

Think Ahead

ACCA

Your guide to ACCA CBEs

**F5, F6(UK), F7,
F8 and F9**

This document explains what the new Computer Based Exams (CBEs) for F5, F6(UK), F7, F8 and F9 are like, talking through the question types they contain as well as the exam functionality.

WHAT ARE THE NEW EXAMS LIKE?

The new CBEs use the same kind of technology found in today's workplace, including specially designed spreadsheet and word processing question types. This means our exams more closely reflect how a modern finance professional works.

It is important to note that the new exams assess the same learning outcomes as the paper version, so students need to cover exactly the same content regardless of which format they take.

All the exams apart from F8 have three sections, featuring:

- Objective Test questions (also known as **OT questions**)
- **OT Case questions**
- longer, **Constructed Response questions**

F8 exams are slightly different. They are in two parts and feature OT Case and Constructed Response questions.

QUESTION TYPES EXPLAINED

The following section gives some explanation of the question types found in the new CBEs.

Objective Test questions (OTs)

OT questions are single, short questions that are auto-marked and worth two marks each. Students have to answer the whole question correctly to earn their two marks.

There are no partial marks.

The next few pages give definitions of the different types of OT question, along with examples of what these might look like.

Objective Test questions

1 MULTIPLE CHOICE

Multiple choice questions are also used in paper exams. Students need to choose one answer from a number of given options.

The screenshot shows a question interface with the following text:

Caddy Co acquired 240,000 of Ambel Co's 800,000 equity shares for \$6 per share on 1 October 20X4. Ambel Co's profit after tax for the year ended 30 September 20X5 was \$400,000 and it paid an equity dividend on 20 September 20X5 of \$150,000.

On the assumption that Ambel Co is an associate of Caddy Co, what would be the carrying amount of the investment in Ambel Co in the consolidated statement of financial position of Caddy Co as at 30 September 20X5?

- A. \$1,515,000
- B. \$1,560,000
- C. \$1,395,000
- D. \$1,690,000

The interface also includes a 'Scratch Pad', 'Symbol', and 'Calculator' toolbar at the top, and navigation buttons ('Previous', 'Navigator', 'Next') at the bottom.

2 MULTIPLE RESPONSE

These are a kind of multiple choice question, except students need to select more than one answer from a number of given options. The question will specify how many answers need to be selected, but the system won't stop students from selecting more answers than this. It's important to read the question carefully because the Navigator and Item Review screens will show these questions as complete even if you have not provided a full answer.

The screenshot shows a question interface with the following text:

Which TWO of the following statements are features of money market instruments?

- A. A negotiable instrument can be sold before maturity
- B. The yield on commercial paper is usually lower than that on treasury bills
- C. Discount instruments trade at less than face value
- D. Commercial paper is often issued by companies to fund long-term expenditure

The interface also includes a 'Scratch Pad', 'Symbol', and 'Calculator' toolbar at the top, and navigation buttons ('Previous', 'Navigator', 'Next') at the bottom.

3 FILL IN THE BLANK

This question type requires students to type an answer into a box (usually numerical, but may be text). The unit of measurement will sit outside the box, and if there are specific rounding requirements these will be displayed.

The only permitted characters for this question type are:

- Numbers
- One full stop as a decimal point if required
- One minus symbol at the front of the figure if the answer is negative

For example: -10234.35

No other characters, including commas, are accepted.

The screenshot shows a question interface with a timer at 00:44:23 and question number 2 of 4. The question text is: "The management of Lamara Co has annual credit sales of \$20m and accounts receivable of \$4m. Working capital is financed by an overdraft at 12% interest per year. Assume 365 days in a year. Calculate the annual finance cost saving if management reduces the collection period to 60 days (to the nearest \$)." Below the text is a text input field with a dollar sign (\$) to its left. The interface includes a top bar with "Scratch Pad", "Symbol", and "Calculator" icons, and a bottom bar with "References/Help", "Previous", "Navigator", and "Next" buttons.

4 DRAG AND DROP

Drag and drop questions involve students dragging an answer and dropping it into place. Some questions could involve matching more than one answer to a response area and some questions may have more answer choices than response areas, which means not all available answer choices need to be used.

The screenshot shows a question interface with a timer at 00:44:23 and question number 2 of 4. The question text is: "A budget is a quantified plan of action for a forthcoming period. Budgets can be prepared using a variety of different approaches. Match each of the following statements to the correct budgeting process." Below the text are two columns of boxes. The left column is titled "Statements" and contains six boxes with the following text: "Builds in previous problems and inefficiencies", "Recognises different cost behaviour patterns", "Focuses employees on avoiding wasteful expenditure", "Focuses on controlling the causes of costs", "Always extends the budget one year into the future", and "Uses adaptive management processes". The right column is titled "Budgeting approach" and contains six boxes with the following text: "Beyond budgeting", "Incremental budgeting", "Activity-based budgeting", "Rolling budgeting", "Flexible budgeting", and "Zero-based budgeting". The interface includes a top bar with "Scratch Pad", "Symbol", and "Calculator" icons, and a bottom bar with "References/Help", "Previous", "Navigator", and "Next" buttons.

5 DROP DOWN LIST

This question type requires students to select one answer from a drop down list. Some of these questions may contain more than one drop down list and an answer has to be selected from each one.

Scratch Pad | Symbol | Calculator | Time Remaining 00:44:23 | 2 of 4 | Flag for Review

On 1 October 20X4, Pyramid Co acquired 80% of Square Co's 9 million (\$1) equity shares. At the date of acquisition, Square Co had an item of plant which had a fair value of \$3m in excess of its carrying amount. At the date of acquisition it had a remaining life of five years.

Pyramid Co's policy is to value non-controlling interests at fair value at the date of acquisition. For this purpose, Square Co's shares had a value of \$3.50 each at that date. In the year ended 30 September 20X5, Square Co reported a profit of \$8m.

At what amount should the non-controlling interests of Square Co be valued in the consolidated statement of financial position of Pyramid Co as at 30 September 20X5?

Select...

References/Help | Previous | Navigator | Next

6 HOT SPOT

For hot spot questions, students are required to select one point on an image as their answer. When the cursor is hovered over the image, it will display as an "X". To answer, place the X on the appropriate point on the diagram. The image will have been set so that as long as part of the X is touching the line that represents the correct answer, it will be marked correct, but not if it is also touching another possible answer.

Scratch Pad | Symbol | Calculator | Time Remaining 00:44:23 | 2 of 4 | Flag for Review

A leisure company owns a number of large health and fitness resorts, but one is suffering from declining sales and is predicted to make a loss in the next year. As a result management have identified a number of possible actions:

- (1) Shut down the resort and sell off the assets
- (2) Undertake a major upgrade to facilities costing \$4.5m
- (3) Undertake a minor upgrade to facilities costing \$2m

The upgrades are predicted to have variable results and the probability of good results after a major upgrade is 0.8, whereas the probability of good results after a minor upgrade is 0.7.

The company is risk neutral and has prepared the following decision tree.

Using the information below, identify, by clicking on the relevant branch of the decision tree, which action the company should take.

Key: Decision (square), Outcome (circle)

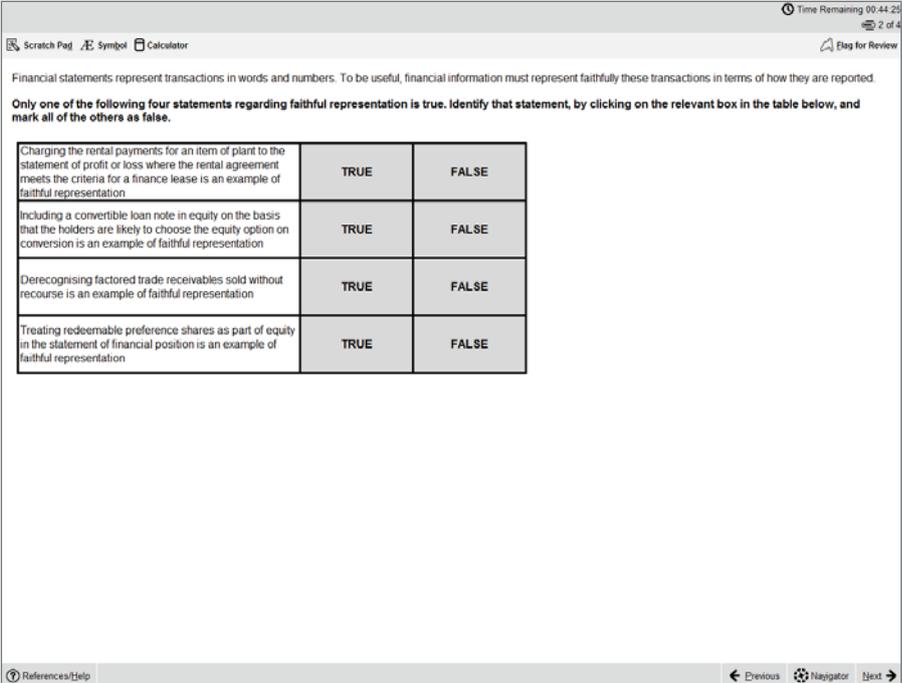
```

    graph LR
      A[ ] --- B((Major upgrade))
      A --- C((Minor upgrade))
      A --- D[Shut down and sell]
      B --- E((Good results))
      B --- F((Poor results))
      C --- G((Good results))
      C --- H((Poor results))
      D --- I[$5.75m]
      E --- J[$11m]
      F --- K[$7.5m]
      G --- L[$9m]
      H --- M[$6m]
  
```

References/Help | Previous | Navigator | Next

7 HOT AREA

These are similar to hot spot questions, but instead of selecting a specific point students are required to select one or more areas in an image. It's important to read the question carefully because the Navigator and Item Review screens will show these questions as complete even if you have not provided a full answer.



Scratch Pad Symbol Calculator Time Remaining 00:44:23 2 of 4

Financial statements represent transactions in words and numbers. To be useful, financial information must represent faithfully these transactions in terms of how they are reported.

Only one of the following four statements regarding faithful representation is true. Identify that statement, by clicking on the relevant box in the table below, and mark all of the others as false.

Charging the rental payments for an item of plant to the statement of profit or loss where the rental agreement meets the criteria for a finance lease is an example of faithful representation	TRUE	FALSE
Including a convertible loan note in equity on the basis that the holders are likely to choose the equity option on conversion is an example of faithful representation	TRUE	FALSE
Derecognising factored trade receivables sold without recourse is an example of faithful representation	TRUE	FALSE
Treating redeemable preference shares as part of equity in the statement of financial position is an example of faithful representation	TRUE	FALSE

References/Help Previous Navigator Next

Objective Test Case questions

Each OT Case contains a group of five OT questions based around a single scenario. These can be any combination of the single OT question types and they are auto-marked in the same way as the single OT questions.

OT Cases are worth 10 marks (each of the five OTs within it are worth two marks, and as with the OT questions described above, students will receive either two marks or zero marks for those individual questions).

OT cases are written so that there are no dependencies between the individual questions. So, if a student gets the first question wrong, this does not affect their ability to get the other four correct.

The OT Case scenario remains on screen so students can see it while answering the questions. However, a moveable splitter bar enables the student to focus on either the scenario or the questions.

The following page shows an example of a single scenario with five OT questions.

Scratch Pad Symbol Calculator

Time Remaining 00:44:20

2 of 4

Flag for Review

Balotelli Co operates a number of hotels providing accommodation, leisure facilities and restaurants. You are an audit senior of Mario & Co and you are currently conducting the audit of Balotelli Co for the year ended 31 December 20X4. During the course of the audit the following events and issues have been brought to your attention.

Depreciation
Balotelli Co incurred significant capital expenditure during the year updating the leisure facilities at several of the company's hotels. Depreciation is charged on all assets monthly on a straight-line basis (SL) and it is company policy to charge a full month's depreciation in the month of acquisition and none in the month of disposal.

During the audit of non-current assets, the audit team has obtained the following extract of the non-current assets register detailing some of the new leisure equipment acquired during the year.

Balotelli Co - Non-current assets register

Date	Description	Original cost (\$)	Depreciation policy	Accumulated depreciation (\$)	Charge for the year (\$)	Carrying value (\$)
1 May 20X4	15 treadmills	18,000	36 months SL	0	4,000	14,000
15 May 20X4	20 exercise bikes	17,000	3 years SL	0	5,667	11,333
17 August 20X4	15 rowing machines	9,750	36 months SL	0	2,187	7,563
19 August 20X4	10 cross trainers	11,000	36 months SL	0	1,528	9,472
		66,750		0	13,382	49,368

Scratch Pad Symbol Calculator

Time Remaining 00:44:20

2 of 4

Flag for Review

In order to verify the depreciation will involve developing an expectation to assess if the client has calculated the expected depreciation correctly.

What is the expected depreciation resultant impact on non-current assets?

A. Depreciation should be charged on all assets monthly on a straight-line basis (SL) and it is company policy to charge a full month's depreciation in the month of acquisition and none in the month of disposal.

B. Depreciation should be charged on all assets monthly on a straight-line basis (SL) and it is company policy to charge a full month's depreciation in the month of acquisition and none in the month of disposal.

C. Depreciation should be charged on all assets monthly on a straight-line basis (SL) and it is company policy to charge a full month's depreciation in the month of acquisition and none in the month of disposal.

D. Depreciation should be charged on all assets monthly on a straight-line basis (SL) and it is company policy to charge a full month's depreciation in the month of acquisition and none in the month of disposal.

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The audit assistant who has been assigned to help you with the audit work on non-current assets, has expressed some uncertainty over why certain audit procedures are carried out and specifically is unsure what procedures relate to the valuation and allocation assertion.

Which FOUR of the following audit procedures are appropriate to test the VALUATION assertion for non-current assets?

A. Review board minutes for evidence of disposals during the year and verify that these are appropriately reflected in the non-current asset register.

B. Agree a sample of additions included in the non-current assets register to purchase invoice and cash book.

Scratch Pad Symbol Calculator

Time Remaining 00:44:20

2 of 4

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Food poisoning
Balotelli Co's directors received correspondence in November 20X4 from a group of customers who attended a wedding at one of the company's hotels. They have alleged that they suffered severe food poisoning from food eaten at the hotel and are claiming substantial damages. Management have stated that based on discussions with their lawyers the claim is unlikely to be successful.

Trade receivables
Balotelli Co's trade receivables have historically been low as most customers are required to pay in advance or at the time of visiting the hotel. However during the year a number of companies opened corporate accounts which are payable monthly in arrears. As such the trade receivables balance has risen significantly and is now a material balance.

In relation to the claim regarding the alleged food poisoning, which of the following audit procedures would provide the auditor with the MOST reliable audit evidence regarding the likely outcome of the litigation?

A. Request a written representation from management supporting their assertion that the claim will not be successful.

B. Send an enquiry letter to the lawyers of Balotelli Co to obtain their view as to the probability of the claim being successful.

C. Review the correspondence from the customers claiming food poisoning to assess whether Balotelli Co has a present obligation as a result of a past event.

D. Review board minutes to understand why the directors believe that the claim will not be successful.

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Scratch Pad Symbol Calculator

Time Remaining 00:44:20

2 of 4

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As the trade receivables is a material balance, the audit partner has asked that the audit team carry out a trade receivables circularisation.

Which TWO of the following are benefits of carrying out a trade receivables circularisation?

A. It provides evidence from an independent external source

B. It provides sufficient appropriate evidence over all balance assertions

C. It improves audit efficiency as all customers are required to respond

D. It improves the reliability of audit evidence as the process is under the control of the auditor

Scratch Pad Symbol Calculator

Time Remaining 00:44:20

2 of 4

Flag for Review

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The results of the trade receivables circularisation carried out by the audit team are detailed below:

Customer	Balance per sales ledger (\$)	Balance per customer confirmation (\$)	Comment
Willow Co	42,500	42,500	
Cedar Co	35,000	25,000	Invoice raised 28 December 20X4
Maple Co	60,000	45,000	Payment made 30 December 20X4
Laurel Co	55,000	55,000	A balance of \$20,000 is currently being disputed by Laurel Co

The auditor has been asked to assess the replies and consider whether any additional audit work is required.

Based on the results of the circularisation, match each customer to the appropriate audit procedure.

Customer	Audit procedure
Willow Co	Agreed to post year end cash book and bank statement
Cedar Co	Discuss with management and consider whether amount should be included in allowance for receivables
Maple Co	No further audit procedures required
Laurel Co	Agree to pre year end invoice

Constructed response questions

The biggest development with the new F5-F9 CBEs is in the expert marked section – our constructed response questions.

For these question types, students produce individual written and numerical answers which they insert into blank word processing pages, blank spreadsheets, or pre-formatted templates. A number of standard word processing and spreadsheet functions are available via the menu and tool bar for students to use when responding to the question.

Because students provide unique answers, either in their own words or by calculating and presenting numerical answers in spreadsheets, this section will be marked by an expert. All workings and calculations will be viewed and assessed, just like in paper exams – **this means, for example, that if students use any formulae for the spreadsheet questions, markers will see the formulae and not just the final answer, so they will understand how students have reached their answers.**

This image shows an example of a question where students have to produce their answer in a blank spreadsheet.

The screenshot shows a question interface with a word processing area on the left and a spreadsheet on the right.

Word Processing Area:

Vip Co, a large stock-exchange listed company, is evaluating an investment proposal to manufacture Product W33, which has performed well in test marketing trials conducted recently by the company's research and development division. Product W33 will be manufactured using a fully-automated process which would significantly increase noise levels from Vip Co's factory. The following information relating to this investment proposal has now been prepared:

Initial investment	\$2 million
Selling price (current price terms)	\$20 per unit
Expected selling price inflation	3% per year
Variable operating costs (current price terms)	\$8 per unit
Fixed operating costs (current price terms)	\$170,000 per year
Expected operating cost inflation	4% per year

The research and development division has prepared the following demand forecast as a result of its test marketing trials. The forecast reflects expected technological change and its effect on the anticipated life-cycle of Product W33.

Year	1	2	3	4
Demand (units)	60,000	70,000	120,000	45,000

It is expected that all units of Product W33 produced will be sold, in line with the company's policy of keeping no inventory of finished goods. No terminal value or machinery scrap value is expected at the end of four years, when production of Product W33 is planned to end. For investment appraisal purposes, Vip Co uses a nominal (money) discount rate of 10% per year and a target return on capital employed of 30% per year. Ignore taxation.

Required:

- Calculate the following values for the investment proposal:
 - net present value; (5 marks)
 - internal rate of return; (3 marks)
 - return on capital employed (accounting rate of return) based on average investment. (3 marks)

Spreadsheet Area:

The spreadsheet is blank with columns A through H and rows 1 through 27. The cell D7 is highlighted with a black border, indicating where the student's answer should be entered.

This image shows an example of a question where students have to produce their answer in a pre-formatted spreadsheet.

Scratch Pad | Symbol | Calculator | Time Remaining 00:44:20 | 2 of 4 | Flag for Review

You are a trainee accountant and your manager has asked you to correct a corporation tax computation which has been prepared by the managing director of Naive Ltd. The corporation tax computation is for the year ended 31 March 2016 and contains a significant number of errors:

Naive Ltd - Corporation tax computation for the year ended 31 March 2016

	£
Trading profit (working 1)	372,900
Loan interest received (working 2)	32,100
	405,000
Corporation tax (405,000 at 20%)	81,000

Working 1 - Trading profit

	£
Profit before taxation	274,530
Depreciation	15,740
Donations to political parties	400
Qualifying charitable donations	900
Accountancy	2,300
Legal fees in connection with the issue of loan notes (the loan was used to finance the company's trading activities)	5,700
Entertaining suppliers	3,600
Entertaining employees	1,700
Gifts to customers (pens costing £40 each and displaying Naive Ltd's name)	920
Gifts to customers (food hampers costing £45 each and displaying Naive Ltd's name)	1,850
Capital allowances (working 3)	85,480
Trading profit	372,900

Working 2 - Loan interest received

	£
Loan interest receivable	32,800
Accrued at 1 April 2015	10,600
Accrued at 31 March 2016	(11,300)
Loan interest received	32,100

Required:

(a) Prepare a revised version of Naive Ltd's corporation tax computation for the year ended 31 March 2016.

Note: Your calculations should commence with the profit before taxation figure of £274,530, and you should indicate by the use of zero (0) any items in the computation of the trading profit for which no adjustment is required. (12 marks)

Edit | Format | 100% | 11 | A33 | Workings

	A	B	C	D	E	F	G
1	Naive Ltd - Trading profit for the year ended 31 March 2016						
2							
3						£	
4						274,530	
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19	Naive Ltd - Corporation tax computation for the year ended 31 March 2016						
20							
21						£	
22							
23							
24							
25							
26							
27							

References | Help | Previous | Navigator | Next

This image shows an example of a question where students have to produce their answer in a blank word processing page.

Scratch Pad | Symbol | Calculator | Time Remaining 00:44:20 | 2 of 4 | Flag for Review

Thatcher International Park (TIP) is a theme park and has for many years been a successful business, which has traded profitably. About three years ago the directors decided to capitalise on their success and reduced the expenditure made on new thrill rides, reduced routine maintenance where possible (deciding instead to repair equipment when it broke down) and made a commitment to regularly increase admission prices. Once an admission price is paid customers can use any of the facilities and rides for free.

These steps increased profits considerably, enabling good dividends to be paid to the owners and bonuses to the directors. The last two years of financial results are shown below.

	20X4	20X5
	£	£
Sales	5,250,000	5,320,000
Less expenses:		
Wages	2,500,000	2,200,000
Maintenance - routine	80,000	70,000
Repairs	260,000	320,000
Directors' salaries	150,000	160,000
Directors' bonuses	15,000	18,000
Other costs (including depreciation)	1,200,000	1,180,000
Net profit	1,045,000	1,372,000
Book value of assets at start of year	13,000,000	12,000,000
Dividend paid	500,000	650,000
Number of visitors	150,000	140,000

TIP operates in a country where the average rate of inflation is around 1% per annum.

(a) Assess the financial performance of TIP using the information given above. (14 marks)

Paragraph | Previous | Navigator | Next

This image shows an example of a question where students have to produce their answer in a pre-formatted word processing page.

For more information on Constructed Response questions, please refer to Appendix 1 – this is a guidance document which will be available to students during the exam through the 'help' feature. It will also be available in the specimen exams.

Scratch Pad Symbol Calculator Time Remaining 00:44:23 2 of 4

Baggio International Co (Baggio Co) is a manufacturer of electrical equipment. It has factories across the country and its customer base includes retailers as well as individuals, to whom direct sales are made through their website. The company's year end is 30 September 20X5. You are an audit supervisor of Suarez & Co and are currently reviewing documentation of Baggio Co's internal control in preparation for the interim audit.

Baggio Co's website allows individuals to order goods directly, and full payment is taken in advance. Currently the website is not integrated into the inventory system and inventory levels are not checked at the time when orders are placed. Inventory is valued at the lower of cost and net realisable value.

Goods are despatched via local couriers; however, they do not always record customer signatures as proof that the customer has received the goods. Over the past 12 months there have been customer complaints about the delay between sales orders and receipt of goods. Baggio Co has investigated these and found that, in each case, the sales order had been entered into the sales system correctly but was not forwarded to the despatch department for fulfilling.

Baggio Co's retail customers undergo credit checks prior to being accepted and credit limits are set accordingly by sales ledger clerks. These customers place their orders through one of the sales team, who decides on sales discount levels.

Raw materials used in the manufacturing process are purchased from a wide range of suppliers. As a result of staff changes in the purchase ledger department, supplier statement reconciliations are no longer performed. Additionally, changes to supplier details in the purchase ledger master file can be undertaken by purchase ledger clerks as well as supervisors.

In the past six months, Baggio has changed part of its manufacturing process and as a result some new equipment has been purchased, however, there are considerable levels of plant and equipment which are now surplus to requirement. Purchase requisitions for all new equipment have been authorised by production supervisors and little has been done to reduce the surplus of old equipment.

In respect of the internal control of Baggio International Co:

(i) Identify and explain SIX deficiencies;
 (ii) Recommend a control to address each of these deficiencies; and
 (iii) Describe a test of control Suarez & Co would perform to assess whether each of these controls, if implemented, is operating effectively. (18 marks)

Note: The total marks will be split equally between each part.

Control Deficiency	Control recommendation	Test of control

References/Help Previous Navigator Next

Exam functionality explained

The new exams contain lots of useful functionality, explained below.

FLAG FOR REVIEW

When a student is on a question they can flag it for review. They can then revisit it later in the exam.

NEXT AND PREVIOUS BUTTONS

Next and previous buttons allows students to navigate back and forth through the exam questions.

NAVIGATOR TOOL

This allows students to navigate to any question within the exam, instead of using the 'next' and 'previous' buttons. The navigator tool displays if a question has been flagged for review, if a question has been answered, if a question is incomplete or if a question has not been viewed by the student.

Status definitions:

- **Complete** – you have attempted the question. (Note that multiple response and hot area questions will show as complete even if you have not answered in full.)
- **Incomplete** – you have viewed the question but not attempted it. (Note that drag and drop and fill in the blank questions with more than one response area will show as incomplete until you have answered in full.)
- **Unseen** – you have not viewed the question.

Navigator - click on a question to go to it

Question #	Status	Flagged - Review	Flagged - Comment
Section A			
Question 1	Incomplete		
Question 2	Unseen		
Question 3	Unseen		
Question 4	Unseen		
Question 5	Unseen		
Question 6	Unseen		
Question 7	Unseen		
Question 8	Unseen		
Question 9	Unseen		
Question 10	Unseen		
Question 11	Unseen		
Question 12	Unseen		
Question 13	Unseen		
Question 14	Unseen		

37 Unseen/Incomplete

Close

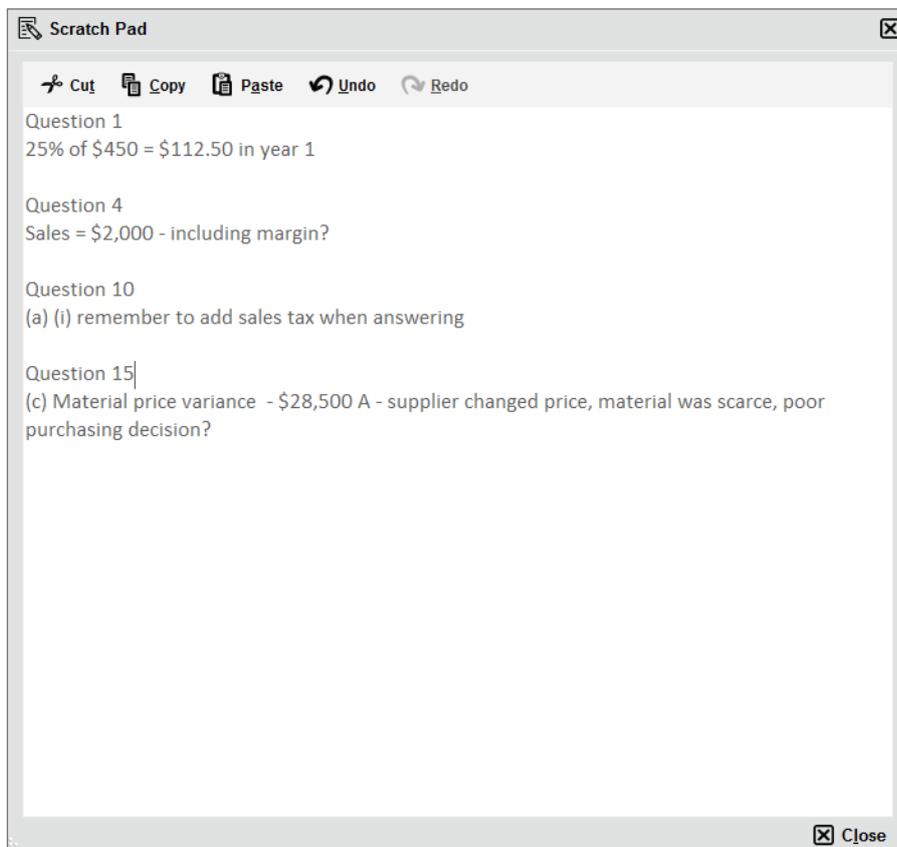
TIME AND EXAM PROGRESS

The question number and time remaining in the exam both appear on screen as default, but can be hidden by the student if they choose to. A message will display on screen when there are 15 minutes of the exam remaining.

SCRATCH PAD

For students who like an area to do rough workings, there's an on screen scratch pad for notes and calculations that will be available throughout the exam (please note students will also be given scrap paper at the exam centre if they want to jot any notes down that way). The scratch pad retains all notes/workings entered for all questions, and these are available to students for the duration of the exam.

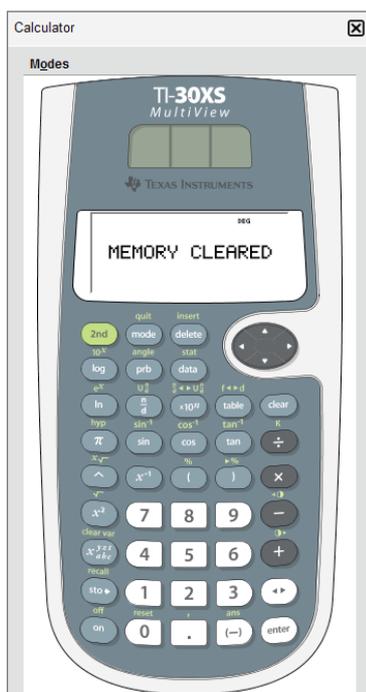
It's really important to remember that what's written in the scratch pad or on the paper notes won't be marked! So, if a student has any notes or workings for the constructed response questions that they want the marker to see, they need to make sure they do these within the spreadsheet or word processing tools.



CALCULATOR

An on-screen calculator will be available, and students can choose between a standard or scientific calculator.

Students are also allowed to bring their own calculator to the exam, provided it does not have the facility to store or display text.



HIGHLIGHT AND STRIKETHROUGH

In the live exam (but not in the specimen exams) students can highlight or strikethrough parts of the question scenario, and this will remain on the scenario if the student moves between a number of requirements within the question. As you can see in the images below, highlighting can be used to emphasise key elements of the scenario, and strikethrough can be used to indicate that you have dealt with, for example, a figure in the trial balance.

F7 Financial Reporting

Consolidated statements of financial position as at 30 September:

	20X5	20X5	20X4	20X4
	\$m	\$m	\$m	\$m
Non-current assets				
Property, plant and equipment		680		310
Intangible asset: manufacturing licence		300		100
goodwill		230		200
		1,210		610
Current assets				
Inventory	200		110	
Trade receivables	195		75	
Bank	0	395	120	305
Total assets		1,605		915
Equity and liabilities				
Equity shares of \$1 each		330		250
Other components of equity		100		0
Retained earnings		375		295
		805		545
Non-current liabilities				
5% secured loan notes	100		100	
10% secured loan notes	300	400	0	100
Current liabilities				
Bank overdraft	110		0	
Trade payables	210		160	
Current tax payable	80	400	110	270
Total equity and liabilities		1,605		915

At 1 October 20X4, the Tangier group consisted of the parent, Tangier Co, and two wholly owned subsidiaries which had been owned for many years. On 1 January 20X5, Tangier Co purchased a third 100% owned investment in a subsidiary called Raremetal Co. The consideration paid for Raremetal Co was a combination of cash and shares. The cash payment was partly funded by the issue of 10% loan notes. On 1 January 20X5, Tangier Co also won a tender for a new contract to supply aircraft engines which Tangier Co manufactures under a recently acquired long-term licence. Raremetal Co was purchased with a view to securing the supply of specialised materials used in the manufacture of these engines. The bidding process had been very competitive and Tangier Co had to increase its manufacturing capacity to fulfil the contract.

(a) Comment on how the new contract and the purchase of Raremetal Co may have affected the comparability of the consolidated financial statements of Tangier Co for the years ended 30 September 20X4 and 20X5. (5 marks)

(b) Calculate appropriate ratios and comment on Tangier Co's profitability and gearing. Your analysis should identify where the new contract and the purchase of Raremetal Co have limited the usefulness of the ratios and your analysis. (12 marks)

Note: Your ratios should be based on the consolidated financial statements provided and you should not attempt to adjust for the effects of the new contract or the consolidation. Working capital and liquidity ratios are not required.

(c) Explain what further information you might require to make your analysis more meaningful. (3 marks) (20 marks)

F7 Financial Reporting

This scenario relates to three requirements.

After preparing a draft statement of profit or loss for the year ended 30 September 20X5 and adding the current year's draft profit (before any adjustments required by notes (1) to (3) below) to retained earnings, the summarised trial balance of Kandy Co as at 30 September 20X5 is:

	\$'000	\$'000
Equity shares of \$1 each		20,000
Retained earnings as at 30 September 20X5		15,500
Proceeds of 6% loan note (note (1))		30,000
Investment properties at fair value (note (2))	20,000	
Land (\$5 million) and buildings – at cost (note (2))	35,000	
Plant and equipment – at cost (note (2))	58,500	
Accumulated depreciation at 1 October 20X4:		
buildings		20,000
plant and equipment		34,500
Current assets	68,700	
Current liabilities		43,400

HELP FEATURE

This button will have a different label depending on the exam:

- F7 and F8 – Help
- F5 and F9 – Formulae Sheet/Help
- F6 – Tax Tables/Help

Relevant reference materials will be available in certain exams. F5 and F9 will include a formulae sheet and F6 will include tax tables.

All of the exams include help on the CBE functionality, for example a recap of the basic navigation and overview instructions shown at the start of the exam.

Spreadsheet formulae and tips give a list of the formulae that could be used within the exam (please note students will need to type the appropriate formula into their answers – shortcuts are not available). There are additional tips on formatting and functionality. Please see Appendix 1 for further detail.

ITEM REVIEW SCREEN

The item review screen is shown at the end of the exam and is similar to the navigator tool. So, it displays if a question has been flagged for review, if a question has been answered, if a question is incomplete or if a question has not been viewed by the student. Students can also end their exam from this screen.

SCROLLING

If a question shows a scroll bar, students must use this to expose the full area before they can progress to the next question. This ensures they don't miss any information.

SPLITTER BAR

Some questions in the exams have the question and answer sections of the screen divided by a splitter bar, which may be horizontal or vertical. Students can drag this splitter bar across the screen to give them more or less space for the question or answer section as desired.

