct 2004
	International Framework for Assurance Assignments
	Preface to International Standards on Quality Control, Auditing, Assurance and Related Services
200	Objective and General Principles Governing an Audit of Financial Statements
210	Terms of Audit Engagements
230	Audit Documentation (Revised)
240	The Auditor’s Responsibility to Consider Fraud in an Audit of Financial Statements
250	Consideration of Laws and Regulations in an Audit of Financial Statements
260	Communications of Audit Matters with Those Charged with Governance
300	Planning an Audit of Financial Statements
315	Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement
320	Audit Materiality
330	The Auditor’s Procedures in Response to Assessed Risks
402	Audit Considerations Relating to Entities Using Service Organisations
500	Audit Evidence
501	Audit Evidence – Additional Considerations for Specific Items
505	External Confirmations
510	Initial Engagements – Opening Balances
520	Analytical Procedures
530	Audit Sampling and Other Means of Testing
540	Audit of Accounting Estimates
560	Subsequent Events
570	Going Concern
580	Management Representations
610	Considering the Work of Internal Auditing
620	Using the Work of an Expert

**OTHER STATEMENTS**

No	Title
	Statement of Principles for Financial Reporting*
IFRS 1	First-time Adoption of International Financial Reporting Standards (Note 4)
FRSSE	Financial Reporting Standard for Smaller Entities

**ABSTRACTS**

No	Title
UITF Abstract 4	Presentation of long-term debtors in current assets
UITF Abstract 5	Transfers from current assets to fixed assets
UITF Abstract 15	Disclosure of substantial acquisitions
UITF Abstract 40	Revenue recognition and service contracts

**NOTES**

- Statements marked \* are also examinable, in whole or part, in Paper 1.1.
- FRS 1 is examinable for Paper 2.5 but excluding group cash flow statements and cash flow statements involving foreign currency.
- Students should note that Chapters 1, 2 and 3 of the Statement of Principles are examinable in Paper 1.1. For Paper 2.5, students are expected to be aware of the issues/reasons that have led to the publication of the Statement of Principles, and to be able to discuss the main thrust of the document.
- Knowledge of International Accounting Standards other than IFRS 1 will not be examinable.

**APPROACH TO EXAMINING THE SYLLABUS**

The examination is a three-hour paper in two sections. It will contain a mix of computational and discursive elements. Some questions will adopt a scenario/case study approach. The *Study Guide* provides more detailed guidance on the syllabus.

700	The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements				
701	Modifications to the Independent Auditor's Report	Section A:	3 compulsory scenario-based questions		
710	Comparatives		(no single question will exceed 25 marks)	60	
720	Other Information in Documents Containing Audited Financial Statements	Section B:	Choice of 2 from 3 questions (20 marks each)	40	
				<u>100</u>	

#### INTERNATIONAL STANDARDS ON REVIEW ENGAGEMENTS (ISREs)

No	Title
2400	Engagements to Review Financial Statements (previously ISA 910)

#### INTERNATIONAL STANDARDS ON ASSURANCE ENGAGEMENTS (ISAEs)

No	Title
3000	Assurance Engagements other than Audits or Reviews of Historical Financial Information

#### OTHER DOCUMENTS

No	Title
	The Combined Code (of the Committee on Corporate Governance) as an example of a code of best practice
IAPS 1000*	Inter-bank Confirmation Procedures
IAPS 1013	Electronic Commerce: Effect on the Audit of Financial Statements
IAPS 1014	Reporting by Auditors on Compliance with International Financial Reporting Standards

\* Students will not be examined on the audit of banks. This document is relevant to the extent that it applies to the confirmation of financial and business relationships between banks and their non-bank customers.

#### NOTE

- Students are advised that questions will be based on the principles and good practice set out in the International Standards on Auditing.

#### OTHER GUIDANCE

ACCA's 'Code of Ethics and Conduct'

Documents under 'Other Guidance' are examinable only to the extent that they are relevant to topics specified in the *Syllabus* and *Study Guide*.

#### APPROACH TO EXAMINING THE SYLLABUS

The examination is a three-hour paper in two sections. The bulk of the questions will be discursive but some questions involving computational elements will be set from time to time.

Section A is compulsory. The questions will cover the key elements of the syllabus relevant to both internal and external audit assignments. Section B requires candidates to answer two out of three questions. The questions will cover all areas of the syllabus. The *Study Guide* provides more detailed guidance on the syllabus.

#### PAPER 2.6 AUDIT AND INTERNAL REVIEW (GBR)

##### ACCOUNTING STANDARDS

The accounting knowledge that is assumed for Paper 2.6 is the same as that examined in Paper 2.5. Therefore, candidates studying for Paper 2.6 should refer to the accounting standards listed under Paper 2.5. However, Paper 2.6 only assumes a detailed knowledge of accounting standards that are examinable for Paper 1.1.

##### AUDITING STANDARDS AND GUIDELINES THE AUDITING PRACTICES BOARD (APB)

Auditing Practices Board pronouncements are issued as International Standards on Auditing (ISAs) (UK and Ireland) or Practice Notes (PNs), the former being mandatory and the latter for guidance only, though they are indicators of best practice. Publication of ISAs and PNs will be preceded by an Exposure Draft (ED), usually with a comment period of three months. EDs are not examinable at Paper 2.6.

##### INTERNATIONAL STANDARDS ON AUDITING (ISAs) (UK AND IRELAND)

No	Title	Issue date
	Glossary of terms	Dec 2004
200	Objective and general principles governing an audit of financial statements	Dec 2004
210	Terms of audit engagements	Dec 2004
230	(Revised) Audit Documentation	Jan 2006
240	The auditor's responsibility to consider fraud in an audit of financial statements	Dec 2004
250	Consideration of laws and regulations in an audit of financial statements	Dec 2004
260	Communication of audit matters with those charged with governance	Dec 2004
300	Planning an audit of financial statements	Dec 2004
315	Obtaining an understanding of the entity and its environment and assessing the risks of material misstatement	Dec 2004
320	Audit materiality	Dec 2004
330	The auditor's procedures in response to assessed risks	Dec 2004
402	Audit considerations relating to entities using service organisations	Dec 2004
500	Audit evidence	Dec 2004
501	Audit evidence – additional considerations for specific items	Dec 2004

505	External confirmations	Dec 2004	Bulletin 2006/5	The Combined Code on Corporate Governance: Requirements of Auditors under the Listing Rules of the Financial Services Authority and the Irish Stock Exchange	Sept 2006
510	Initial engagements – opening balances and continuing engagements – opening balances	Dec 2004			
520	Analytical procedures	Dec 2004			
530	Audit sampling and other means of testing	Dec 2004			
540	Audit of accounting estimates	Dec 2004	Bulletin 2006/6	Auditor's Reports on Financial Statements in the United Kingdom	Sept 2006
560	Subsequent events	Dec 2004			
570	Going concern	Dec 2004			
580	Management representations	Dec 2004			
610	Considering the work of internal audit	Dec 2004			
620	Using the work of an expert	Dec 2004			
700	The auditor's report on financial statements	Dec 2004			
710	Comparatives	Dec 2004			
720	(Revised) Section A – Other information in documents containing audited financial statements; Section B – The auditor's statutory reporting responsibility in relation to directors' reports	Apr 2006			

\* Students will not be examined on those sections of this document that deal with the review report or Stock Exchange requirements.

**NOTE**

1 Students are advised that questions will be based on the principles and good practice set out in the Auditing Standards and Guidelines.

**OTHER GUIDANCE**

ACCA's 'Code of Ethics and Conduct'

Documents under 'Other Guidance' are examinable only to the extent that they are relevant to topics specified in the *Syllabus* and *Study Guide*.

**ETHICAL STANDARDS (ESs)**

No	Title	Issue date
ES1	Integrity, objectivity and independence	Dec 2004
ES2	Financial, business, employment and personal relationships	Dec 2004
ES3	Long association with the audit engagement	Dec 2004
ES4	Fees, remuneration and evaluation policies, litigation, gifts and hospitality	Dec 2004
ES5	Non-audit services provided to audit clients	Dec 2004
	Glossary	Dec 2004
ES	Provisions available for small entities	Apr 2005
ESRA	Ethical standard for reporting accountants	Oct 2006

**APPROACH TO EXAMINING THE SYLLABUS**

The examination is a three-hour paper in two sections. The bulk of the questions will be discursive but some questions involving computational elements will be set from time to time. Section A is compulsory. The questions will cover the key elements of the syllabus relevant to both internal and external audit assignments. Section B requires candidates to answer two out of three questions. The questions will cover all areas of the syllabus. The *Study Guide* provides more detailed guidance on the syllabus.

**OTHER DOCUMENTS**

No	Title	Issue date
	The Combined Code (of the Committee on Corporate Governance)	
	Scope and Authority of APB Pronouncements (Revised)	Dec 2004
PN 13	The audit of small businesses	July 1997
PN 16	Bank reports for audit purposes (Revised): Interim guidance	Oct 2006
PN 25	Attendance at stocktaking	Jan 2004
Bulletin 2001/03	E-business: identifying financial statement risks	Apr 2001
Briefing Paper	Providing assurance on the effectiveness of internal control	July 2001
Briefing Paper	Effective communication between audit committees and external auditors	Sept 2002

		Number of marks
Section A:	3 compulsory scenario-based questions (no single question will exceed 25 marks)	60
Section B:	Choice of 2 from 3 questions (20 marks each)	40
		<u>100</u>

**PAPER 3.1 AUDIT AND ASSURANCE SERVICES (INT)**

The accounting knowledge that is assumed for Paper 3.1 is the same as that examined in Paper 2.5. Therefore, candidates studying for Paper 3.1 should refer to the accounting standards listed under Paper 2.5.

**INTERNATIONAL STANDARDS ON AUDITING (ISAs)**

No	Title
	Glossary of Terms – revised Oct 2004
	International Framework for Assurance Assignments
	Preface to International Standards on Quality Control, Auditing, Assurance and Related Services

200	Objective and General Principles Governing an Audit of Financial Statements
210	Terms of Audit Engagements
220	Quality Control for Audits of Historical Financial Information
230	Audit Documentation (Revised)
240	The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements
250	Consideration of Laws and Regulations in an Audit of Financial Statements
260	Communications of Audit Matters with Those Charged with Governance
300	Planning an Audit of Financial Statements
315	Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement
320	Audit Materiality
330	The Auditor's Procedures in Response to Assessed Risks
402	Audit Considerations Relating to Entities Using Service Organisations
500	Audit Evidence
501	Audit Evidence – Additional Considerations for Specific Items
505	External Confirmations
510	Initial Engagements – Opening Balances
520	Analytical Procedures
530	Audit Sampling and Other Means of Testing
540	Audit of Accounting Estimates
545	Auditing Fair Value Measurements and Disclosures
550	Related Parties
560	Subsequent Events
570	Going Concern
580	Management Representations
600	Using the Work of Another Auditor
610	Considering the Work of Internal Auditing
620	Using the Work of an Expert
700	The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements
701	Modifications to the Independent Auditor's Report
710	Comparatives
720	Other Information in Documents Containing Audited Financial Statements
800	The Auditor's Report on Special Purpose Audit Engagements

**INTERNATIONAL AUDITING PRACTICE STATEMENTS (IAPs)**

No	Title
1010	The Consideration of Environmental Matters in the Audit of Financial Statements
1013	Electronic Commerce: Effect on the Audit of Financial Statements
1014	Reporting by Auditors on Compliance with International Financial Reporting Standards

**INTERNATIONAL STANDARDS ON ASSURANCE ENGAGEMENTS (ISAEs)**

No	Title
3000	Assurance Engagements other than Audits or Reviews of Historical Financial Information
3400	The Examination of Prospective Financial Information (previously ISA 810)

**INTERNATIONAL STANDARDS ON QUALITY CONTROL (ISQCs)**

No	Title
1	Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information and Other Assurance and Related Services Engagements

**INTERNATIONAL STANDARDS ON RELATED SERVICES (ISRs)**

No	Title
4400	Engagements to Perform Agreed-Upon Procedures Regarding Financial Information (previously ISA 920)
4410	Engagements to Compile Financial Information (previously ISA 930)

**INTERNATIONAL STANDARDS ON REVIEW ENGAGEMENTS (ISREs)**

2400	Engagements to Review Financial Statements (previously ISA 910)
2410	Review of Interim Financial Information Performed by the Independent Auditor of the Entity

**EXPOSURE DRAFTS (EDs)**

Title	Issue date
ISA 240 (Redrafted) The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements	Oct 2005
ISA 260 (Revised and Redrafted) Communication with Those Charged with Governance	Nov 2006
ISA 300 (Redrafted) Planning an Audit of Financial Statements	Oct 2005
ISA 315 (Redrafted) Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement	Oct 2005
ISA 320 (Revised and Redrafted) Materiality in Planning and Performing an Audit	Nov 2006
ISA 330 (Redrafted) The Auditor's Procedures in Response to Assessed Risks	Oct 2005
ISA 450 (Redrafted) Evaluation of Misstatements Identified During the Audit	Nov 2006
ISA 540 (Revised) Auditing Accounting Estimates And Related Disclosures (Other than Those Involving Fair Value Measurements and Disclosures)	Dec 2004
ISA 550 (Revised) Related Parties	Dec 2005
ISA 600 (Revised and Redrafted) The Audit of Group Financial Statements	Mar 2006
ISA 701 The Independent Auditor's Report on Other Historical Financial Information	June 2005

ISA 705 Modifications to the Opinion in the Independent Auditor's Report	Mar 2005
ISA 706 Emphasis of Matter Paragraphs and Other Matters Paragraphs in the Independent Auditor's Report	Mar 2005
ISA 800 The Independent Auditor's Report on Summary Audited Financial Statements	June 2005
Proposed Amendments to the Preface to the International Standards On Quality Control, Auditing, Assurance and Related Services	Oct 2005

**OTHER GUIDANCE (NOTE 3)**

- ACCA's 'Code of Ethics and Conduct'
- ACCA's Technical Factsheet 94 – Anti-Money Laundering (Proceeds of Crime and Terrorism)
- IFAC's 'Code of Ethics for Professional Accountants' (Revised July 2006)
- The Combined Code (of the Committee on Corporate Governance)
- IAASB Paper 'Financial Reporting on the Internet: Responsibilities of Directors and Management'
- IAASB Paper 'First Time Adoption of International Financial Reporting Standards – Guidance for Auditors on Reporting Issues'

**NOTES**

- 1 Students are advised that questions will be based on the principles and good practice set out in the International Standards on Auditing.
- 2 Topics of EDs are examinable. However, detailed knowledge of the content of EDs is examinable to the extent that relevant articles are published in *student accountant*.
- 3 Documents under 'Other Guidance' are examinable only to the extent that they are relevant to topics specified in the *Syllabus* and *Study Guide*.

**APPROACH TO EXAMINING THE SYLLABUS**

The examination is a three-hour paper in two sections. Questions in both sections will be almost entirely discursive. However, candidates will be expected, for example, to be able to assess materiality and calculate relevant ratios where applicable. The *Study Guide* provides more detailed guidance on the syllabus.

	<b>Number of marks</b>
Section A: 3 compulsory questions	70
Section B: Choice of 2 from 3 questions (15 marks each)	30
	<u>100</u>

**PAPER 3.1 AUDIT AND ASSURANCE SERVICES (GBR)**

The accounting knowledge that is assumed for Paper 3.1 is the same as that examined in Paper 2.5. Therefore, candidates studying for Paper 3.1 should refer to the accounting standards listed under Paper 2.5.

**INTERNATIONAL STANDARDS ON AUDITING (ISAs) (UK AND IRELAND)**

<b>No</b>	<b>Title</b>	<b>Issue date</b>
	Glossary of terms	Dec 2004
200	Objective and general principles governing an audit of financial statements	Dec 2004
210	Terms of audit engagements	Dec 2004
220	Quality control for audits of historical information	Dec 2004
230	(Revised) Audit Documentation	Jan 2006
240	The auditor's responsibility to consider fraud in an audit of financial statements	Dec 2004
250	Consideration of laws and regulations in an audit of financial statements	Dec 2004
260	Communication of audit matters with those charged with governance	Dec 2004
300	Planning an audit of financial statements	Dec 2004
315	Obtaining an understanding of the entity and its environment and assessing the risks of material misstatement	Dec 2004
320	Audit materiality	Dec 2004
330	The auditor's procedures in response to assessed risks	Dec 2004
402	Audit considerations relating to entities using service organisations	Dec 2004
500	Audit evidence	Dec 2004
501	Audit evidence – additional considerations for specific items	Dec 2004
505	External confirmations	Dec 2004
510	Initial engagements – opening balances and continuing engagements – opening balances	Dec 2004
520	Analytical procedures	Dec 2004
530	Audit sampling and other means of testing	Dec 2004
540	Audit of accounting estimates	Dec 2004
545	Auditing fair value measurements and disclosures	Dec 2004
550	Related parties	Dec 2004
560	Subsequent events	Dec 2004
570	Going concern	Dec 2004
580	Management representations	Dec 2004
600	Using the work of another auditor	Dec 2004
610	Considering the work of internal audit	Dec 2004
620	Using the work of an expert	Dec 2004
700	The auditor's report on financial statements	Dec 2004
710	Comparatives	Dec 2004



720 (Revised) Section A – Other information in documents containing audited financial statements; Section B – The auditor’s statutory reporting responsibility in relation to directors’ reports  
Apr 2006

**INTERNATIONAL STANDARDS ON QUALITY CONTROL (ISQC) (UK AND IRELAND)**

No	Title	Issue date
1	Quality control for firms that perform audits and reviews of historical financial information and other assurance and related services engagements	Dec 2004

**PRACTICE NOTES (PNs)**

No	Title	Issue date
PN 8	Reports by auditors under company legislation in the United Kingdom	Aug 1994
PN 13	The audit of small businesses	July 1997
PN 16	Bank reports for audit purposes (Revised): Interim guidance	Oct 2006
PN 25	Attendance at stocktaking	Jan 2004

Statement 913 Access to working papers by investigating accountants

**ETHICAL STANDARDS (ESs)**

No	Title	Issue date
ES	Provisions available for small entities	Apr 2005
ES1	Integrity, objectivity and independence	Dec 2004
ES2	Financial, business, employment and personal relationships	Dec 2004
ES3	Long association with the audit engagement	Dec 2004
ES4	Fees, remuneration and evaluation policies, litigation, gifts and hospitality	Dec 2004
ES5	Non-audit services provided to audit clients	Dec 2004
	Glossary	Dec 2004
ESRA	Ethical standard for reporting accountants	Oct 2006

**DISCUSSION PAPERS (NOTE 2)**

Title	Issue date
Prospective financial information: challenging the assumptions	Apr 1998
Fraud and audit: choices for society	Nov 1998
Independent professional review	May 2000
Aggressive earnings management	June 2001
Briefing Paper: Providing assurance on the effectiveness of internal control	July 2001

**BULLETINS**

No	Title	Issue date
B99/4	Review of interim financial information	July 1999
2001/03	E-business: identifying financial statement risks	Apr 2001

2005/03 Guidance for Auditors on First-time Adoption of IFRSs in the United Kingdom and Republic of Ireland  
Nov 2005

2006/5 The Combined Code on Corporate Governance: Requirements of Auditors under the Listing Rules of the Financial Services Authority and the Irish Stock Exchange  
Sept 2006

2006/6 Auditor’s Reports on Financial Statements in the United Kingdom  
Sept 2006

**STATEMENT OF STANDARDS FOR REPORTING ACCOUNTANTS (SSRAs)**

Title	Issue date
Audit Exemption Reports	Oct 1994

**EXPOSURE DRAFTS (EDs) (UK AND IRELAND)**

Title	Issue date
ISA 260 (Revised) – The Auditor’s Communications With Those Charged with Governance	Apr 2005
ISA 320 (Revised) – Materiality in the Identification and Evaluation of Misstatements	Jan 2005
ISA 540 (Revised) – Auditing Accounting Estimates and Related Disclosures (other than those involving fair value measurements and disclosures)	Jan 2005
ISA 600 (Revised) – The Audit of Group Financial Statements	Apr 2005
ISA 700 (Revised) The Independent Auditor’s Report on a Complete Set of General Purpose Financial Statements	July 2005
ISA 701 The Independent Auditor’s Report on Other Historical Financial Information	July 2005
ISA 705 Modifications to the Opinion in the Independent Auditor’s Report	Apr 2005
ISA 706 Emphasis of Matter Paragraphs and Other Matters Paragraphs in the Independent Auditor’s Report	Apr 2005
ISA 800 The Independent Auditor’s Report on Summary Audited Financial Statements	July 2005
Consultation Draft: Practice Note 19 ‘The audit of banks and building societies in the United Kingdom (Revised)’	May 2006

**OTHER GUIDANCE**

Title	Issue date
Scope and Authority of APB Pronouncements (Revised)	Dec 2004
ACCA’s ‘Code of Ethics and Conduct’	
ACCA’s Technical Factsheet 94 – Anti-Money Laundering (Proceeds of Crime and Terrorism)	
IFAC’s ‘Code of Ethics for Professional Accountants’ (Revised July 2006)	
The Combined Code (of the Committee on Corporate Governance)	

IAPS 1014 – Reporting by Auditors on Compliance with International Financial Reporting Standards Mar 2003

**NOTES**

- 1 Students are advised that questions will be based on the principles and good practice set out in APB pronouncements.
- 2 Topics of Discussion/Consultation Papers/Exposure Drafts are examinable to the extent that relevant articles about them are published in *student accountant*.
- 3 Documents under 'Other Guidance' are examinable only to the extent that they are relevant to topics specified in the *Syllabus* and *Study Guide*.

**APPROACH TO EXAMINING THE SYLLABUS**

The examination is a three-hour paper in two sections. Questions in both sections will be almost entirely discursive. However, candidates will be expected, for example, to be able to assess materiality and calculate relevant ratios where applicable.

	<b>Number of marks</b>
Section A: 3 compulsory questions	70
Section B: Choice of 2 from 3 questions (15 marks each)	30
	<u>100</u>

**PAPER 3.6 ADVANCED CORPORATE REPORTING (INT)**

\* Students should note that items denoted by an asterisk are also examinable in Paper 2.5.

**INTERNATIONAL ACCOUNTING STANDARDS (IASs)/INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)**

<b>No</b>	<b>Title</b>
IAS 1*	Presentation of Financial Statements
IAS 2*	Inventories
IAS 7*	Cash Flow Statements (including groups and foreign currency)
IAS 8*	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10*	Events After the Balance Sheet Date
IAS 11*	Construction Contracts
IAS 12*	Income Taxes
IAS 16*	Property, Plant and Equipment
IAS 17*	Leases
IAS 18*	Revenue
IAS 19	Employee Benefits
IAS 20*	Accounting for Government Grants and Disclosure of Government Assistance
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 23*	Borrowing Costs
IAS 24*	Related Party Disclosures
IAS 27*	Consolidated and Separate Financial Statements
IAS 28*	Investments in Associates

IAS 29	Financial Reporting in Hyperinflationary Economies
IAS 31*	Interests in Joint Ventures
IAS 32*	Financial Instruments: Disclosure and Presentation
IAS 33*	Earnings per Share
IAS 34*	Interim Financial Reporting
IAS 36*	Impairment of Assets
IAS 37*	Provisions, Contingent Liabilities and Contingent Assets
IAS 38*	Intangible Assets
IAS 39*	Financial Instruments: Recognition and Measurement
IAS 40*	Investment Property
IAS 41	Agriculture
IFRS 1*	First-time Adoption of International Financial Reporting Standards
IFRS 2	Share-based Payment
IFRS 3*	Business Combinations
IFRS 4	Insurance Contracts
IFRS 5*	Non-Current Assets Held for Sale and Discontinued Operations
IFRS 6	Exploration for and Evaluation of Mineral Assets
IFRS 7	Financial Instruments: Disclosures
IFRS 8*	Operating Segments

**OTHER STATEMENTS**

**Title**

\*Framework for the Preparation and Presentation of Financial Statements

**INTERPRETATIONS OF THE INTERNATIONAL FINANCIAL REPORTING INTERPRETATIONS COMMITTEE (IFRIC)**

<b>No</b>	<b>Title</b>
SIC-10*	Government Assistance – No Specific Relation to Operating Activities
SIC-12	Consolidation – Special Purpose Entities
SIC-13	Jointly Controlled Entities – Non-monetary Contributions by Venturers
SIC-15	Operating Leases – Incentives
SIC-21	Income Taxes – Recovery of Revalued Non-depreciable Assets
SIC-25	Income Taxes – Changes in the Tax Status of an Enterprise or its Shareholders
SIC-27	Evaluating the Substance of Transactions in the Legal Form of a Lease
SIC-29	Disclosure – Service Concession Arrangements
SIC-31	Revenue – Barter Transactions Involving Advertising Services
SIC-32	Intangible Assets – Website Costs
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IFRIC 4*	Determining Whether an Arrangement Contains a Lease
IFRIC 5	Rights to Interests from Decommissioning Restoration and Environmental Funds
IFRIC 7	Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives

IFRIC 10 Interim Financial Reporting and Impairment  
 IFRIC 11 Group and Treasury Share Transactions  
 IFRIC 12 Service Concession Arrangements

**EDs, DISCUSSION PAPERS AND OTHER DOCUMENTS**

Candidates sitting Paper 3.6 are expected to be aware of the issues/reasons which have led to the publication of the following documents, indicated as examinable in the list below, and to appreciate the main thrust of these documents.

	Title
DP	Preliminary Views on Accounting Standards for Small and Medium-sized Entities
DP	Management Commentary
DP	Fair Value Measurements

**PAPER 3.6 ADVANCED CORPORATE REPORTING (GBR)**

\* Students should note that items denoted by an asterisk are also examinable in Paper 2.5.

**STATEMENTS OF STANDARD ACCOUNTING PRACTICE (SSAPs)**

No	Title
*	Foreword to Accounting Standards
4*	Accounting for government grants
5*	Accounting for Value Added Tax
9*	Stocks and long-term contracts
13*	Accounting for research and development
19*	Accounting for investment properties
21*	Accounting for leases and hire purchase contracts
25*	Segmental reporting

**FINANCIAL REPORTING STANDARDS (FRSs)**

No	Title
1*	Cash Flow Statements (including group cash flow statements)
2*	Accounting for Subsidiary Undertakings Amendment to FRS 2
3*	Reporting Financial Performance (including group aspects)
5*	Reporting the Substance of Transactions Amendment to FRS 5
6*	Acquisitions and Mergers
7*	Fair Values in Acquisition Accounting
8*	Related Party Disclosures
9*	Associates and Joint Ventures
10*	Goodwill and Intangible Assets
11*	Impairment of Fixed Assets and Goodwill
12*	Provisions, Contingent Liabilities and Contingent Assets
15*	Tangible Fixed Assets

16*	Current Tax
17	Retirement Benefits
18*	Accounting Policies
19*	Deferred Tax
20	Share-based Payment
21*	Events After the Balance Sheet Date
22*	Earnings per Share
23	The Effect of Changes in Foreign Exchange Rates
24	Financial Reporting in Hyperinflationary Economies
25*	Financial Instruments: Disclosure and Presentation
26*	Financial Instruments: Measurement
27	Life Assurance
28*	Corresponding Amounts
29*	Financial Instruments: Disclosures

**OTHER STATEMENTS**

Title
*Statement of Principles for Financial Reporting Interim reports
FRSSE Financial Reporting Standard for Smaller Entities Reporting Statement: The Operating and Financial Review

**URGENT ISSUES TASK FORCE (UITF) ABSTRACTS**

Students sitting Paper 3.6 are expected to be aware of the issues/reasons which have led to the publication of a UITF abstract indicated as examinable in the list below, and their principal requirements.

\* Documents denoted by an asterisk are also examinable in Paper 2.5.

No	Title
	Foreword to UITF Abstracts
UITF Abstract 4*	Presentation of long-term debtors in current assets
UITF Abstract 5*	Transfers from current assets to fixed assets
UITF Abstract 15*	Disclosure of substantial acquisitions
UITF Abstract 19	Tax on gains and losses on foreign currency borrowings that hedge an investment in a foreign enterprise
UITF Abstract 23	Application of the transition rules in FRS 15
UITF Abstract 24	Accounting for start-up costs
UITF Abstract 25	National Insurance contributions on share option gains
UITF Abstract 27	Revision to estimates of the useful economic life of goodwill and intangible assets
UITF Abstract 28	Operating lease incentives
UITF Abstract 29	Website development costs
UITF Abstract 30	Date of award to employees of shares or rights to shares
UITF Abstract 31	Exchanges of businesses or other non-monetary assets for an interest in a subsidiary, joint venture or associate

# professional scheme

## management accounting and financial management papers

UITF Abstract 32	Employee benefit trusts and other intermediate payment arrangements		<b>Number of marks</b>
UITF Abstract 34	Pre-contract costs	Section A:	50
UITF Abstract 35	Death-in-service and incapacity benefits		
UITF Abstract 36	Contracts for sales of capacity	Section B:	50
UITF Abstract 38	Accounting for ESOP Trusts		<u>100</u>
UITF Abstract 40*	Revenue recognition and service contracts		
UITF Abstract 41	Scope of FRS 20		
UITF Abstract 42	Reassessment of Embedded Derivatives		
UITF Abstract 43	The interpretation of equivalence for the purposes of Section 228A of the Companies Act 1985		

Candidates will be provided with a formulae sheet, which is printed on page 78. Paper 1.2 can also be taken as a three-hour computer-based exam. The *Study Guide* provides more detailed guidance on the syllabus.

### FINANCIAL REPORTING EXPOSURE DRAFTS (FREDs), DISCUSSION PAPERS, FINANCIAL REPORTING REVIEW PANEL (FRRP) PRONOUNCEMENTS AND STATEMENTS

Candidates sitting Paper 3.6 are expected to be aware of the issues/reasons which have led to the publication of a DP or FRED, indicated as examinable in the list below, and to appreciate the main thrust of these documents.

#### DISCUSSION PAPERS AND OTHER DOCUMENTS

##### Title

The Combined Code (of the Committee on Corporate Governance)  
IFRS 1\* First-time Adoption of International Financial Reporting Standards

#### FRRP PRONOUNCEMENT

Candidates need to understand the role of the FRRP which is to examine companies' accounts to determine whether, in its opinion, the accounts should be revised. The FRRP has reviewed the accounts of a number of companies and you should be aware of the comments issued by the FRRP.

#### APPROACH TO EXAMINING THE SYLLABUS

The examination is a three-hour paper divided into two sections. The *Study Guide* provides more detailed guidance on the syllabus.

	<b>Number of marks</b>
Section A: 1 compulsory question	25
Section B: Choice of 3 from 4 questions (25 marks each)	<u>75</u>
	<u>100</u>

### PAPER 1.2 FINANCIAL INFORMATION FOR MANAGEMENT

#### APPROACH TO EXAMINING THE SYLLABUS

The examination is a three-hour paper in two sections. Both sections will draw from all parts of the syllabus and will contain both computational and discursive elements.

### PAPER 2.4 FINANCIAL MANAGEMENT AND CONTROL

#### APPROACH TO EXAMINING THE SYLLABUS

The examination is a three-hour paper in two sections. Financial management issues will always, but not exclusively, be examined in Section A. The Section A question will typically be a scenario-based question. Most of the Section B questions will contain a mix of computation and discursive elements, although it is intended that at least one question will be entirely discursive. The balance between computation and discursive elements will remain largely constant from one examination to the next.

	<b>Number of marks</b>
Section A: 1 compulsory scenario-based question	50
Section B: Choice of 2 from 4 questions (25 marks each)	<u>50</u>
	<u>100</u>

A formulae sheet will be provided in the examination, which is printed on page 78. Present Value and Annuity tables will also be provided. The *Study Guide* provides more detailed guidance on the syllabus.

### PAPER 3.3 PERFORMANCE MANAGEMENT

#### APPROACH TO EXAMINING THE SYLLABUS

The examination is a three-hour paper constructed in two sections. Section A questions will normally be in the form of a case study or case scenario. Section B questions will comprise at least one question that is purely discursive and other(s) will incorporate both computational and discursive components.

	<b>Number of marks</b>
Section A: 2 compulsory questions (no question will exceed 45 marks)	60
Section B: Choice of 2 from 3 questions (20 marks each)	<u>40</u>
	<u>100</u>

# professional scheme

## management and information technology papers

Present Value and Annuity tables will be provided in the examination as required. The *Study Guide* provides more detailed guidance on the syllabus.

### PAPER 3.7 STRATEGIC FINANCIAL MANAGEMENT

#### APPROACH TO EXAMINING THE SYLLABUS

The examination is a three-hour paper comprising a mix of computational and discursive elements. The compulsory questions will normally be in the form of a case study or case scenario. Key areas of the syllabus will always be tested in the compulsory questions, and may be tested in the elective questions.

	Number of marks
Section A: 2 compulsory questions	70
Section B: Choice of 2 from 4 questions (15 marks each)	30
	<u>100</u>

As well as a formulae sheet, which is printed on page 78, candidates will also be provided with Present Value tables, Annuity tables and Standard Normal Distribution tables. The *Study Guide* provides more detailed guidance on the syllabus.

### PAPER 1.3 MANAGING PEOPLE

#### APPROACH TO EXAMINING THE SYLLABUS

The examination is a three-hour written paper in two sections. Section A consists of a brief scenario with one compulsory question worth 40 marks, comprising a range of six or seven requirements each carrying between 5–10 marks. Candidates should *apply* relevant theoretical knowledge from the main areas of the syllabus to the *information contained within the scenario* to achieve the highest marks. Section B consists of five essay-type questions assessing knowledge acquired from all five main areas of the syllabus. Each question carries 15 marks and candidates must attempt four questions, giving a possible total of 60 marks for that section.

Candidates should be aware that although questions in Section B may have several parts, answers should be presented in essay form. Candidates need to show a conceptual understanding of each topic area, and not simply list points. Candidates should also be aware that although the course may be taught as a number of discrete topics, individual examination questions may combine or integrate more than one area. The *Study Guide* provides more detailed guidance on the syllabus.

	Number of marks
Section A: 1 compulsory scenario-based question	40
Section B: Choice of 4 from 5 questions (15 marks each)	60
	<u>100</u>

### PAPER 2.1 INFORMATION SYSTEMS

#### APPROACH TO EXAMINING THE SYLLABUS

The examination is a three-hour written paper in two sections. Section A consists of a scenario with three compulsory questions selected from the breadth of the syllabus, closely linked to the scenario. Each question is worth 20 marks, giving a total of 60 marks for this section. Candidates should properly *apply* their theoretical knowledge to the *information contained within the scenario* to achieve the highest marks in this section.

Section B consists of three independent questions, one question from each of the main areas of the syllabus. Each question carries 20 marks. Candidates must attempt two questions, giving a possible total of 40 marks for Section B.

	Number of marks
Section A: 3 compulsory 20-mark scenario-based questions	60
Section B: Choice of 2 from 3 questions (20 marks each)	40
	<u>100</u>

The examination does not assume the use of any particular systems development methodology. Practical questions will be set in such a way that they can be answered by any methodology. Paper 2.1 requires candidates to answer questions from the three main areas of the syllabus.

#### OTHER GUIDANCE

As outlined in the June 2004 exam notes (published in the February 2004 issue of *student accountant*), in relation to Sessions 12, 13 and 14 of the *Study Guide*, candidates are expected to describe and apply process models such as data flow diagrams and flowcharts and their decomposition. Candidates should be able to describe a business structure model such as entity-relationship models (logical data models) and class models. In addition, candidates may be required to describe and apply a business event model such as statechart diagrams (state transition diagrams) and entity life histories. Please refer to the *Study Guide* for further guidance on this and other areas of the syllabus.

### PAPER 3.4 BUSINESS INFORMATION MANAGEMENT

#### APPROACH TO EXAMINING THE SYLLABUS

The examination is a three-hour written paper in two sections. Section A is based on a business scenario. It contains three compulsory questions from across the syllabus which relate to the scenario. Students are expected to *discuss* and *apply the theory specifically to the material within the scenario* to attract the highest marks. Each question in Section A attracts 20 marks, giving a total of 60 for the section. Section B contains three independent questions drawn from the breadth of the syllabus, which are not related to the scenario in Section A. Each question is worth 20 marks. Candidates must answer two questions, giving a total of 40 marks for Section B.

# professional scheme

## law paper

	Number of marks
Section A: 3 compulsory 20-mark scenario-based questions	60
Section B: Choice of 2 from 3 questions (20 marks each)	40
	<u>100</u>

The paper examines various business information management and strategic models and relevant analytical tools and techniques. The paper also examines generic strategic and planning models adapted and applied from a business information management perspective.

### OTHER GUIDANCE

The *Study Guide* has been amended to slightly reorganise the content and to specify more assessable models and topics. The points to take into account are as follows:

- Session 2 – Expert Systems is specifically mentioned so there are now seven major types of Information Systems under 2(a).
- Sessions 3/4 – An additional requirement (f) has been added 'Explain Earl's IS, IT and IM strategies'.
- Session 10 – An additional requirement (d) has been added 'Apply Porter's Five Forces models to scenarios'.
- Session 11 – Michael Earl's 'Three Leg Analysis' has been added in Session 11b (Discuss the alignment of business strategy) – this topic was examined in the December 2002 examination. The requirements 26 (c), (d) and (e) of the previous *Study Guide* have been moved to the end of Session 11.
- Sessions 15/16 – Rich Pictures have been specifically added after CATWOE under (b) and requirement (c) has been added: 'Evaluate the differences between hard and soft systems approaches'.
- Session 20 – A new requirement (c) has been added: 'Apply McLaughlin's 'SWOT' approach to scenarios'.
- Session 24 – Lewin's 'Three Stage' change process has now been specified under (g).
- Session 25 – A new requirement (f) has been added: 'Explain the importance of commitment, coordination and communication (The Three Cs) to the change process'.

### PAPER 3.5 STRATEGIC BUSINESS PLANNING AND DEVELOPMENT

#### APPROACH TO EXAMINING THE SYLLABUS

This paper examines the practical application of the strategic aspects of business planning and development from an integrated perspective. Operational activities will only be introduced where they impinge upon strategic considerations. The examination is a three-hour paper in two sections. Section A will be in the format of one major case study question, usually with three to four parts worth between 10 and 20 marks each, giving a total of 60 marks for this section. The case study question is compulsory and focuses on the core areas within the syllabus linked to the material included within the case. Candidates should properly *apply* their theoretical knowledge to *the information contained within the case study* to achieve the highest marks in this section. The

questions in Section A will be mainly discursive, although some financial or quantitative data usually needs to be analysed. Section B consists of three independent questions worth 20 marks each, not linked to the case study in Section A. Candidates are required to attempt two questions, giving a possible total of 40 marks for Section B.

	Number of marks
Section A: 1 compulsory 60-mark scenario-based question	60
Section B: Choice of 2 from 3 questions (20 marks each)	40
	<u>100</u>

### OTHER GUIDANCE

As clarification for students and tuition providers, the examiner confirms that Section 5d of the *Syllabus* and Session 19d (ii) of the *Study Guide*, covering the management of information systems development, will only be assessed in a strategic context in this paper. This area is already covered in operational terms in Paper 2.1, *Managing Information Systems*. This paper will only therefore examine strategic aspects of information systems and human resource management to the extent that these functional areas support a wider business and marketing strategy. Refer to the *Syllabus* and *Study Guide* of Paper 3.5, published in July 2004 for further details. The *Study Guide* provides more detailed guidance on the syllabus.

### PAPER 2.2 CORPORATE AND BUSINESS LAW

The following points are applicable to all variants of this examination.

#### EXAMINABLE LEGISLATION

ACCA applies a six-month rule. Questions requiring an understanding of new legislation will not be set until at least six calendar months after the last day of the month in which legislation received Royal Assent or similar procedure in any of the variant paper countries. Therefore, for the June 2007 examination the relevant 'last day' was 30 November 2006.

	Number of marks
Section A: 6 (out of 8) questions of 10 marks each	60
Section B: 2 (out of 4) questions of 20 marks each	40
	<u>100</u>

Section A will contain short, knowledge-based questions. Questions in Section B will be problem-based and will test communication skills and the ability to appraise and analyse information.

### PAPER 2.2 (ENG) AND PAPER 2.2 (SCT)

#### The Companies Act

You are expected to answer questions in accordance with the Companies Act 1985 as amended by the Companies Act 1989. Knowledge is also required of the Business Names Act 1985, the Company Directors

Disqualification Act 1986, the Insolvency Act 1986, the Criminal Justice Act 1993 in relation to insider dealing, the Financial Services and Markets Act 2000, and the Companies (Audit Investigations and Community Enterprise) Act 2004.

### Partnerships

As regards partnerships, knowledge will be required of the Partnership Act 1890, the Limited Partnerships Act 1907, and the Limited Liability Partnerships Act 2000.

### Employment

Employment law – notice should be taken of the fact that the main legislation is now the Employment Rights Act 1996 but knowledge will also be expected of the Disability Discrimination Act 2005, the Race Relations Act 1976, the Sex Discrimination Act 1975, the Employment Equality (Sex Discrimination) Regulations 2005, the Equal Pay Act 1970, and the Employment Tribunals (Constitution and Rules of Procedure) Regulations 2004.

### Contract

Contract law – candidates will be expected to have a knowledge of the Unfair Contract Terms Act 1977, the Unfair Terms in Consumer Contracts Regulations Act 1999, and the Contracts (Rights of Third Parties) Act 1999. It should be noted that neither frustration nor misrepresentation will be examined as they are no longer included in the syllabus.

### English Legal System

Knowledge of the Human Rights Act 1998 and the Constitutional Reform Act 2005 is expected.

### Criminal Law

Knowledge of the Proceeds of Crime Act 2002 and the Prevention of Terrorism Act 2005 is expected.

## PAPER 2.2 (CHN)

Candidates should pay particular attention to the questions in Section A, where performance is not as good as in Section B.

On 27 October 2005, the Standing Committee of the Tenth National People's Congress of the People's Republic of China adopted the revised Company Law and the revised Securities Law. These two revised laws came into effect as of 1 January 2006. Therefore, they are examinable legislation for the June 2007 session. The English versions of these two laws are on the ACCA website at [www.accaglobal.com/china/students](http://www.accaglobal.com/china/students)

It should be noted that several substantive revisions have taken place and several substantive rules have been established in these two laws. Beside other provisions, the examiner advises candidates to pay more attention to the following points and understand the differences between the revised Company Law and Securities Law and their previous versions.

In relation to Company Law:

- the one-person limited liability company and its major differences compared with the common limited liability company
- the conditions to be met for the incorporation of a limited liability company, in particular that the shareholders can make their capital contributions by instalments after the incorporation of the company
- the definitions of the senior executives of a company, the holding shareholders, actual controllers and their special fiduciary duties toward a company, and the special fiduciary duties of the directors, supervisors of a company
- the shareholder's right to bring a law suit, in his or her own name, for the interests of the company and the conditions for such action
- the elimination of the restriction on the investment by a company (under the previous version a company was allowed to reinvest to other companies subject to a restriction of maximum 50% of its net assets)
- the special provisions on the organisational structure of a listed company.

In relation to Securities Law:

- the definition of public offering of securities
- the conditions of a company to issue corporate bonds and the special conditions for a listed company to issue corporate bonds
- the sponsorship system in the public offering of securities, the qualifications for a sponsor and his or her duties
- the conditions to be satisfied for the establishment of a securities company, especially the minimum registered capital requirements for a securities company engaging in certain kinds of transactions
- the conditions to be satisfied for a joint stock limited company to have its shares listed
- the responsibility of the directors, supervisors, senior executives, sponsors, and the underwriting securities company for the truthfulness, accuracy, and completeness of the information and their joint and several liabilities for the losses of investors.

## PAPER 2.2 (CYP)

The examinable legislation consists of the following:

- i The Companies Law, Cap. 113
- ii The Partnerships Law, Cap. 116
- iii The Termination of Employment Law, L. 24/67 as amended
- iv The Contract Law, Cap. 149
- v General knowledge of the legal system in Cyprus, the Constitution.

In relation to (v) above, candidates should be generally familiar with legislation in Cyprus and in particular with legislation which relates to the legal system, for example:

- a the ratification of the European Convention of Human Rights and its Protocols

- b the Courts of Justice Law 14/60, which, *inter alia*, provides for the application of the common law and principles of equity in Cyprus where there is no statutory provision governing the matter, and provided they are consistent with the Constitution of Cyprus.

Candidates should also be familiar with the recent amendment of the Constitution of Cyprus. On 28 July 2006, the fifth amendment of the Constitution of Cyprus was enacted, which, in effect, gave supremacy to European Union law over the Constitution in case of conflict.

#### PAPER 2.2 (HKG)

In relation to partnership law, salaried partner is a topic which is examinable. Candidates are reminded:

- not to write answers to different questions on the same page
- to write down the numbers of the questions they answer on the front page of their answer books.

#### PAPER 2.2 (LSO)

Candidates sitting for this paper are advised that they should put in extra effort as regards the preparation for Section B questions. This requires going through the past examination papers and their answers, reading them closely, and learning what is expected from them. Candidates should note that hire purchase law has been added to the syllabus and therefore the Hire Purchase Act 1974, amended to date, is examinable.

#### PAPER 2.2 (MLA)

##### Continuance of Companies

In terms of article 425(4) of the Companies Act, 1995 the Minister issued regulations on the continuance of companies registered in a country other than Malta, in Malta. The Minister also issued regulations on the continuance of companies registered in Malta, in an overseas jurisdiction.

The regulations provide for the procedure to be followed to bring such continuation of corporate existence into effect, in Malta and in the overseas jurisdiction which may be selected for such continuation.

##### Companies Act

By virtue of Act IV of 2003 (Set-Off and Netting on Insolvency Act, 2003) various amendments were introduced to the Companies Act. These amendments came into force on 1 June 2003. Such amendments include provisions on the duties of directors, limited partnerships engaged in the collective investment of funds, and company recoveries.

##### Company Recovery Procedure

Where a company is unable to pay its debts or is imminently likely to become unable to pay its debts, an application may be made to the

courts to place the company under Company Recovery Procedure and to issue a Company Recovery Order in terms of which a Special Controller shall be appointed to take over and manage the business of the company. Once appointed, the company shall continue to carry out its normal activities under the supervision of the Special Controller.

##### Employment and Industrial Relations

Previously, employment law emanated principally out of the Conditions of Employment (Regulations) Act and The Industrial Relations Act. These two pieces of legislation have now been repealed and have been replaced by the Employment and Industrial Relations Act, 2002. The new law now regulates both employment relations and industrial relations.

The main provisions dealing with employment relations regulate contracts of employment. Provisions include:

- the minimum amount of information to be given to employees in the absence of a contract of service or of one which fails to provide for the prescribed conditions of employment
- the protection of wages
- protection from harassment and victimisation
- gender equality and the termination of employment.

Complementing these provisions are various regulations which have been brought into force by Legal Notices covering areas such as collective redundancies, parental leave, fixed-term contracts and the guarantee fund. The Act also regulates the settlement of trade disputes providing for the different modes of settlement and the procedure to be adopted in each case. It is pertinent to note that the powers of the Industrial Tribunal have been extended and the Tribunal is featured as the principal mode of dispute settlement.

It should also be noted that while the new law introduced various new concepts bringing Maltese legislation in line with modern employment and labour legislation, the law also transposed from previous legislation (updating where required) including several features of employment and industrial law. These are still deemed applicable and relevant despite the passage of time.

##### Prevention of Financial Markets Abuse Act

With the enactment of the Prevention of Financial Markets Abuse Act, the scope of the offence of insider dealing, as was previously referred to, is much wider. The purpose of the Act is to safeguard the integrity of Maltese and EU financial markets and to enhance investor confidence in those markets. For this object, the Act has transposed and implemented the Market Abuse Directive and its Implementing Measures, and consequently the Act and any regulations adopted thereunder, must be interpreted and applied accordingly. The prohibitions and requirements laid down in the Act apply to acts carried out:

- a by any person in Malta or outside Malta concerning financial instruments that are admitted to trading on a regulated market in Malta, including admission to a recognised investment exchange situated or operating in Malta or for which a request for admission to trading on such market in Malta has been made, or



- b by any person in Malta concerning financial instruments that are admitted to trading on a regulated market in any other Member State or EEA State, or for which a request for admission to trading on such market has been made.

### PAPER 2.2 (PKN)

The syllabus content on the employment/labour laws is restricted to only two main legislations, namely, the Industrial Relations Ordinance, 2002 and the West Pakistan Industrial and Commercial Employment (Standing Order) Ordinance, 1968. The syllabus content in this area, which extends to 10 laws (some of which are very technical), should be restricted in view of its relevance.

### PAPER 2.2 (POL)

Candidates sitting this paper should refer to the exam notes section for this paper on the ACCA website at [www.accaglobal.com](http://www.accaglobal.com)

### PAPER 2.2 (RUS)

The purpose of these notes is to provide candidates with guidance on best practices to adopt in order to maximise the prospect of success in the examination. The questions test the candidates' grasp of general legal concepts and the laws relating to legal entities. The focus in the past has mainly been on companies limited by shares and limited liability companies. However, the syllabus does include other types of legal entity and these should not be ignored when preparing for the exam.

In more recent examinations there has been a shift in Section B towards questions that demand an ability to resolve problems and dilemmas rather than reiterate facts contained in the laws of the Russian Federation and summarised in the study material used for preparation and revision. This is likely to continue. If the question asks for an opinion it can be assumed that marks will be awarded for having an opinion and expressing it. An opinion that is different to the examiner is awarded marks provided it is justified by reasoned argument in the answer.

There are several practices that can enhance the prospects of success in this paper. Obviously, good preparation is the main requirement. As the syllabus is broad, it is beneficial to learn the key concepts relating to all areas rather than focus on perceived 'hot topics' to the exclusion of others. Time management is extremely important. The best approach is to apportion time according to the marks available. Assuming that 15 minutes are required to read through the paper and select questions, and a further 15 minutes will be used by checking over completed answers, this leaves 150 minutes for planning and writing answers. As a general guide, this should leave 15 minutes for each Section A question and 30 minutes for each Section B question. While it is appropriate to spend perhaps an extra five minutes on the strongest question and five minutes less on the weakest question, failure to adhere to time limits can prejudice the chances of success. As most questions are sub-divided, the time spent on each sub-section should reflect the

number of marks available. Therefore, if a Section A question has three sub-sections but with one of them worth five marks (out of the 10 marks in total), then half the time spent on the question should be devoted to that sub-section. This is especially important when dealing with Section B questions, in which the 20 marks may be divided unequally. Most candidates seem to prefer sub-divided questions. The majority of questions on every paper will be set in this format. However, candidates are encouraged not to discount questions that are not sub-divided. Quite often, the question is deliberately worded to enable the candidate to prepare and write an answer using their own sub-divisions of relevant topics to be covered. It also facilitates a much more flexible response than more prescriptive questions.

In the past, a minority of candidates have under-estimated the level of the examination and therefore the depth that is required in the answers. If a question asks the candidate to 'state and explain', this requires more than a list of relevant points. The most appropriate technique to apply is to write in short paragraphs and short sentences, with one relevant point covered in each paragraph. This enhances the clarity of each answer by promoting a logical structure.

Definitions are important. They confirm that the candidate has a clear understanding of the terms used in the question. If the candidate knows a topic well, it is tempting to demonstrate understanding of the more sophisticated aspects, but this should not be done at the expense of dealing with the more obvious facts that can also earn marks.

### PAPER 2.2 (SGP)

Candidates sitting this paper should refer to the exam notes section for this paper on the ACCA website at [www.accaglobal.com](http://www.accaglobal.com)

### PAPER 2.2 (ZAF)

#### Insider Trading Act

The Insider Trading Act 135 of 1998 has been repealed by the Securities Services Act 36 of 2004. Chapter 8 of this Act now regulates insider trading. The provisions of Chapter 8 closely resemble the provisions of the repealed Insider Trading Act. You are expected to answer questions in accordance with the Securities Services Act of 2004.

### PAPER 2.3 BUSINESS TAXATION (GBR)

The following notes refer to the UK taxation paper only. Exam notes for other variant papers – where available – will be published on the ACCA website.

#### EXAMINABLE LEGISLATION

ACCA applies a six-month rule in that questions requiring an understanding of new legislation will not be set until at least six calendar months after the last day of the month in which the legislation received Royal Assent. Therefore, for the June 2007 examinations, the relevant 'last day' was 30 November 2006.

**FINANCE ACT**

The latest Finance Act which will be examined in Paper 2.3 (GBR) at the June 2007 session is the Finance Act 2006. With regard to prospective legislation when, for example, provisions included in the Finance Act will only take effect at some date in the future, such legislation will not normally be examined until such time as it actually takes effect. The same rule applies to the effective date of the provisions of an Act introduced by statutory instrument.

**TAX LIABILITY AND TAX PAYABLE**

The following standardised terms will be used in the requirements of examination questions on income tax:

Tax liability: The total income tax liability after deducting any allowances or reliefs, and adding any basic rate tax retained from charges on income (such as patent royalties).

Tax payable: The tax liability after deducting credits for any tax already suffered.

Payments on account under self-assessment should only be taken into account if a question specifies that this is to be done. Otherwise, they can be ignored.

**TAX RATES AND ALLOWANCES**

The following tax rates and allowances will be reproduced in the exam paper for Paper 2.3 (GBR). In addition, other specific information necessary for candidates to answer individual questions will be given as part of the question. For example, in the case of corporate chargeable gains, the relevant retail prices index for particular dates will be given.

**Income Tax**

		%
Starting rate	£1 – £2,150	10
Basic rate	£2,151 – £33,300	22
Higher rate	£33,301 and above	40

**Personal Allowance**

Personal allowance £5,035

**Car Benefit Percentage**

The base level of CO<sub>2</sub> emissions is 140 grams per kilometre.

**Car Fuel Benefit**

The base figure for calculating the car fuel benefit is £14,400.

**Pension Scheme Limits**

The maximum contribution that can qualify for tax relief without evidence of earnings is £3,600.

Annual Allowance £215,000

**Capital Allowances**

		%
<b>Plant and machinery</b>		
Writing-down allowance		25
First-year allowance	– Plant and machinery	40
	– Low emission motor cars (CO <sub>2</sub> emissions of less than 120 grams per kilometre)	100

For small businesses only: the rate of plant and machinery first-year allowance was increased to 50% for the period from 1 April 2006 to 31 March 2007 (6 April 2006 to 5 April 2007 for unincorporated businesses).

*Long-life assets*

Writing-down allowance	6
Industrial buildings allowance	
Writing-down allowance	4

**Corporation Tax**

Financial year	2004	2005	2006
Small companies rate	19%	19%	19%
Full rate	30%	30%	30%
Lower limit	300,000	300,000	300,000
Upper limit	1,500,000	1,500,000	1,500,000
Small companies rate	11/400	11/400	11/400

**Marginal Relief**

$(M - P) \times I/P \times \text{Marginal relief fraction}$

**Value Added Tax**

Registration limit	£61,000
Deregistration limit	£59,000

**Rates of Interest**

Official rate of interest	5.0%
Rate of interest on underpaid tax	6.5% (assumed)
Rate of interest on overpaid tax	2.25% (assumed)

**Capital Gains Tax: Annual Exemption**

Individuals £8,800

**Capital Gains Tax: Taper Relief**

Complete years after 5 April 1998 for which asset held	Gains on business assets	Gains on non-business assets
1	50%	100%
2	25%	100%
3	25%	95%
4	25%	90%
5	25%	85%
6	25%	80%
7	25%	75%
8	25%	70%
9	25%	65%
10 or more	25%	60%

National Insurance Contributions (not contracted out rates)		%
Class 1 Employee	£1 – £5,035 per year	Nil
	£5,036 – £33,540 per year	11.0
	£33,541 and above per year	1.0
Class 1 Employer	£1 – £5,035 per year	Nil
	£5,036 and above per year	12.8
Class 1A		12.8
Class 2	£2.10 per week	
Class 4	£1 – £5,035 per year	Nil
	£5,036 – £33,540 per year	8.0
	£33,541 and above per year	1.0

Calculations and workings need only be made to the nearest £.  
 All apportionments may be made to the nearest month.  
 All workings should be shown.

**APPROACH TO EXAMINING THE SYLLABUS**

	Number of marks
Section A: 2 compulsory questions	55
Section B: 3 (out of 5) questions of 15 marks each	45
	<u>100</u>

The following approach will be adopted in setting the June 2007 paper.

**SECTION A**

- Question 1 will be on a corporate business (for approximately 30 marks).
- Question 2 will be on an unincorporated business and/or employees (for approximately 25 marks).
- Only core topics will be examined in Section A. A non-core topic may form part of a question (such as a chargeable gain in a corporation tax computation), but this will account for a maximum of 10 marks.

- Question 1 might include some aspect of groups of companies if the topic is not examined in the optional section. However, any area examined will be very straightforward, and would be part of the 10 non-core topic marks.
- At least 40 of the 55 available marks in Section A will be of a computational nature.

**SECTION B**

- Question 3 will be on VAT (either for an incorporated business or an unincorporated business).
- Question 4 will be on capital gains (either for an incorporated business or an unincorporated business).
- Questions 5, 6 and 7 will be on any area of the syllabus.
- The questions in Section B will be a mix of computational and written, and could include the minimisation or deferral of tax liabilities by the identification and application of relevant exemptions and reliefs.

Candidates are reminded that they can attempt any three of the five optional questions, and that the questions do not need to be attempted in sequence.

Knowledge of section numbers will not be needed to understand questions in this paper, nor will students be expected to use them in their answers. If students wish to refer to section numbers in their answers they may do so and will not be penalised if old, or even incorrect, section numbers are used.

If not examined as a distinct question, tax planning could form part of a question in either the compulsory or optional sections of the paper.

**CORPORATE BUSINESSES**

**RATES OF CORPORATION TAX**

For the financial year 2006, the starting rate of corporation tax has been removed. Previously, this applied where profits did not exceed £10,000. The minimum rate of corporation tax of 19% that applied to profits paid out as a dividend has also been removed. Therefore, from 1 April 2006 the payment of a dividend has no impact on the amount of corporation tax paid by a company.

In the June 2007 exam, there will not be a question involving the starting rate of corporation tax or the minimum rate of corporation tax of 19%.

**CAPITAL ALLOWANCES**

For a period of one year only, the rate of first-year allowance for small businesses has been increased from 40% to 50%. For companies, the rate of 50% will apply to expenditure during the period 1 April 2006 to 31 March 2007. For unincorporated businesses, the relevant period is 6 April 2006 to 5 April 2007.

Medium-sized businesses continue to qualify for the first-year allowance of 40%.

A similar first-year allowance rate of 50% was previously applied to expenditure by small businesses during the period 1 April 2004 to

31 March 2005 (for unincorporated businesses, the relevant period was 6 April 2004 to 5 April 2005). At the June 2007 sitting, a question will not involve this previous version of the 50% allowance.

### GROUPS OF COMPANIES

In certain limited circumstances, group relief is now available in respect of a trading loss incurred by an overseas subsidiary. This aspect of group relief is not examinable.

### PENSION SCHEMES

From 6 April 2006, the pension scheme rules have been simplified. The same simplified rules apply to both personal pension schemes and occupational pension schemes.

The old pension scheme rules that applied up to 5 April 2006 are no longer examinable. For details of the elements of the new pension scheme rules that are examinable, please refer to the Finance Act 2006 article, published in the October 2006 issue of *student accountant*.

## PAPER 3.2 ADVANCED TAXATION

### EXAMINABLE LEGISLATION

ACCA applies a six-month rule in that questions requiring an understanding of new legislation will not be set until at least six calendar months after the last day of the month in which the legislation received Royal Assent or similar procedure in any of the variant paper countries. Therefore, for the June 2007 examinations the relevant 'last day' was 30 November 2006.

### PAPER 3.2 (GBR)

The following notes refer to the UK paper only. Exam notes for other variant papers – where available – will be published on the ACCA website.

### FINANCE ACT

The latest Finance Act which will be examined in Paper 3.2 at the June 2007 session is the Finance Act 2006. With regard to prospective legislation when, for example provisions included in the Finance Act will only take effect at some date in the future, such legislation will not normally be examined until such time as it actually takes effect. The same rule applies to the effective date of the provisions of an Act introduced by statutory instrument.

### TAX RATES AND ALLOWANCES

The following tax rates and allowances will be reproduced in the examination paper for Paper 3.2. In addition, other specific information necessary for candidates to answer individual questions will be given as part of the question.

#### Income Tax

See page 68 *Income Tax*

### Personal Allowances and Tax Reducers

Personal allowance	£5,035
Personal allowance – 65 to 74	£7,280
Personal allowance – 75 and over	£7,420
Married couples age allowance – 65 to 74	£6,065
Married couples age allowance – 75 and over	£6,135
Minimum married couples allowances where income exceeds the limit	£2,350
Income limit for age-related allowances	£20,100
Blind person's allowance	£1,660

### Car Benefit Percentage

See page 68 *Car Benefit Percentage*

### Car Fuel Benefit

See page 68 *Car Fuel Benefit*

### Pension Scheme Limits

Annual allowance	£215,000
Lifetime allowance	£1,500,000

The maximum contribution that can qualify for tax relief without evidence of earnings is £3,600.

### Authorised Mileage Allowances

All cars:	
Up to 10,000 miles	40p
Over 10,000 miles	25p

### Capital Allowances

See page 68 *Capital Allowances*

### Corporation Tax

Financial year	2004	2005	2006
Starting rate	nil	nil	n/a
Small companies rate	19%	19%	19%
Full rate	30%	30%	30%
Starting rate lower limit (£)	10,000	10,000	n/a
Starting rate upper limit (£)	50,000	50,000	n/a
Small companies rate lower limit (£)	300,000	300,000	300,000
Small companies rate upper limit (£)	1,500,000	1,500,000	1,500,000
Marginal relief fraction			
Starting rate	19/400	19/400	n/a
Small companies rate	11/400	11/400	11/400

### Marginal Relief

See page 68 *Marginal Relief*

**Value Added Tax**

See page 68 *Value Added Tax*

**Inheritance Tax**

£1 – £285,000	Nil
Excess	40%

**Rates of Interest**

See page 68 *Rates of Interest*

**Capital Gains Tax: Annual Exemption**

Individuals	£8,800
Trusts (divided by number of qualifying settlements created by the same settlor, on the same day to a minimum of one fifth)	£4,400

**Capital Gains Tax: Taper Relief**

See page 69 *Capital Gains Tax: Taper Relief*

**National Insurance Contributions (not contracted out rates)**

See page 83 *National Insurance Contributions (not contracted out rates)*

**Stamp Duty Land Tax**

<i>Ad Valorem duty</i>	
<i>Residential property</i>	<b>Rate</b>
£125,000 or less <sup>1</sup>	Nil
£125,001 – £250,000	1%
£250,001 – £500,000	3%
£500,001 or more	4%

<sup>1</sup> For non-residential property, the nil rate is extended to £150,000

**Stamp duty**

Shares	0.5%
Fixed duty	£5

Calculations and workings need only be made to the nearest £.  
All apportionments may be made to the nearest month.  
All workings should be shown.

**APPROACH TO EXAMINING THE SYLLABUS**

	<b>Number of marks</b>
Section A: 2 compulsory questions	50
Section B: Choice of 2 from 4 questions (25 marks each)	50
	<u>100</u>

The examination is a three-hour paper divided into two sections.

**SECTION A**

Two compulsory scenario-based questions worth a total of 50 marks set in the following areas:

- non-business income tax (although including employment income)
- capital gains tax
- inheritance tax
- overseas aspects of income tax, inheritance tax and capital gains tax
- taxation of trusts.

The detailed syllabus areas that may feature in Section A are those set out in italics within the *Study Guide*. These are primarily the syllabus areas new to Paper 3.2.

**SECTION B**

Four 25-mark scenario-based questions from which candidates will be required to select and answer two. One of these questions, at least, will focus on business taxation. One of the questions in Section B will focus on personal financial planning. The other question will be set on other areas of the syllabus. The following guidance should also be noted:

**SECTION A**

- Questions involving mainly financial planning will not feature in Section A. Note, however, that questions may involve the taxation elements of, for example, investment or pension products (for example calculating an individual's maximum permissible pension contributions).
- While no detailed questions will be set involving income tax aspects of businesses, this will not preclude the inclusion within questions of, for example, a Schedule D Case I figure (or possibly even series of figures). Candidates will, however, not be required to calculate those figures as part of Section A questions.
- Only core topics will be examined in Section A. A non-core topic may form part of a question (such as a chargeable gain in a corporation tax computation), but this will account for a maximum of 10 marks. Question 1 might include some aspect of groups of companies if this topic is not examined in the optional section. However, any area examined will be very straightforward, and would be part of the 10 non-core topic marks.
- To assist in the transition from Paper 2.3 to Paper 3.2, the emphasis of compulsory questions, while being set within a scenario involving some elements of planning and tax interaction, will be on computation (approximately 50%). A mainly discursive question is therefore unlikely in Section A.
- A question will not be set that exclusively examines the taxation of trusts or overseas taxation aspects although these may feature as part of a question.

**SECTION B**

- The 25-mark format adopted in Section B will allow more developed optional questions.
- Questions can be set in any area of the syllabus within the broad overall guidelines mentioned above.
- The question focusing on financial planning is likely to be scenario-based, including some taxation elements, with candidates required to analyse a particular set of circumstances and make sensible financial planning recommendations going forward. As a guide it is likely that the pure financial planning elements of this question will not exceed 60 to 70%.
- As a general rule, it is likely that Section B questions will examine letter or report writing skills to a greater extent than Section A. Two marks will always be allocated within one of the Section B questions covering these skills.

**INDIVIDUALS AND TRUSTEES  
TAXATION OF INVESTMENTS**

A number of changes have been made to the tax relief available in respect of investments in enterprise investment scheme (EIS) shares, and in venture capital trusts (VCTs).

The maximum amount qualifying for income tax relief that can be invested in EIS shares has been increased from £200,000 to £400,000 per year. In addition, the maximum investment that can be treated as having been made in the previous tax year has been increased from £25,000 to £50,000.

The rate of relief in respect of an investment in a VCT is 30% in 2006/07 (40% in 2005/06).

The limits on the size of the company into which a qualifying investment can be made have been reduced in respect of shares issued on or after 6 April 2006. The gross assets of the issuing company must not exceed £7m (previously £15m) immediately before the investment, and £8m (previously £16m) immediately after.

From 1 January 2007, companies holding investment properties can convert into a tax-exempt real estate investment trust (REIT). The tax implications of the conversion, and the subsequent tax treatment of the REIT itself, are outside the syllabus.

However, the tax treatment of dividends paid by a REIT is very different from that of other dividends, and this tax treatment is examinable. A REIT pays dividends net of basic rate income tax. The income is grossed up at 100/78 in the hands of the shareholder, and is treated as UK property income rather than dividend income. It is taxed at 10%/22%/40% with a 22% tax credit.

**PENSION SCHEMES**

Only those rules applicable for 2006/07 onwards will be examined in June 2007. In addition to the changes listed as relevant to Paper 2.3 (GBR) in the Finance Act 2006 article (published in the October 2006 issue of *student accountant*), an awareness of the following areas is required but candidates will not be asked to write about them in depth, or to perform detailed calculations:

- annual allowance charge
- lifetime allowance charge

**INHERITANCE TAX AND CAPITAL GAINS TAX**

In recognition of the complex rules regarding trusts introduced by the Finance Act 2006, the only trusts referred to in the June 2007 examination, in relation to inheritance tax and capital gains tax, will be discretionary trusts. Accordingly, the only examinable potentially-exempt transfers will be gifts to individuals.

**TRUSTEES**

The income tax basic rate band applicable to discretionary trusts has been increased from £500 to £1,000.

**GROUP RELIEF**

The definition of a group, for the purposes of group relief, has been extended to include 75% subsidiaries either resident in, or having a permanent establishment in, the European Economic Area (EEA). This change follows the judgement of the European Court of Justice in the *Marks and Spencer* case, and is effective from 1 April 2006. No change has been made to the definition of a consortium.

Losses may only be surrendered by European subsidiaries to a UK parent, and not from the parent to the subsidiaries. In addition, losses may only be surrendered where there is no alternative relief available in the country in which they arose.

Students will be told in the examination whether a country is or is not within the EEA.

**CAPITAL LOSSES**

Anti-avoidance legislation has been introduced in order to ensure that a company's capital losses can only be offset against its own gains, or those of companies within its capital gains group, both at the time when the losses arose and when they are used. This legislation is intended to counter tax avoidance schemes that try to circumvent the existing legislation on pre-entry gains and losses.

The new rules apply where there is a change in ownership or control of a company (broadly where the company ceases to be, or becomes a member of a group), as part of arrangements which have a reduction in a corporation tax liability as their sole or main purpose.

Under the new rules, a loss on the disposal of a pre-change asset (an asset owned by a company before a change of ownership) can only be deducted from a gain arising on another pre-change asset. Similarly, a gain arising on the disposal of a pre-change asset can only be relieved by capital losses arising on the disposal of a pre-change asset.

As noted above, this legislation only affects arrangements entered into by companies with the intention of avoiding tax. Accordingly, students are not expected to know the rules in detail but should be aware of them so that they can review proposed transactions and identify any problems that may arise.

As a result of the introduction of this legislation, the rules on pre-entry gains have been repealed and will not be examined from

# cat scheme

## financial accounting and auditing papers

June 2007. The rules on pre-entry losses have been retained and will continue to be examined. It should be recognised that, unlike the new rules, the existing rules on pre-entry losses apply regardless of the motive behind the transactions entered into. Further anti-avoidance legislation has been introduced, aimed at preventing the artificial creation and use of capital losses. These rules are outside the syllabus.

### THE CORPORATE VENTURING SCHEME

The corporate venturing scheme imposes a limit on the gross assets of the company into which the investment is made. These limits have been reduced in respect of shares issued on or after 6 April 2006. The gross assets of the issuing company must not exceed £7m (previously £15m) immediately before the investment, and £8m (previously £16m) immediately after.

### SDLT

The 0% threshold in respect of residential property has been increased from £120,000 to £125,000.

### PAPER 1 RECORDING FINANCIAL TRANSACTIONS (INT AND GBR)

	Number of marks
50 multiple-choice questions	100
Time allowed: two hours	

Paper 1 can also be taken as a two-hour computer-based exam.

### PAPER 3 MAINTAINING FINANCIAL RECORDS (INT)

The examination is a two-hour paper. It can be taken as a written paper or as a computer-based exam (CBE). The questions in the CBE are objective test questions – multiple-choice, number entry and multiple-response. The written exam consists of two sections structured as follows:

	Number of marks
Section A: 20 compulsory multiple-choice questions of 2 marks each	40
Section B: 4 compulsory questions of 15 marks each (Question 1 of Section B will comprise a number of short-form questions of between 2 and 5 marks each)	60
	<u>100</u>

The documents listed below relate to some aspects of maintaining financial records and are therefore potentially examinable. Candidates are expected to be familiar with the contents of these standards and should be able to apply them within the context of the Paper 3 syllabus. It is strongly advised that candidates refer to the published *Study Guide* for Paper 3, which provides more detailed guidance on the knowledge required.

### INTERNATIONAL ACCOUNTING STANDARDS (IASs)

No	Title
1	Presentation of Financial Statements
2	Inventories
8	Accounting Policies, Changes in Accounting Estimates and Errors
16	Property, Plant and Equipment
18	Revenue
37	Provisions, Contingent Liabilities and Contingent Assets

### OTHER STATEMENTS

Title
Framework for the Preparation and Presentation of Financial Statements

### PAPER 3 MAINTAINING FINANCIAL RECORDS (GBR)

The examination is a two-hour paper. It can be taken as a written paper or as a computer-based exam. The questions in the computer-based exam are objective test questions – multiple-choice, number entry and multiple-response. The written exam consists of two sections structured as follows:

	Number of marks
Section A: 20 compulsory multiple-choice questions of 2 marks each	40
Section B: 4 compulsory questions of 15 marks each (Question 1 of Section B will comprise a number of short-form questions of between 2 and 5 marks each)	60
	<u>100</u>

The documents listed below relate to some aspects of maintaining financial records and are therefore potentially examinable. Candidates are expected to be familiar with the contents of these standards and should be able to apply them within the context of the Paper 3 syllabus. It is strongly advised that candidates refer to the published *Study Guide* for Paper 3 which provides more detailed guidance on the knowledge required.

### STATEMENTS OF STANDARD ACCOUNTING PRACTICE (SSAPs)

No	Title
9	Stocks and long-term contracts (excluding long-term contracts)

### FINANCIAL REPORTING STANDARDS (FRSs)

No	Title
12	Provisions, contingent liabilities and contingent assets
15	Tangible fixed assets
18	Accounting policies

## OTHER STATEMENTS

### Title

Statement of Principles for Financial Reporting

## PAPER 6 DRAFTING FINANCIAL STATEMENTS (INT)

The examination is a three-hour written paper. The examination consists of four compulsory questions.

	<b>Number of marks</b>
Question 1	30 to 40
Question 2	25 to 30
Question 3	15 to 20
Question 4	15 to 20
	<u>100</u>

The documents listed below relate to some aspects of drafting financial statements and are therefore potentially examinable. Candidates are expected to be familiar with the contents of these standards and should be able to apply them within the context of the Paper 6 syllabus. It is strongly advised that candidates refer to the published *Study Guide* for Paper 6, which provides more detailed guidance on the knowledge required.

## INTERNATIONAL ACCOUNTING STANDARDS (IASs)/INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

No	Title
IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 7	Cash Flow Statements (excluding group cash flow statements)
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events After the Balance Sheet Date
IAS 16	Property, Plant and Equipment
IAS 18	Revenue
IAS 27	Consolidated and Separate Financial Statements
IAS 37	Provisions, Contingent Liabilities and Contingent Assets
IAS 38	Intangible Assets
IFRS 3	Business Combinations

## OTHER STATEMENTS

### Title

Framework for the Preparation and Presentation of Financial Statements

## PAPER 6 DRAFTING FINANCIAL STATEMENTS (GBR)

The examination is a three-hour written paper. The examination consists of four compulsory questions.

	<b>Number of marks</b>
Question 1	30 to 40
Question 2	25 to 30
Question 3	15 to 20
Question 4	15 to 20
	<u>100</u>

The documents listed below relate to some aspects of drafting financial statements and are therefore potentially examinable. Candidates are expected to be familiar with the contents of these standards and should be able to apply them within the context of the Paper 6 syllabus. It is strongly advised that candidates refer to the published *Study Guide* for Paper 6, which provides more detailed guidance on the knowledge required.

## ACCOUNTING STANDARDS

### STATEMENTS OF STANDARD ACCOUNTING PRACTICE (SSAPs)

No	Title
9	Stocks and long-term contracts (excluding long-term contracts)
13	Accounting for research and development

### FINANCIAL REPORTING STANDARDS (FRSs)

No	Title
1	Cash flow statements (excluding group cash flow statements)
3	Reporting financial performance (excluding group aspects)
10	Goodwill and intangible assets
11	Impairment of fixed assets and goodwill
12	Provisions, contingent liabilities and contingent assets
15	Tangible fixed assets
18	Accounting policies
21	Events after the balance sheet date

## OTHER STATEMENTS

### Title

Statement of Principles for Financial Reporting

## PAPER 8 IMPLEMENTING AUDIT PROCEDURES (INT)

The exam is a three-hour written paper. The paper consists of four compulsory questions of 25 marks each. The *Study Guide* provides more detailed guidance on the syllabus. Paper 8 requires the knowledge and understanding from Paper 1, *Recording Financial Transactions* and Paper 3, *Maintaining Financial Records*, to provide a basic understanding of the nature and objectives of an audit and general audit practice. Candidates will also be expected to be familiar with Paper 6, *Drafting Financial Statements*.



### INTERNATIONAL STANDARDS ON AUDITING (ISAs)

No	Title
	Glossary of Terms – revised Oct 2004
	Preface to International Standards on Quality Control, Auditing, Assurance and Related Services
200	Objective and General Principles Governing an Audit of Financial Statements
210	Terms of Audit Engagements
220	Quality Control for Audits of Historical Financial Information
230	Audit Documentation (Revised)
240	The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements
300	Planning an Audit of Financial Statements
315	Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement
320	Audit Materiality
330	The Auditor's Procedures in Response to Assessed Risks
402	Audit Considerations Relating to Entities Using Service Organisations
500	Audit Evidence
501	Audit Evidence – Additional Considerations for Specific Items
505	External Confirmations
520	Analytical Procedures
530	Audit Sampling and Other Means of Testing
540	Audit of Accounting Estimates
560	Subsequent Events
570	Going Concern
580	Management Representations
610	Considering the Work of Internal Auditing
620	Using the Work of an Expert
700	The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements
701	Modifications to the Independent Auditor's Report

### OTHER GUIDANCE

ACCA's 'Code of Ethics and Conduct'

Documents under 'Other Guidance' are examinable only to the extent that they are relevant to topics specified in the *Syllabus* and *Study Guide*.

### PAPER 8 IMPLEMENTING AUDIT PROCEDURES (GBR)

The exam is a three-hour written paper. The paper consists of four compulsory questions of 25 marks each. The *Study Guide* provides more detailed guidance on the syllabus. Paper 8 requires the knowledge and understanding from Paper 1, *Recording Financial Transactions* and Paper 3, *Maintaining Financial Records*, to provide a basic understanding of the nature and objectives of an audit and general audit practice. Candidates will also be expected to be familiar with Paper 6, *Drafting Financial Statements*.

### AUDITING STANDARDS AND GUIDELINES THE AUDITING PRACTICES BOARD (APB)

Auditing Practices Board pronouncements are issued as International Standards on Auditing (ISAs) (UK and Ireland). Students should have knowledge of the following standards:

### INTERNATIONAL STANDARDS ON AUDITING (ISAs) (UK AND IRELAND)

No	Title	Issue date
	Glossary of terms	Dec 2004
200	Objective and general principles governing an audit of financial statements	Dec 2004
210	Terms of audit engagements	Dec 2004
220	Quality control for audits of historical information	Dec 2004
230	(Revised) Audit Documentation	Jan 2006
240	The auditor's responsibility to consider fraud in an audit of financial statements	Dec 2004
300	Planning an audit of financial statements	Dec 2004
315	Obtaining an understanding of the entity and its environment and assessing the risks of material misstatement	Dec 2004
320	Audit materiality	Dec 2004
330	The auditor's procedures in response to assessed risks	Dec 2004
402	Audit considerations relating to entities using service organisations	Dec 2004
500	Audit evidence	Dec 2004
501	Audit evidence – additional considerations for specific items	Dec 2004
505	External confirmations	Dec 2004
520	Analytical procedures	Dec 2004
530	Audit sampling and other means of testing	Dec 2004
540	Audit of accounting estimates	Dec 2004
560	Subsequent events	Dec 2004
570	Going concern	Dec 2004
580	Management representations	Dec 2004
610	Considering the work of internal audit	Dec 2004
620	Using the work of an expert	Dec 2004
700	The auditor's report on financial statements	Dec 2004

### ETHICAL STANDARDS (ESs)

No	Title	Issue date
ES1	Integrity, objectivity and independence	Dec 2004
ES2	Financial, business, employment and personal relationships	Dec 2004
ES3	Long association with the audit engagement	Dec 2004
ES4	Fees, remuneration and evaluation policies, litigation, gifts and hospitality	Dec 2004
ES5	Non-audit services provided to audit clients	Dec 2004
	Glossary	Dec 2004
ES	Provisions available for small entities	Apr 2005
ESRA	Ethical standard for reporting accountants	Oct 2006

# cat scheme

## management accounting, financial management, and management and information technology papers

### OTHER GUIDANCE

ACCA's 'Code of Ethics and Conduct'

Documents under 'Other Guidance' are examinable only to the extent that they are relevant to topics specified in the *Syllabus* and *Study Guide*.

### PAPER 2 INFORMATION FOR MANAGEMENT CONTROL

50 multiple-choice questions of 2 marks each

	Number of marks
	100

All questions are compulsory. The examination is a two-hour paper. The multiple-choice questions will cover the breadth of the syllabus. Paper 2 can also be taken as a two-hour computer-based exam.

### PAPER 4 ACCOUNTING FOR COSTS

	Number of marks
Section A: 20 multiple-choice questions of 2 marks each	40
Section B: 4 written questions of between 10 and 20 marks each	60
	<u>100</u>

All questions are compulsory. The exam is a two-hour paper. The above format is for the paper-based exam. Paper 4 can also be taken as a two-hour computer-based exam. The questions in the computer-based exam are a mixture of multiple-choice, number-entry, and multiple-response objective test questions.

### PAPER 7 PLANNING, CONTROL AND PERFORMANCE MANAGEMENT

	Number of marks
Question 1	40
Questions 2, 3 and 4 (20 marks each)	60
	<u>100</u>

All questions are compulsory. The exam is a three-hour paper. Questions will contain a mixture of computational and non-computational elements, with the possibility of at least one of the 20-mark questions being an essay-type question.

### PAPER 10 MANAGING FINANCES

	Number of marks
Question 1 – case study	40
Questions 2, 3 and 4 (20 marks each)	60
	<u>100</u>

All questions are compulsory. The exam is a three-hour paper. The case study will always consist of a mixture of computational and non-computational elements, and may cover more than one part of the syllabus. The case study will always include one or more key areas of the syllabus and may also include areas that are not highlighted as key (see *Study Guide* for key areas).

The 20-mark questions will generally be a mixture of computational and non-computational elements, with the possibility of at least one question being an essay-type question. The 20-mark questions may include scenarios that are simpler than those given in the case study question.

### PAPER 5 MANAGING PEOPLE AND SYSTEMS

Paper 5 covers five key areas and although they have differing numbers of sessions allocated to them in the *Study Guide*, they are all considered core syllabus areas and will all be assessed at each examination session. These areas are as follows:

- the business and accounting environment
- effective management of business and accounting systems
- management theory, principles, and techniques
- individual effectiveness at work
- health, safety, and security in the workplace.

The assessment is through a two-hour paper-based examination, where the candidate must answer all five 20-mark questions taken from each of the above key areas.

# cat scheme

## tax paper

### PAPER 9 PREPARING TAXATION COMPUTATIONS (GBR)

There will be four compulsory questions in the examination. The time allowed for the exam is three hours. Question 1 will be on income tax and will be worth between 30 and 35 marks. The remaining three questions will make up the balance of the 100 marks on the paper. Question 2 will be on corporation tax, Question 3 will be on capital gains tax and Question 4 will be on any area of the syllabus, although there will be an emphasis on income tax. VAT will never form the basis of a question in its own right and will feature as part of a business-related question, for either a company or an unincorporated business. The marks available for VAT will not exceed 10. Candidates are advised to read the examiner's approach article published in the November/December 2003 issue of *student accountant* and on the ACCA website. The following tax rates and allowances will be produced in the exam papers. In addition, other specific extracts and information necessary for candidates to answer individual questions will be given as required. For example, in the case of capital gains tax, the retail price index factors will be given.

#### Income Tax

		%
Starting rate	£1 – £2,150	10
Basic rate	£2,151 – £33,300	22
Higher rate	£33,301 and above	40

#### Personal Allowance

Personal allowance	£5,035
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#### Car Benefit Percentage

The base level of CO<sub>2</sub> emissions is 140 grams per kilometre.

#### Car Fuel Benefit

The base figure for calculating the car fuel benefit is £14,400.

#### Authorised mileage allowances

All cars:	
Up to 10,000 miles	40p
Over 10,000 miles	25p

#### Pension Scheme Limits

The maximum contribution that can qualify for tax relief without evidence of earnings is £3,600.

Annual allowance	215,000
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#### Rate of Interest

Official rate of interest:	5.00%
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#### Capital Allowances

See page 68 *Capital Allowances*

#### Corporation Tax

See page 68 *Corporation Tax*

#### Marginal Relief

$(M - P) \times I/P \times \text{Marginal relief fraction}$

#### Value Added Tax

	£
Registration limit	61,000
Deregistration limit	59,000

#### Capital Gains Tax: Taper Relief

Complete years after 5 April 1998 for which asset held	Gains on business assets	Gains on non-business assets
1	50%	100%
2	25%	100%
3	25%	95%
4	25%	90%
5	25%	85%
6	25%	80%
7	25%	75%
8	25%	70%
9	25%	65%
10 or more	25%	60%

#### Capital Gains Tax: Annual Exemption

Individuals	£8,800
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#### National Insurance Contributions (not contracted out rates)

		%
Class 1 Employee	£1 – £5,035 per year	Nil
	£5,036 – £33,540 per year	11.0
	£33,541 and above per year	1.0
Class 1 Employer	£1 – £5,035 per year	Nil
	£5,036 and above per year	12.8
Class 1A		12.8
Class 2	£2.10 per week	
Class 4	£1 – £5,035 per year	Nil
	£5,036 – £33,540 per year	8.0
	£33,541 and above per year	1.0

Where weekly or monthly calculations are required, the Class 1 limits shown above should be divided by 52 (weekly) or 12 (monthly).

Calculations and workings need only be made to the nearest £.

All apportionments may be made to the nearest month.

All workings should be shown.

**PAPER 1.2 FORMULAE**

Regression analysis

$$a = \frac{\sum y}{n} - \frac{b \sum x}{n}$$

$$b = \frac{n \sum xy - \sum x \sum y}{n \sum x^2 - (\sum x)^2}$$

$$r = \frac{n \sum xy - \sum x \sum y}{\sqrt{(n \sum x^2 - (\sum x)^2)(n \sum y^2 - (\sum y)^2)}}$$

$$\text{Economic order quantity} = \sqrt{\frac{2C_o D}{C_h}}$$

$$\text{Economic batch quantity} = \sqrt{\frac{2C_o D}{C_h (1 - \frac{D}{R})}}$$

**PAPER 2.4 FORMULAE**

$$\text{Economic order quantity} = \sqrt{\frac{2C_o D}{C_H}}$$

$$\text{Discount factor} = \frac{1}{(1+r)^n}$$

Annuities  
 Future value =  $A \left( \frac{(1+r)^n - 1}{r} \right)$

Present value =  $\frac{A}{r} \left( 1 - \frac{1}{(1+r)^n} \right)$

Dividend growth model

$$P_o = \frac{D_o (1+g)}{(r-g)}$$

Miller – Orr Model

Return point = Lower limit +  $(\frac{1}{3} \times \text{spread})$

$$\text{Spread} = 3 \left[ \frac{\frac{3}{4} \times \text{transaction cost} \times \text{variance of cash flows}}{\text{interest rate}} \right]^{\frac{1}{3}}$$

Regression analysis

$$a = \frac{\sum y}{n} - \frac{b \sum x}{n}$$

$$b = \frac{n \sum xy - \sum x \sum y}{n \sum x^2 - (\sum x)^2}$$

$$r = \frac{n \sum xy - \sum x \sum y}{\sqrt{(n \sum x^2 - (\sum x)^2)(n \sum y^2 - (\sum y)^2)}}$$

Indices

$$\text{Laspeyre price index} = \frac{\sum (p_1 \times q_o)}{\sum (p_o \times q_o)} \times 100$$

$$\text{Paasche price index} = \frac{\sum (p_1 \times q_1)}{\sum (p_o \times q_1)} \times 100$$

$$\text{Laspeyre quantity index} = \frac{\sum (q_1 \times p_o)}{\sum (q_o \times p_o)} \times 100$$

$$\text{Paasche quantity index} = \frac{\sum (q_1 \times p_1)}{\sum (q_o \times p_1)} \times 100$$

**PAPER 3.7 FORMULAE**

Ke (i)  $E(r_j) = r_f + [E(r_m) - r_f] \beta_j$

(ii)  $\frac{D_1 + g}{P_o}$

$$\text{WACC } Ke_g \frac{E}{E+D} + Kd (1-t) \frac{D}{E+D}$$

or  $Ke_u \left( 1 - \frac{Dt}{E+D} \right)$

2 asset portfolio

$$\sigma_p = \sqrt{\sigma_a^2 x^2 + \sigma_b^2 (1-x)^2 + 2x(1-x) \rho_{ab} \sigma_a \sigma_b}$$

Purchasing power parity  $\frac{i_f - i_{uk}}{1 + i_{uk}}$

$$\beta_a = \beta_e \frac{E}{E+D(1-t)} + \beta_d \frac{D(1-t)}{E+D(1-t)}$$

Call price for a European option =  $P_s N(d_1) - X e^{-rT} N(d_2)$

$$d_1 = \frac{\ln(P_s / X) + rT}{\sigma \sqrt{T}} + 0.5 \sigma \sqrt{T}$$

$$d_2 = d_1 - \sigma \sqrt{T}$$

Put call parity  $P^p = P^c - P^s + X e^{-rT}$