

# Student Guidance Notes

## Guide 8

### **Student guidance notes for students planning to sit the P7 Financial Accounting and Tax Principles examination of the 2005 syllabus**

This guide outlines the issues relating to transition from the Financial Accounting (IFNA/IFAI) papers of the Beyond 2000 syllabus to the P7 Financial Accounting & Tax Principles paper of the 2005 syllabus.

The first section of this guide compares the two syllabuses, highlighting the differences between them.

The second part of this guide focuses on the issues for students who have studied the 'old' syllabus, but must sit the 'new' exam.

The third part of this guide contains a series of frequently asked questions relating to this paper, some of which were asked at the recent lecturer's conference.

If you have any further queries relating to this guide, please contact CIMA Student Services department on + 44 (0)208 849 2404, or email your query to [cima.contact@cimaglobal.com](mailto:cima.contact@cimaglobal.com)

# Syllabus Comparison

New syllabus	Old syllabus	Comparison and Comments
<b>P7 - Financial Accounting &amp; Tax Principles</b>	<b>6a/b - Financial Accounting (IFNA/IFAI)</b>	
A. Principles of Business Taxation (20%)		This section was previously covered (in detail) by IBTX. See the 'additional learning outcomes' section below.
B. Principles of Regulation of Financial Reporting (10%)	6(i) Regulation (10%)	As in the previous syllabus.
C. Single Company Financial Accounts (45%)	6(ii) Accounting statements (40%)  6(iii) Accounting treatment of significant transactions (30%)	Now excludes: <ul style="list-style-type: none"> <li>◆ Investment properties</li> <li>◆ Government grants</li> <li>◆ Earnings per share</li> </ul>
D. Managing Short Term Finance (25%)		This material was previously covered by IFIN. See the 'additional learning outcomes' section below.
	6(iv) Interpretation (20%)	Now only covered by paper P8

# Transition Issues

## Assessment

The format of this exam paper will be:

**Section A** - 40% Compulsory objective test questions

**Section B** - 30% Compulsory short answer questions (6x5 marks)

**Section C** - 30% - From the **May 2007** exam diet, Section C of Paper P7 Financial Accounting and Tax Principles will contain **one compulsory** question covering the preparation of at least two of the three key financial reporting statements - the income statement, balance sheet and cash flow statement.

This differs from the previous syllabus, and students should therefore practise a number of the new exam-style questions in preparation for this exam.

A number of Section A questions may be based on a common scenario. Section A may contain questions of the conventional 'multiple choice' format, but may also include other forms of objective test question. Generally, the multiple choice format is likely to account for not more than 60% of Section A questions. Other possibilities include:

- ◆ filling in a blank in a sentence.
- ◆ listing items in a rank order
- ◆ stating a definition (in not more than \_\_\_ words)
- ◆ identifying a key issue (e.g. advantage / disadvantage) (in not more than \_\_\_ words)
- ◆ calculating one specific figure e.g. profit for the period / absorption cost per product
- ◆ completing a blank or partially completed prescribed format using terms and/or numbers e.g. published account format / overhead cost sheet.
- ◆ identifying points on a graph or diagram e.g. break-even point, fixed costs, marginal revenue.
- ◆ identifying a specific term describing action / valuation seen in a scenario e.g. marginal or absorption costing, conditions for a recession.
- ◆ matching items together or with a description e.g. "are the following cash or non-cash items" – identifying depreciation as non-cash or stock as a current asset.
- ◆ Interpreting / analysing numerical or graphical data.

## Additional learning outcomes

The following learning outcomes were not included in the corresponding 'old' syllabus:

- ◆ identify the principal types of taxation likely to be of relevance to an incorporated business in a particular country, including direct tax on the company's trading profits and capital gains, indirect taxes collected by the company, employee taxation, withholding taxes on international payments;
- ◆ describe the features of the principal types of taxation likely to be of relevance to an incorporated business in a particular country (e.g. in terms of who ultimately bears the tax cost, withholding responsibilities, principles of calculating the tax base);
- ◆ describe the likely record-keeping, filing and tax payment requirements associated with the principal types of taxation likely to be of relevance to an incorporated business in a particular country;
- ◆ describe the possible enquiry and investigation powers of taxing authorities;
- ◆ identify situations in which foreign tax obligations (reporting and liability) could arise and methods for relieving foreign tax;
- ◆ explain the difference in principle between tax avoidance and tax evasion;
- ◆ describe sources of tax rules and explain the importance of jurisdiction;
- ◆ explain and apply the accounting rules contained in IAS12 for current and deferred taxation (Note – this is also in the old syllabus);
- ◆ calculate and interpret working capital ratios for business sectors;
- ◆ prepare and analyse cash-flow forecasts over a twelve-month period;
- ◆ identify measures to improve a cash forecast situation;
- ◆ compare and contrast the use and limitations of cash management models and identify when each model is most appropriate;
- ◆ analyse trade debtor information;
- ◆ evaluate debtor and creditor policies;
- ◆ evaluate appropriate methods of stock management;
- ◆ identify alternatives for investment of short-term cash surpluses;
- ◆ identify sources of short-term funding;
- ◆ identify appropriate methods of finance for trading internationally.

## International Standards

The 2005 syllabus examinations will be set in accordance with relevant International Accounting Standards issued up to and including 1 December preceding the examination concerned. If you have previously studied UK accounting standards, you should study the appropriate International equivalents.

The following International Accounting Standards (IAS) are covered by this syllabus, but were not examinable in the UK Standards version of the corresponding 'old' syllabus:

- |      |      |      |
|------|------|------|
| ◆ 1  | ◆ 14 | ◆ 35 |
| ◆ 2  | ◆ 16 | ◆ 36 |
| ◆ 7  | ◆ 17 | ◆ 37 |
| ◆ 8  | ◆ 18 | ◆ 38 |
| ◆ 10 | ◆ 23 | ◆ 39 |
| ◆ 11 | ◆ 24 |      |
| ◆ 12 | ◆ 32 |      |

# FAQs

<p><b>Question 1:</b> Will there be a pilot paper for the new exam, so I can see the differences between the new paper and the old one?</p>	<p><b>Answer:</b> Yes. Pilot papers are available on the website at <a href="http://www.cimaglobal.com/professionalqualifications">www.cimaglobal.com/professionalqualifications</a>.</p>
<p><b>Question 2:</b> Where can I find the detailed syllabus for this paper?</p>	<p><b>Answer:</b> <a href="http://www.cimaglobal.com/professionalqualifications">www.cimaglobal.com/professionalqualifications</a>.</p>
<p><b>Question 3:</b> I have passed (or been granted an exemption from) the old IFNA paper. What work should I do on this syllabus?</p>	<p><b>Answer:</b> You should read the Paper P7 syllabus carefully, and selectively study those areas of the syllabus with which you are unfamiliar. You should pay particular attention to the lists of new learning outcomes and examinable International Accounting Standards (IAS) given earlier. Knowledge of these areas and standards will be assumed in Paper P8, the Strategic Level and the TOPCIMA.</p>
<p><b>Question 4:</b> I have passed (or been granted an exemption from) the old IFAI paper. What work should I do on this syllabus?</p>	<p><b>Answer:</b> You should read the Paper P7 syllabus carefully, and selectively study those areas of the syllabus with which you are unfamiliar. You should pay particular attention to the list of new learning outcomes given earlier. Knowledge of these areas will be assumed in Paper P8, the Strategic Level and the TOPCIMA.</p>
<p><b>Question 5:</b> I have failed the old IFNA/IFAI paper, and must resit the new Paper P7. What work should I do on this syllabus?</p>	<p><b>Answer:</b> There are so many changes to the Paper P7 syllabus, you should plan your study carefully. If you previously studied for IFNA, you should really start again. If you studied IFAI, you should pay particular attention to the list of new learning outcomes given earlier.</p>
<p><b>Question 6:</b> In section A of the exam, will marks be awarded for workings?</p>	<p><b>Answer:</b> Section A will consist of a mix of 2, 3 and 4 mark questions. Marks for workings will be available for any question worth 3 or 4 marks.</p>
<p><b>Question 7:</b> Will the syllabus weightings be reflected in the exam?</p>	<p><b>Answer:</b> As far as possible, this is the intention.</p>
<p><b>Question 8:</b> In Section A of the Pilot Paper, some of the questions are quite lengthy. Isn't this unfair?</p>	<p><b>Answer:</b> The mark allocation in section A is based on the degree of difficulty of the question, not the number of words. A long question does not always require a long answer.</p>

**Question 9:**

With the general move to International Standards, will the terminology of the exam be International in tone throughout?

**Answer:**

Yes.