

# MAKING THE BEST

THE OPTIONS PAPERS ARE THE FINAL EXAM HURDLE BEFORE YOU CAN BECOME AN ACCA MEMBER. PETER REDFERN, ACCA QUALIFICATIONS MANAGER, EXPLAINS HOW CHOOSING OPTIONS PAPERS WHICH YOU ARE MOST COMFORTABLE WITH, HOPEFULLY, IMPROVE YOUR CHANCES OF SUCCESS

To complete the ACCA Qualification exams at the Professional level you must complete three Essentials papers (P1, P2 and P3) and then complete two from four Options papers (P4, P5, P6 and P7).

The Options papers are specialised papers. They cover, in depth, the specialist areas of professional accountancy, namely: financial management, performance management, tax, and audit and assurance.

Our research has found that you will have a better chance of success if you have really got to grips with the fundamental concepts of these subjects. In addition, if you have gained experience in the workplace that relates to the Option paper you have chosen, it will really help you in your studies and in the exam.

Lastly, studying with an Approved Learning Partner for student tuition (ALP-st), and using the platinum and gold materials from our ALP content providers, will increase your chances of passing the Options papers.



THE FUNDAMENTALS

Our research proves that if you do well in the underpinning Fundamentals paper, you will have a better chance of passing the Options paper. This is backed up by what students, tutors and examiners tell us: if you have a good grasp of the fundamental knowledge of the Options paper you are taking, then you have a better chance of passing the Options paper.

It is important to remember that the Options papers take the subjects covered in the Fundamental papers to a more advanced level. This is set out below:

- Paper F9, *Financial Management* → Paper P4, *Advanced Financial Management*
- Paper F5, *Performance Management* → Paper P5, *Advanced Performance Management*
- Paper F6, *Taxation* → Paper P6, *Advanced Taxation*
- Paper F8, *Audit and Assurance* → Paper P7, *Advanced Audit and Assurance*

When you choose which Options papers to take, think about how well you did in the Fundamentals level papers. If

TABLE 1: THE OPTIONS PERFORMANCE OBJECTIVES

| OPTIONS PAPER | RELEVANT OPTIONS PERFORMANCE OBJECTIVES   |
|---------------|---|
| Paper P4      | PO 15 and 16 on finance and financial management  |
| Paper P5      | PO 12, 13 and 14 on performance measurement and management accounting                       |
| Paper P6      | PO 19 and 20 on taxation  |
| Paper P7      | PO 17 and 18 on audit and assurance and underpinned by PO 10 and 11 for financial reporting |

# OPTIONS CHOICES

there was a subject you excelled at or felt most comfortable with, then that would be a good choice to take as your option. You may, of course, have been exempted from taking the Fundamentals level paper, or it may have been a long time since you studied these subjects. If this is the case, it is useful to look at the materials available for the Fundamentals level papers to help you refresh your knowledge.

In the table (page 16) we have identified the key areas of the Fundamentals level paper syllabuses that relate directly to each Options paper. Looking at this will help you see which areas of the Fundamentals level paper you need to have grasped to be successful in the Options papers. It will also show you that there may be some areas of the Fundamental papers that you are not required to demonstrate in the Options paper exam. It is also worth noting that along with the Fundamentals level papers, some of the areas covered in Paper P3 underpin Paper P5. Likewise, some areas of Paper P2 underpin Paper P7.

New materials available from Kaplan Publishing have been designed to help you understand or recall the relevant fundamental knowledge underpinning the Options papers. At half the price of exam entry the materials are a worthwhile investment, particularly while you are waiting for your results and before you begin studying for your Options papers.

## APPLYING YOUR EXPERIENCE

The ACCA exams are designed to be achievable even if you have no relevant experience. That said, one of the things most students, tutors and examiners say about the Options papers is that you may perform better if you have gained work experience relevant to the Options papers you are taking.

If you are currently working, remember to look at ACCA's practical experience requirements. You need to complete these requirements to gain the benefits of ACCA membership. They may also help you focus on gaining experience relevant to your Options

ONE OF THE BENEFITS OF MATCHING THE EXPERIENCE PERFORMANCE REQUIREMENTS TO THE OPTIONS PAPERS YOU ARE TAKING IS THAT IT MAY ASSIST YOUR WORKPLACE MENTOR OR SUPERVISOR IN GIVING YOU THE EXPERIENCE TO HELP YOUR STUDIES

papers. Part of the requirements is that you need to achieve 13 from 20 performance objectives. Like the ACCA Qualification exams, there are some performance objectives you need to take – known as the essentials performance objectives – and there are others where you get a choice of which ones to do – known as the options performance objectives. The options performance objectives cover some of the same areas as the Options papers (see Table 1).

One of the benefits of matching the experience performance requirements to the Options papers you are taking is that it may assist your workplace mentor or supervisor in giving you the experience to help your studies. It may also help your workplace mentor or supervisor answer questions you have about particular areas of the Options paper syllabuses that you are struggling with.

It is a great idea to be thinking about how your studies can be applied to your future career prospects. However, be careful. If there is an Options paper subject you find particularly hard, but you feel it would be better for your career prospects, you may be wiser to choose a different Options paper subject that better suits your ability. Remember, you can take the Options papers after you have qualified as part of continuing professional development (CPD).

Whether you have gained relevant experience or not, wider reading will also help you relate your studies to real-life situations that will, in turn, help you in the exams. Remember that the case studies used in the exams are often based on situations that have been in the news. Reading both the financial

press, the wider press and the corporate reports of multinational companies, and relating the stories to your studies, is a good way to prepare for the exams. It will help you understand the challenges real businesses face, such as ethical issues, environmental issues, strategic decisions, risk management and investment decisions. It will also help you familiarise yourself with the type of scenarios you will find in the exam.

There are a number of ways the ACCA Qualification can be studied, such as via a taught course or by self-study. Our research has found that if you study with one of our ALPs, you will stand a better chance of passing the Options papers. You can find out more about our ALPs via the ACCA website, which includes a searchable tuition provider directory. If there are no ALPs in your area, you may wish to consider distance learning using the materials from an Approved Learning Partner – content (ALP-c).

## CONCLUSION

The Options papers are the final exam hurdle you need to complete to qualify. It is important you make the right choice of which two Options papers to take. You will have a greater chance of success if you choose the Options papers based on what you feel most comfortable with, whether that is because you did well in the underpinning Fundamentals paper or you took the underpinning Fundamentals paper recently or because you have gained most work experience in that area. Lastly, you should consider studying with an ALP – st to give yourself the best chance of passing the Options papers.

# ESSENTIAL UNDERPINNING FOR OPTIONS PAPERS

**PAPER P4**

Paper F9 to Paper P4 –  
essential knowledge

**D Investment appraisal**  
All subheadings

**E Business finance**

- 1 Sources of, and raising, short-term finance
- 2 Sources of, and raising, long-term finance
- 4 Internal sources of finance and dividend policy
- 5 Gearing and capital structure considerations

**F Cost of capital**  
All subheadings

**G Business valuations**

- 2 Models for the valuation of shares
- 3 The valuation of debt and other financial assets
- 4 Efficient market hypothesis (EMH) and practical considerations in the valuation of shares

**H Risk management**  
All subheadings

Paper P3 to Paper P4 –  
essential knowledge

**G Financial analysis**

- 2 Finance decisions to formulate and support business strategy
- 4 Financial implications of making strategic choices and of implementing strategic actions

**PAPER P5**

Paper F5 to Paper P5 –  
essential knowledge

**A Specialist cost and management accounting techniques**  
All subheadings

**B Decision-making techniques**

- 6 Dealing with risk and uncertainty in decision making

**C Budgeting**

- 2 Budgetary systems
- 3 Types of budget
- 5 Behavioural aspects of budgeting

**D Standard costing and variances analysis**

All subheadings excluding:  
2 Basic variances and operating statements

**E Performance measurement and control**  
All subheadings

Paper P3 to Paper P5 –  
essential knowledge

**B Strategic position**

- 2 Environmental issues affecting the strategic position of an organisation
- 3 Competitive forces affecting an organisation
- 4 Marketing and the value of goods and services
- 6 The expectations of stakeholders and the influence of ethics and culture

**B Strategic choices**

- 1 The influence of corporate strategy on an organisation
- 3 Alternative directions and methods of development

**C Strategic action**

- 1 Organising and enabling success

**G Financial analysis**

- 3 The role of cost and management accounting in strategic planning and implementation

Paper P1 to Paper P5 –  
essential knowledge

**B Internal control and review**

- 1 Management control systems in corporate governance

**C Identifying and assessing risk**

- 1 Risk and the risk management process
- 2 Categories of risk
- 3 Identification, assessment and measurement of risk

**D Controlling risk**

- 3 Risk avoidance, retention and modelling

**PAPER P6**

Paper F6 (UK) to Paper P6 (UK) –  
essential knowledge

**B Income tax liabilities**

- 2 Income from employment
  - h) Compute the amount of benefits assessable
- 3 Income from self-employment
  - e) Compute assessable profits on commencement and cessation
  - h) Relief for trading losses
- 5 The comprehensive computation of taxable income and income tax liability
  - b) Calculate the amount of personal allowance available generally, and for people aged 65 and above
  - c) Compute the amount of income tax payable
- 6 The use of exemptions and reliefs in deferring and minimising income tax liabilities
  - a) Explain and compute the relief given for contributions to personal pension schemes, using the rules applicable from 6 April 2011

**C Corporation tax liabilities**

- 2 Taxable total profits
  - e) Explain the treatment of interest paid and received under the loan relationship rules
  - g) Understand how trading losses can be carried forward
  - h) Understand how trade losses can be claimed against income of the current or previous accounting periods
  - i) Recognise the factors that will influence the choice of loss relief claim
  - k) Explain how relief for a property business loss is given
- 3 The comprehensive computation of corporation tax liability
  - a) Compute the corporation tax liability and apply marginal relief
- 4 The effect of a group corporate structure for corporation tax purposes
  - a) Define an associated company and recognise the effect of being an associated company for corporation tax purposes

YOU MAY PERFORM BETTER IF YOU HAVE GAINED WORK EXPERIENCE RELEVANT TO THE OPTIONS PAPERS YOU ARE TAKING



IT IS IMPORTANT YOU MAKE THE RIGHT CHOICE OF WHICH TWO OPTIONS PAPERS TO TAKE. YOU WILL HAVE A GREATER CHANCE OF SUCCESS IF YOU CHOOSE THE OPTIONS PAPERS BASED ON WHAT YOU FEEL MOST COMFORTABLE WITH

- b) Define a 75% group, and recognise the reliefs that are available to members of such a group
- c) Define a 75% capital gains group, and recognise the reliefs that are available to members of such a group
- d) Compare the UK tax treatment of an overseas branch to an overseas subsidiary
- e) Calculate double taxation relief

#### **D Chargeable gains**

- 1 The scope of the taxation of capital gains
  - b) Explain how the residence and ordinary residence of an individual is determined
- 2 The basic principles of computing gains and losses
  - a) Compute capital gains for both individuals and companies
- 3 Gains and losses on the disposal of movable and immovable property
  - d) Compute the exemption where a principal private residence is disposed of
- 5 The computation of capital gains tax payable by individuals
  - a) Compute the amount of capital gains tax payable
- 6 The use of exemptions and reliefs in deferring and minimising the tax liabilities arising on the disposal of capital assets
  - a) Explain and apply entrepreneurs' relief as it applies to individuals
  - b) Explain and apply rollover relief as it applies to individuals and companies
  - c) Explain and apply holdover relief for the gift of business assets
  - d) Explain and apply the incorporation relief that is available upon the transfer of a business to a company

#### **E Inheritance tax**

- 2 The basic principles of computing transfers of value
  - a) State, explain and apply the

meaning of transfer of value, chargeable transfer and potentially exempt transfer

- b) Demonstrate the diminution in value principle
- c) Demonstrate the seven-year accumulation principle taking into account changes in the level of the nil rate band
- 3 The liabilities arising on chargeable lifetime transfers and on the death of an individual
  - a) Understand the tax implications of chargeable lifetime transfers and compute the relevant liabilities
  - b) Understand the tax implications of transfers within seven years of death and compute the relevant liabilities
  - c) Compute the tax liability on a death estate

#### **G Value added tax**

- 2 The VAT registration requirements
  - a) Recognise the circumstances in which a person must register for VAT
  - b) Explain the advantages of voluntary VAT registration
  - d) Explain how and when a person can deregister for VAT
  - e) Explain the conditions that must be met for two or more companies to be treated as a group for VAT purposes, and the consequences of being so treated
- 3 The computation of VAT liabilities
  - h) Explain the treatment of imports, exports and trade within the European Union
- 4 The effect of special schemes
  - a) Describe the cash accounting scheme, and recognise when it will be advantageous to use the scheme
  - b) Describe the annual accounting scheme, and recognise when it will be advantageous to use the scheme
  - c) Describe the flat rate scheme, and recognise when it will be advantageous to use the scheme

#### **PAPER P7**

Paper F8 to Paper P7 – essential knowledge

#### **A Audit framework and regulation**

- 4 Professional ethics and ACCA's Code of Ethics and Conduct

#### **B Internal audit**

- 3 The scope of the internal audit function

#### **C Planning and risk assessment**

- 2 Assessing the risks of material misstatement
- 3 Understanding the entity and its environment
- 4 Materiality, fraud, laws and regulations
- 5 Analytical procedures
- 6 Planning an audit

#### **D Internal control**

- 6 Communication on internal control

#### **E Audit evidence**

- 2 Audit procedures
- 3 The audit of specific items
- 6 The work of others

#### **F Review**

- 1 Subsequent events
- 2 Going concern
- 4 Audit finalisation and the final review

#### **G Reporting**

- 1 Audit reports

Paper P2 to Paper P7 – essential knowledge

#### **C Reporting the financial performance of entities**

- All subheadings excluding:
- 11 Reporting requirements of small and medium-sized entities (SMEs)

#### **D Financial statements of groups of entities**

All subheadings