Q&As

P3 Management Accounting Risk and Control Strategy

Questions from tutors with the Examiner's answers

Q To what extent will students have to discuss methods of achieving control? A number of examples such as contracts of employment and performance appraisal are given in the syllabus but are not discussed in the Study System. Could the examiner please clarify the examinability of these items?

A **Students should be able to discuss these methods generally. They are mentioned in the Study System – see section 6.7.3**

Q In what types of context would students be expected to discuss basic accounting controls such as transfer pricing, new manufacturing methods such as just in time and emerging methods such as lifecycle and target costing? Could the examiner please clarify how these link into the syllabus?

A **Students should be able to draw on accounting controls from earlier subjects. They are covered in Chapter 3 of the Study System. They are particularly important in understanding the behavioural consequences of particular control systems.**

Q Will students be expected to quantify risk exposures, and if so what methods would they be expected to use?

A **Different methods of quantifying risk exist – see Section 5.14 and section 7.12 of the Study System although, with the exception of financial risk, there will be no real expectation for candidates to carry out any significant calculations (although the example in the case study in the pilot exam paper provides an indication of the possible scope here).**

Q What level of knowledge are students meant to have of audit sampling techniques? Sampling is mentioned in the syllabus but not in the Study System, so could the examiner please clarify?

A **There are various references to audit samples in Chapter 7 of the Study System and some references to statistical analysis in Chapter 9. Candidates will not be expected to discuss sampling other than generally. The 2006 edition of the study system has a little more information about statistical sampling.**

Q Would students be expected to produce a plan for 'other forms of audit' such as value for money, management, social and environmental audits? If not, in what contexts might these audits be examined?

A **Candidates should be aware of different types of audit (Study Pack section 7.3) but will not need to plan such audits. Audit planning is important in the context of risk-based internal audits although risk assessments may identify weaknesses in such other forms of audit.**

Q Other than CIMA's ethical guidelines, could the examiner clarify what other ethical guidelines students should know about?

A **Candidates will be expected to apply CIMAs ethical guidelines to any issues of risk, control or audit where ethical issues are likely to arise. There is no expectation for knowledge of broader ethical principles.**

Q How important does the examiner consider international risks other than foreign exchange and political risks to be, for example legal and cultural risks?

A **Students should understand that risks extend beyond the purely financial and political, but no detailed knowledge of them is required, merely an ability to identify when they are incurred and explain how they might be managed in the context of enterprise wide risk management. Further understanding of these risks is required under the Business Strategy syllabus.**

Q Please can the examiner confirm the position of forward-rate agreements, interest rate futures and interest rate options? The syllabus says that numerical questions will not be set on these topics – however numerical examples are given in the CIMA Study System.

A **You need to read the syllabus carefully- the absence of numerical questions relates only to specific types of interest rate risk but interpretation of data is still required.**

Q Can the examiner clarify which aspects of IAS 39 might be examined, taking into account the continuing uncertainty surrounding the implementation of this standard?

A **IAS 39 will not be examined in detail ,but students will be expected to understand that the differences in accounting for derivatives used for hedging as opposed to trading has risk management implications. It is essential for companies to have a clear policy re the use of such instruments and that the purpose of use is absolutely clear and well understood internally. Furthermore, there is a potential risk in terms of share price volatility if increased use of speculative derivative activity causes greater year on year volatility of earnings.**