Chartered Institute of Management Accountants

**F1 Financial Operations**

**Questions and answers from past 'ask a tutor' events – archived by syllabus area**

[Please note that the responses given are the tutors' own. They are not definitive nor do they necessarily reflect the views of CIMA.]

## Syllabus area A – Principles of Business Taxation

**Question: *(Capital Allowances)***

What are allowable and disallowable expenses?

**Response from tutor:**

I am assuming that you are referring to expenses allowable for tax purposes, which have been deducted in the Statement of Comprehensive Income, but are not deductible for tax purposes. Most standard business expenses would be allowable. Examples of those that would not be include those relating to capital items such as accounting depreciation (replaced by capital allowances instead), profit or loss on the disposal of non-current assets, though expenditure on repairs would be allowable. Others include expenses incurred for private purposes, entertaining customers, donations to politics parties. Apart from those involving non-current assets, questions set will usually tell you which other items are allowable/disallowable.

**Question: *(IAS12 Deferred Taxation)***

I would like to know how to deal with provision for deferred tax calculation. I want to differentiate between capital allowance and tax written down depreciation. Please would you kindly do it on a T-account scenario, like, which account get credited/debited with deferred tax what effect it has on the current taxation. What should I do if the deferred tax expense provided was higher than the incurred? Do I add it or subtract where? Please help I'm confused.

**Response from tutor**:

It might help if I first explain WHY we have to deal with deferred tax at all. The accounting profits are calculated according to the rules laid down in Financial Reporting Standards, which allow the deduction of Accounting Depreciation in arriving at the reported profits (and also the addition/deduction of profits/losses on the sale of non-current assets). So, an asset costing $1,000 depreciated straight line over 5 years would reduce accounting profits by $200 a year.

If the Tax Authorities used the same rules for tax purposes, all would be fine. But they rarely do. In practice, many authorities give higher tax allowances in the earlier years, so the accounting profit needs to be adjusted - by adding back the accounting depreciation that was deducted ($200) and deducting the Tax depreciation using the tax authority rules. Many tax authorities allow a 100% deduction in the first year of acquisition - the would reduce taxable profits by $1,000, which is $800 more than using accounting depreciation.

The calculation might be as follows:

Accounting profit after deducting $200 accounting depreciation = $20,000 (say).
Add back accounting depreciation of $200 = $20,200
Deduct Tax depreciation of $1,000 = $19,200
Given a tax rate of, say, 30%, that would give "current tax" of $5,760 in Year 1. The effect of using a FYA of $1,000 as opposed to $200 is that the current tax has been reduced by $240, i.e. ($1,000-$200) x 30%.

All very nice, you might say - thank you Mr Tax Man. BUT in later years there will be no deduction from tax for that asset, because it has already received it's full relief, so future tax bills will be higher as a result. In Year 2, let us say:

Accounting profit after deducting $200 accounting depreciation = $30,000
Add back accounting depreciation of $200 = $30,200
Deduct tax deprecation of zero = £30,200.
Current tax is $9,060, which is $60 higher than it would have been using the Accounting depreciation - i.e. ($0 - $200) x 30%.
And this will repeat itself in Years 3, 4 and 5.

Thus, having a higher tax allowance in the early years might seem a good thing for the enterprise, but it will result in a lower tax allowance in later years - and hence a higher tax bill.

This is effectively a future liability, and as you will know most future liabilities must be "provided for". Hence "Deferred Taxation".
A common scenario is that the tax depreciation in the early years is greater than the accounting depreciation, and therefore a future liability for higher tax bills exists. But over time, the liability reduces until it is wiped out. An important point is that OVER THE LIFE OF THE ASSET THE ACCOUNTING DEPRECIATION AND TAX DEPRECIATION WILL BE THE SAME, but the timing will be different - hence they are known as "temporary differences".
As you say, the common scenario may not always apply - there may be some years when the situations are reversed.

It is not possible to display all the entries needed to the ledger accounts - the CIMA Learning System has 10 full pages on the topic - so I will attempt to explain as much as possible here. Put the following into a table with the years across the top, and down the side the Accounting calculations, followed by the Tax Calculations (you can do it the other way round if you prefer - the examiner will accept any method of calculation).

| **Accounting figures** | Yr 1 | Yr 2 | Yr 3 | Yr 4 |
|---|---|---|---|---|
| Op. Carrying val. | 1,000 | 800 | 600 | 400 |
| Acc Dep'n | 200 | 200 | 200 | 200 |
| Cl. Carrying val. | 800 | 600 | 400 | 200 |
| **Tax Figures** | | | | |
| Op. Tax WDV | 1,000 | 0 | 0 | 0 |
| Tax Dep'n | 1,000 | 0 | 0 | 0 |
| Cl. Tax WDV | 0 | 0 | 0 | 0 |
| **Deferred Tax** | | | | |
| Diff in Cl. values | 800 | 600 | 400 | 200 |
| AT 30% Tax Rate (Def Tax balance) | 240 | 180 | 120 | 60 |
| **Accounting entries:** | | | | |
| S'ment of CI - Tax | Dr 240 | Cr 60 | Cr 60 | Cr 60 |
| Def tax a/c (S'ment of FP) | Cr 240 | Dr 60 | Dr 60 | Dr 60 |

Chartered Institute of Management Accountants

**Question: *(Underlying Tax)***

Under Withholding & Underlying Tax, when you have to compute the tax to be paid in the resident country, you base the tax on Gross Dividend, which is Net Dividend + WTH+UT; this is as per text book, but in other cases and past papers I have noticed for some questions gross dividend is based on Gross dividend, Net Dividend + WTH (i.e excluding UT) can you please explain why is it calculated differently and what circumstances effect this calculation?

**Response from tutor**:

The term "gross dividend" might be confusing. For many holders of shares in overseas entities, the net dividend will only be "grossed up" by the amount of Withholding tax, so a net dividend of $80 after deduction of WHT of 20% would result in a gross dividend of $100. $100 would be the amount included the tax calculation of the recipient in his/her own tax authority (competent jurisdiction), and $20 tax would be considered as having been suffered in respect of any possible Double Tax Relief.

However, for holders of substantial proportions of shares in an overseas entity (certainly if the overseas entity is a subsidiary, but possibly for holdings below the 50% level which are still considered to be substantial), the gross dividend is grossed up further by Underlying Tax – the tax that has been paid on the entity's profits prior to the payment of the dividend. The calculation of ULT is

Gross Dividend (as calculated in the first paragraph above) x $\frac{\text{Corporate Income Tax paid}}{\text{Distributable profits}}$

We do not really have a separate way of describing the result of this calculation, so we tend to use the phrase "Gross Dividend" again. If, using the above example, the overseas entity had distributable profits of $400 and paid tax of $100, the calculation of ULT would be

> $100 x $100/$400 = $25. The final gross Dividend for inclusion in the recipient's tax calculation would be $125, with total overseas tax suffered $45.

So, for holders of a small proportion of shares in the overseas entity, the gross dividend and tax suffered considers only the Withholding tax, while for holders of larger proportion of shares, the gross dividend includes both the Withholding tax and the Underlying tax.

Just a reminder, if Underlying tax is to be included, the "Corporate Income Tax paid" figure above is the *actual amount of tax paid* which may not be the same as the amount of tax reported in the financial statements.

**Syllabus area B – Regulation and ethics of financial reporting**

No questions submitted.

**Syllabus area C – Financial accounting and reporting**

**Question: (IAS11 Construction contract)**

I have queries regarding the accounting for IAS 11 construction contracts that I hope you could address:

a) I understand that cost of sales is the balancing figure of revenue less recognized profit/loss. Is that correct? I have encountered answers where cost of sales is arrived at by multiplying percentage of completion with total contract cost.

b) Can you explain how revenue is determined?

c) Please explain how gross amount due from customer and gross amount due to customer are determined. Should I set off the amounts against each other?

d) I browsed through IASB's web page for details on IAS11, and encountered the two methods for accounting for construction contracts - stage of completion and percentage of completion. Can you explain the two methods in simple terms?

**Response from tutor**:

a) Either way should give the same answer for cost of sales. For example, if the total contract price is $100m and it is 80% complete, revenue recognised is $80m. Cost of sales is the same percentage (80%) of the cost incurred to date plus expected costs to completion - say 80% x ($50m + $10m) = $48m.

Therefore contract profit to date is $32m. This profit could be calculated as total contract price $100m, less cost to date and costs to completion $60m, which gives overall profit as $40m. Multiply by 80% also gives profit to date of $32m (and therefore cost of sales of $48m).

If there is an expected loss on the contract, this would be calculated in the same way.

b) Revenue to be recognised can be calculated by any reasonable means depending on the nature of the contract. For example, if the contract is to build a factory, the stages might produce different amounts of profit compared to the time taken, so preparing the land, laying the foundations, drainage and so on might cost a disproportionate amount of the total cost but not contribute much profit. In such a case you would be given the relevant figures to include. In most cases though, you will be given a percentage to use.

Do not forget to adjust for revenues/costs/profit already taken in a previous accounting period.

c) Gross amounts due FROM customers arise when the revenue recognised to date exceeds amounts received from customers. This gives rise to a debit balance on the customer's account, therefore is an asset, and is described as "unbilled contract revenue". Gross amounts due TO customers arise when the revenue recognised is less than the amount received, resulting in a credit balance, therefore a liability. The two amounts should not be set off against each other, but shown separately.

d) The Stage of Completion must be determined for all contracts, and as said in item b, this can be done in different ways. The percentage method is not a separate method, just one of several possible methods.

**Question: *(Understand the Basic Ledges Accounts)***

My question is regarding paper P7 and the method concerning work schedule workings. This is in reference to the November 2007 Section C question: EY which asks to prepare an Income Statement and Balance Sheet. Information given is a Balance sheet for the previous year and a summarised cash book for the current year.

The following example illustrates this:

Work Schedule for Finance cost workings:

Interest B/f (117) - B/S Fig - Why is this figure a negative one?
Interest Paid 160 - cash book fig 43
Interest C/fd 130 - As per notes in Q
Income Statement 173

In the workings, the Balance B/f figure is a negative figure, why is this, because I have seen that the Balance B/f figure is a positive figure in other examples. An example of this is the AG Group question in the May 2005 exam where the balance B/f figure for similar working is a positive figure as follows:

The work schedule for Interest Paid is:

Bal B/f 87
P&L 45
132
Balance C/F (12) Negative in this example
Paid 120

**Response from tutor**:

To answer your first question, the two questions you mention are asking for different things. In the November 2007 paper you were given the figures for the opening and closing liabilities, and the amount of interest paid, and had to calculate the figure to be entered in the Income Statement. The question in the May 2005 paper gave you the opening and closing liabilities, and the figure on the Income Statement (Profit and Loss Account as it was then called), and you had to calculate the amount of interest paid. So the calculation is different in each case, depending on what you need to calculate.

I would advise students to master the basics of ledger accounts, using debit and credit principles. Sticking with Interest Payable (Finance Costs) as an example, the ledger account would appear as follows (assuming interest is paid in arrears):

| Debit side: | | Credit side: | |
|---|---|---|---|
| Cash paid | XXX | Balance b/fwd | XXX |
| Balance c/fwd | XXX | Income Statement | XXX |
| Total | XXX | Total | XXX |

As both totals must be the same, the "formula" is:

Cash paid + balance c/fwd = balance b/fwd + income statement

You can rearrange this formula to find any of the four figures which might need to be calculated:

(a) Cash paid = balance b/fwd + income statement - balance c/fwd OR
(b) Balance c/fwd = balance b/fwd + income statement - cash paid OR
(c) Balance b/fwd = Cash paid + balance c/fwd - income statement OR
(d) Income statement = cash paid + balance c/fwd - balance b/fwd

In the November 2007 paper, it was formula (d) that was needed, but in May 2005 it was formula (a) that was needed.

You might feel that ledger accounts and the principles of double entry are only useful at Certificate Level, but those basics can enable you to answer all manner of questions where figures need to be calculated from others.

The examiner would accept any layout for such workings (unless otherwise specified), so if you wish to draw up a ledger account, that would be fine.

**Question*****: (IAS17 Finance lease)***

Please explain more about the finance lease and it´s appearance in statements. Specifically how the liabilities are separated into current and non-current. Why the total outstanding value is never included / never comes out of total liabilities?

**Response from tutor**:

A finance lease is capitalised at cost (the present value of future minimum lease payments) in the books of the lessee, and a liability recognised to the extent of this amount (see page 375 of CIMA Learning System). The amount of capital due for settlement over the next 12 months is classified as a Current Liability and the balance as a Non-Current Liability. The lease is effectively like a loan from the lessor, cutting out the middleman (bank), as explained on page 375.

A company may be required to pay the lease amount either in advance, or in arrears, depending on the contract with the lessor. If the payments are made in advance, then the Current Liability is equal to the lease instalments in the current financial year, and the rest of the amount goes into Non-Current liabilities. If the payments are made in arrears, then the Current Liability is the next period's lease instalment, less the amount of interest cost in that instalment, and the Non-Current liability is the interest cost plus the remaining amount of the liability.

**Question: *(IFRS3 Non controlling Interest)***

My question relates to the calculation of non-controlling interests in an income statement. According to the examples in the CIMA study material (the CIMA Learning System), it is always shown differently, and it is not well explained as to where the figures are taken from.

**Response from tutor**:

Non controlling interests are not tested within Paper F1.
Please refer to page 30 of the CIMA Syllabus – Paper F1 – C. Financial Accounting and Reporting, component learning outcome 1(c).

**Question *(IAS27 Consolidation)***

I require a clarification with regard to the F1 Consolidated Financial Statements example in the August 2010 issue of "Velocity". http://www.cimaglobal.com/Thought-leadership/Newsletters/Velocity-e-magazine/Velocity-August-2010/F1-preparing-consolidated-financial-statements/
Additional information (iii) to the question states as follows:
X occasionally trades with Y. In November 2009 X sold Y goods for $90,000. X uses a mark up of 50% on cost. On 31 March 2010 Y had not paid for the goods and they were all still in Y's closing inventory. As this is an intra group transaction I believe the sale price of the goods i.e. $90,000 should be removed from both 'Trade Payables' of Y and 'Receivables' of X, as it has not yet been paid. It does not appear to be included in the respective current accounts as they show balances of 80 and 60.This transaction appears to have been ignored in the Consolidated accounts. An early clarification would be appreciated.

**Response from tutor**:

I am guessing that you have come to the wrong conclusion about the balances on the two current accounts. Yes, if the only transaction outstanding between X and Y was the sale of the goods as mentioned, then both balances would be $90 (as they have not been paid for yet), and would simply be cancelled out on consolidation. But X purchased its shares in Y some years ago, and over the years there will have been various transactions that could have resulted in balances which are different from the $90. For example, Y may have sold goods to X which have not yet been paid for, or have returned goods to X for which a refund is still outstanding. So do not expect the balances on the two current accounts to represent just the latest transaction.

The two balances ($80 and $60) are different because Y has recently sent a cheque to X, and has deducted it from its own current account, but X has not made any entry for this in it's bank account, or its current account with Y. This adjustment is dealt with in note 4 (i).

You may already appreciate that this then means that the two current accounts become equal (never mind the balances being $60 - as explained above, they could be made up of a number of transactions), and are cancelled out on consolidation, with the $20 cheque being added to the consolidated bank balances.

So the adjustment to the current accounts, and subsequent cancelling of the balances, has nothing to do with the November sale of goods by X to Y for $90. We don't even know for sure if the $20 payment was for those goods, or for an earlier transaction.

Then we move on to removing the intra-group profit on unsold inventory (because that profit is included in X's Statement of Comprehensive Income, but is as yet "unrealised" by the group). The selling price $90 is removed from Revenue, the cost $60 is removed from Cost of Sales (the examiner has shown this as removing $90 - $30) and the profit $30 is removed from inventory (which would have been recorded at a value of $90 in Y's assets).

I realise that I may have explained more than you required, but I think your first "error" was in assuming that the current accounts should merely include the November sale of $90.

**Question: *(IAS17)***

How do you calculate for interest under leases using sum of Digit method?

**Response from tutor**:

In effect, a finance lease is a means of acquiring an asset by "borrowing" money from the lessor, and paying it back over a fixed term, with interest.

Here is an example I can use to illustrate the process.

On 1 January 2010, XYZ leases an asset valued at $250,000 at the start of the lease term. The lease term is 5 years, and there will be 5 payments of $60,000 each. XYZ's year end is 31 December. The lease payments will be made (a) annually in advance or (b) annually in arrears.

First determine the amount of interest in total. This is the total amount of the lease payments, minus the value of the asset. 5 lease payments of $60,000 per year makes a total of $300,000. The asset is valued at $250,000 so the total interest is $50,000.

Next, determine how many finance periods there are – that is the number of payments to be made using "borrowed money". This determines how you allocate the total interest of $50,000 over the years of the lease, and will be different depending on whether payments are to be made in advance or in arrears.

For (a), payments are to be made on 1 January 2010, 2011, 2012, 2013 and 2014. The lease comes to an end on 31 December 2014, but as the final payment is to be made on 1 January 2014, no money will be being borrowed during that accounting period, and no interest will be accruing in the final year. Therefore, money is only being borrowed for 4 years – so there are 4 "finance periods".

Next calculate the "sum of the digits". The formula is n(n+1)/2, where n is the number of finance periods. The calculation is therefore 4(4+1)/2 =10. For a short lease, you could also calculate it as 4+3+2+1 = 10, but that would be a very laborious method with a longer lease, hence the formula would help.

Next calculate the interest to be allocated to each financial year. This is the digit for that year, divided by the total digits. The first year has the highest amount of interest, and the last year has the lowest amount. Thus, in 2010 the calculation is $50,000 x 4/10 = $20,000; in 2011 it is $50,000 x 3/10 = £15,000; in 2012 it is $50,000 x 2/10 = $10,000; and in 2013 it is $50,000 x 1/10 = $5,000. Adding those together you can check that they total $50,000. In the final year of the lease, there is no interest allocated.

Your question only asked about the calculation of interest, but you will also need to calculate the amount of capital of the loan that has been repaid during the period, and the outstanding balance at the end. The capital repayment is $60,000 minus the amount of interest you have allocated to that year – so in 2010 capital repaid is $40,000 ($60,000-$20,000) and in 2011 it is $45,000 ($60,000-$15,000) and so on.

For (b), where payments are made in arrears (i.e. at the end of each year), money will be being borrowed throughout the whole term, thus there will be 5 lease periods. This will affect the calculation of the sum of digits, and therefore the allocation of interest. Using the formula given above, the sum of digits will now be 5(5+1)/2 = 15, and the proportions to be used in each of the 5 periods will be 5/15, 4/15, 3/15, 2/15 and 1/15 (of $50,000). So interest in 2010 will be 5/15 of $50,000 = $16,667, and capital repaid will be $43,333 ($60,000-$16,667).

**Question: *(IFRS3)***

For group account questions do we have to work out minority interest? as I have studied group accounts in great detail and now I'm seeing slight differences, also please confirm that for the group account questions will there just be a max two companies shown in the accounts ie one parent and one subsidiary?

**Response from tutor**:

All subsidiaries will be 100% owned by the parent, so there is no need to learn about minority interests. There is nothing in the syllabus detail that states that there will be only one subsidiary, but I cannot see any reason why the examiner would include more than one.

**Question: *(IAS2)***

If there was obsolete inventory in the period which was already added in the cost of goods sold, why do we have to deduct and add it at sales price and not at Cost? Can you try to elaborate this on a T - account please just so I understand?

**Response from tutor**:

I am not sure what you mean. If inventory is sold, its selling price is added to the Sales Revenue figure, and its cost added to cost of goods sold. The result might be a loss, if it is obsolete inventory.

Or perhaps you are referring to inventory previously written off as obsolete, and a buyer has now been found. For example, inventory costing $100 might have been written off in the Statement of Comprehensive Income (and so profit reduced by $100), but it is then sold for $20. The overall loss would be $80, so the way to record this when it is sold is to increase Sales by $20, but have nothing in Cost of Goods Sold as the item was previously written off.

Or perhaps you are referring to inventory previously written down to its Net Realisable Value, but later sold for more than this. Say the item cost $100, but it was felt that the NRV was only $15. It would be written down by $85 and profit reduced by that amount. If in a later period it was sold for $20, as above the overall loss would be $80, but $85 had previously been written off. Therefore the current year accounts would need to show revenue of $20 and $15 as Cost of goods sold (i.e. whatever its value had been written down to).

I have not included a T-account example, as the Financial Operations syllabus does not cover the recording of inventories in the books of account, only the reporting of the results.

**Question: *(IAS27)***

What is consolidated statement?

**Response from tutor**:

The two main statements are the Statement of Comprehensive Income and the Statement of Financial Position. For a single enterprise these include only their own results, whether they are a parent or a subsidiary. However, there is a requirement for parent enterprises to produce "consolidated" versions of these statements, which are not simply a matter of adding the two together.

I am concerned that you are asking this question, as this topic is a new and important addition to the syllabus, and is highly likely to be tested on the May paper (I am not the Examiner, and have no information as to what is to be tested or when). I suggest you acquire materials to enable you to study this area of the syllabus.

**Question: *(IAS 11 & 18)***

IAS 11 deals with revenue recognition and costs of construction contracts IAS 18 deals with only revenue recognition is there any correlation between them and in the absence of sufficient information can we use IAS18 for treatments or only IAS11.

**Response from tutor**:

Whilst there are similarities in the *principles* involved in both IAS 11 and IAS 18 as regards Revenue recognition, IAS 18 covers the specific areas of *the sale of goods, the rendering of services* and *interest, royalties and dividends,* and IAS 11 covers the specific issues which arise with construction contracts (Revenue, Cost of Sales, Assets and Liabilities).

Particularly, similarities exist between IAS 18 "the rendering of services" and IAS 11 with respect to revenue recognition, as both refer to the problems of determining the stage of completion, bearing in mind the level of certainty that profits will be achieved and payment received.

To answer the question raised as to which standard should be used, there really is not any choice. If the question concerns a construction contract, IAS 11 should be followed, with IAS 18 followed for other situations.

## General questions

**Question:**

My question is regarding filling in exam answer booklets. I have been informed that each question has to be answered on a separate page. Does this also mean that short answer questions, therefore section A type questions, have to be answered on each separate page or does this apply only to longer questions such as Section B and C Type Questions.

**Response from tutor**:

Section A is regarded as one question, with several sub-questions. You do not need to show each sub-question on a separate page, but make sure that each one is clearly labelled. Section B is also regarded as one question with six sub-questions, but it is probably sensible to start each one on a new page.

**Question:**

I always take too long to prepare a complete set of financial statement and the workings. Please can you provide me with a step by step approach that I can follow, and is quick?

**Response from tutor**:

This is a common problem and there's no easy answer. Plus, everyone has their own favourite approach in tackling such questions. Some prefer to go through all of the "unusual" figures in the trial balance and the accompanying notes and deal with the workings first, using the trial balance and their results to prepare the financial statements. Others like to set out a "skeleton" set of financial statements first, fill in any figures which do not need any adjustment or calculation, and then look at the remaining items that require workings.

As a student myself, I much preferred the second approach, aiming to get all the "easy marks" as quickly as possible and then working on the others which needed more thought. But nowadays financial statements are rather more complex than they used to be, with the majority of marks being awarded for workings rather than merely slotting given figures into the correct format, so I would tend to suggest the first approach is more productive in terms of earning marks - i.e. doing the workings first.

It does not matter to the examiner as to the order in which you perform the workings - if, for example, you are confident about the rules regarding inventory valuation and adjustment, then do the workings for that item first, and leave the more complicated items till later. But a more methodical approach might be to perform the workings in the order in which they appear in the notes to the question (assuming a question involving a Statement of Comprehensive Income, or a Statement of Financial Position). Don't forget that a single note might result in a calculation of figures for BOTH statements, and it is probably more productive if you calculate them both at the same time.

The examiner does not require your workings to be in a particular format - some students like to use "T-accounts", others do not. However, do make sure that the figures are clearly labelled, especially the figures that you are wanting to put in the Statements. Not only will this ensure that the examiner can see exactly what you are working out, but it will make it easier to then go through the various workings and slot the figures into the relevant statement.

Whilst workings need to be clear (as do the Statements themselves), do not waste time in using a ruler, and do not worry if you have not used your best handwriting. Clear abbreviations are also acceptable, e.g. "b/fwd" is a quick alternative to "Balance brought forward". "Format" marks are generally given for providing a proper heading to a Statement, and putting items in the correct order - not for neatness or perfection - so if you make a mistake simply cross through the incorrect figure and write the new one by the side or above it.

A final tip is that even if you do not know how to complete a particular working, do as much as you can because you will get at least some of the marks for that figure. And a 'final' final tip is that if you are not sure how to work something out, and are running out of time, guess. Marks are not deducted for getting something wrong - and you never know, you may be right.

**Question:**

I am going to sit F1, P1 and E1 during this Nov 2010. Do we need to follow the same format / steps to answer our problem questions given in the CIMA study material or we can use some other format which we studied during our bachelors and masters.

**Response from tutor**:

The format given in the study material is only a guide to a possible way to approach questions and set out your workings. Any other method that you are comfortable with will be acceptable. However, they key issue is that the examiner must be able to easily follow and understand your answer.

**Question:**

Hi... I am going to write E1, F1 and P1 this may.. I have seen many 'Write a report to...' questions in the revision question section of the textbook. Can you tell me the format of writing report? Can you also please give some guidelines on how to write a report?

**Response from tutor**:

Formal, structured reports would be more likely to be asked for in the higher level exams than in the three papers you mention. However, if a paper at this level asks for a report, you would need to say who it is from (do not use your name, something like “Management Accountant” is fine), the date, who it is to, and a title for the report, such as “Report on Distribution Channels”. This is likely to be allocated 2 or 3 marks at most – but they all make a difference!

Depending on the nature of the report, it might help to have a separate sub-heading for each main point, e.g. “Overall performance”, “Income Statement”, “Statement of Financial Position” and perhaps “Recommendations” or “Summary” at the end. These sub-headings might gain an extra mark, but will make it easier make your points in a sensible manner.

Avoid waffle, and avoid re-stating the question, as this will get no marks except if you are expected to be able to pick out the important points of the question on which to report.

**Question:**

What is the strategy to cover the whole syllabus for passing this exam with the highest marks while doing self study?

**Response from tutor**:

If you wish to gain the highest marks, you need to cover the whole syllabus. Parts A and B of the paper enable the examiner to include topics from any area of the syllabus. If, however you merely wish to pass the exam, you could choose a strategy of omitting topics you find particularly difficult to understand/remember. It is not a strategy I advise, but if time is pressing you sometimes have to make decisions like this.

**Question:**

Operational & Managerial papers, what would you consider on average the number of hours for preparation per paper for both the operational & managerial levels?

**Response from tutor**:

I am not sure if CIMA issue guidance on this, but from my own experience of taught classes, attendance of about 40 hours was a minimum, with students adding a further 80 hours of practice and revision. So 120 hours seems about right. Each student is different, and some may take less or more than this amount of time.

**Question:**

I just want to ask u that how I can pass all these papers in my first attempt. And whether writing skills matter or not? And finally that can we give answers in our own wordings?

**Response from tutor**:

I imagine that many students are asking themselves the same question, as the combination of papers you are taking is very popular. It is quite simple – ensure you devote enough hours to study, attend classes where you can, read and re-read your textbook, work through all the examples given (several times), attempt practice and revision questions (at first don't worry how long it takes you, but nearer to the exam you should time yourself), attend a revision class if you can, but if not possible keep repeating the exercises and examples you have.

Some students prefer to concentrate on one paper at a time before moving onto the next, and that is fine at the beginning, but nearer to the exam date you need to split your time between the three papers, otherwise you will forget things.

Good writing skills are a great benefit, but examiners and markers are not concerned about errors in spelling or grammar, so long as the sentence can be clearly understood and the point you are wanting to make is clear. CIMA markers will take the time to try and work out what it is you are meaning to say, but obviously they cannot guess. Try to avoid repetition of the same point, or too much detail where a question asks you to give the main points only. The F1 paper is largely numeric, but there will be written questions or parts of questions, and you should be guided by the number of marks awarded to them. Typically, a written question of 5 marks will require 5 good points to be made, with a short explanation of each to include the most important aspects.

You can use your own wording in many cases, but sometimes using a standard wording is quicker, easier for you, and easier for the marker to award marks. For example, the phrase "lower of cost or net realisable value" is a standard phrase. If you try to use your own words, you could need to write a lot more to say the same thing. But markers will try to determine whether your own words mean the same. There is just a slight chance that the marker will not understand what you have written, if your grammar and spelling are not good.

Markers take particular care with students whose first language is not English, but your answers must still be understandable.