

# ACCA

## P2 Exam technique

( see also the section on general exam technique )

- in the reading time read the requirements for all four questions – don't bother looking at the figures nor the notes relevant to the questions. Just read the requirements.
  - ▶ Q1 – what else is involved in the question as well as consolidations? What sort of consolidation is it - Statement of Financial Position, a Statement of Income with / without a Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, a foreign consolidation?
  - ▶ the question often has five or six different parts to it – so what else is involved? Corporate governance? Environmental concerns? Ethics?
  - ▶ Q2 and Q3 - which IASs / IFRSs are being addressed in these two questions? Does either question ask for a report / memo? Correct style and persuasive content will be worth two to four marks
  - ▶ Q4 - what's current? Keep up to date with the examiner's articles - he writes quite frequently and very clearly. Personally I would in most cases try to avoid the 25 mark discussion question - it can be very difficult to accumulate sufficient points to earn even a bare pass mark of 13
- where to start?
  - ▶ this is a matter of personal preference - having selected which question you are going to leave out, do you then start with a 25 marker, then question 1 and finish with the remaining 25 marker?
  - ▶ or do you head straight into question 1?
- the only problem I can envisage with starting with question 1 is that it will be too easy to overrun your allocated time and thus steal time from the two 25 markers. Can you be strict with your self-discipline? If you are confident that you will not get pulled too deep into the figures in question 1, then go down that route
- within question 1 itself, there will likely be four or five sub-questions. These mini-questions do not normally relate closely to the calculated solution which you are hoping to reach so....?

- do these smaller part-questions BEFORE you get into the consolidation numbers – otherwise, you'll get swallowed up by the computations and never get to parts b, c, d and e! That's 15 marks gone!

- should I write out a proforma first and then put in the easy figures?

- ▶ there are NO marks for proformas! Statements of Financial Position, Income, Comprehensive Income, Changes in Equity, Cash Flows? **NO MARKS FOR PROFORMAS!**
- ▶ sorry!
- ▶ but calculate the goodwill correctly, or the Provision for Unrealised Profit ( PuP ), or interest paid for a cash flow - they will all score marks - even if you don't get round to putting them in a "final" Statement

- Q1

- ▶ follow the OpenTuition lectures and set your workings out in consistently the same sequence – every time - you should find that that helps.

- W1 - group structure
- W2 – goodwill
- then the PuP calculation
- W3a and W3b ( gain / loss on disposal / part disposal of subsidiary )
- W3 - consolidated retained earnings
- W4a - nci on the SoFP
- W4b - nci on the Sol ( strictly, the SoCiEty )
- W5a - investment in associate
- W5b - our share of associate's this year's profits
- ▶ reduce the problem to an automatic process and you should find it easier!
- ▶ there are often 6, 7 or 8 paragraphs of notes at the end of the figures in Q1
- start at the last one – say number 8
- it often involves nothing at all – other than telling you the basis of the nci valuation at date of acquisition
- then do number 7 – often some simple calculation like a dividend proposed but not yet accounted for
- number 6 is often relatively straight forward as are also numbers 5, 4 and 3 – they will involve deciding whether a financial instrument should be valued at fair value, whether

a potential liability should be accrued, whether an asset needs to be impaired, whether inventory value needs adjusting or whether revenue should be recognised on a basis different to the existing basis.

- these are not intended to be a comprehensive list of possible adjustments - merely illustrative of the sort of matter you could expect to find
- each of these notes requires a clear working to explain / calculate the amount and effect of the adjustment necessary
- this should now leave you with just numbers 1 and 2 which typically will give you the information about the acquisition / disposal of the subsidiary and the associate
- DO NOT get stopped by any single note - if you can't do it - LEAVE IT and come back later when you have picked up the marks you can collect
- when you do come back to it, if you still cannot manage to find a solution, then GUESS - but do not be tempted to start verbal explanations to the marker about what / why / how you have arrived at the guessed figure - simply put "say \$50,000"

#### Q2 and Q3

- ▶ establish the style which has been required - report / memo or letter or simply a comment on the directors' choice of accounting treatment - more often than not, they are incorrect, but not always!
- ▶ typically the questions will be sub-divided into four or five parts
- ▶ make sure that you correctly allocate your time to allow a reasonable effort at ALL parts of the question

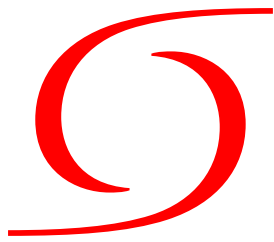
#### Q4

- ▶ current affairs
- the examiner has said that he will examine each new IFRS at the earliest opportunity
- so keep your eye on the accountancy press and Student Accountant
- occasionally, question 4 has a computational element but, more often than not, it's pure discussion
- personally, nine times out of ten, I would avoid it
- it is excessively difficult to produce 25 markable points in a discussion within 45 minutes
- it's difficult to produce half that number, yet that is what you need to get a passing grade on this question

- if you really do have to attempt question 4, follow the usual rules about planning what you are going to write. This becomes particularly relevant when you are tackling a question about which you could very well know not much at all
  - remember, each valid point should be earning a mark for you
  - your target is therefore to think, plan and write 25 markable points
  - ok, you won't achieve that, but at least let that be your target
- **the examiners like the answers to be subdivided into sections with appropriate headings**



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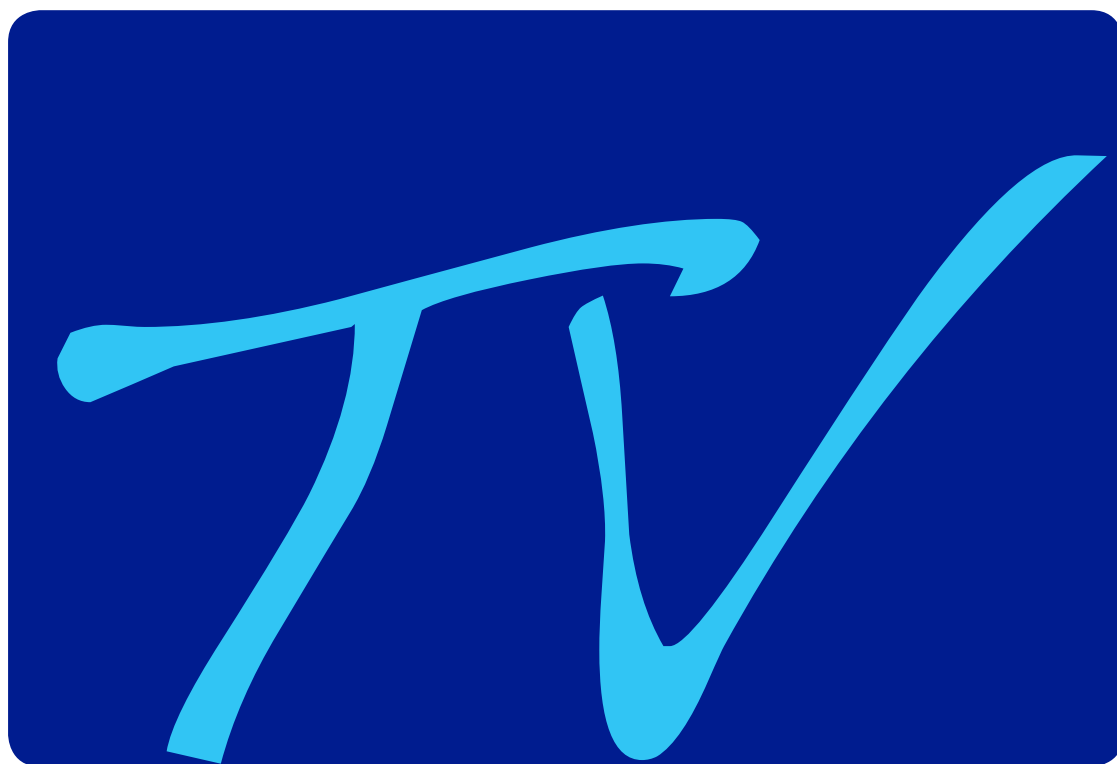
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