

ACCA



Examiner reviewed content

P4 高级财务管理

P4 ADVANCED FINANCIAL MANAGEMENT

BPP Learning Media 著

练习册

PRACTICE & REVISION KIT

FOR EXAMS IN 2012



华中科技大学出版社

<http://www.hustp.com>

BPP
LEARNING
MEDIA



ACCA

P4 高级财务管理

P4 ADVANCED FINANCIAL MANAGEMENT

BPP Learning Media 著

P
R
A
C
T
I
C
E

练

& 习

R
E
V
I
S
I
O
N

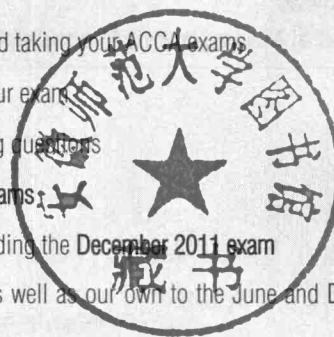
册

K
I
T

BPP Learning Media is the **sole ACCA Platinum Approved Learning Partner** – content for the ACCA qualification. In this, **the only Paper P4 Practice and Revision Kit to be reviewed by the examiner:**

- We discuss the **best strategies** for revising and taking your ACCA exams
- We show you how to be **well prepared** for your exam
- We give you **lots of great guidance** on tackling questions
- We show you how you can **build your own exams**
- We provide you with **three** mock exams including the **December 2011 exam**
- We provide the **ACCA examiner's answers** as well as our own to the June and December 2011 exams as an additional revision aid

Our **i-Pass** product also supports this paper.



FOR EXAMS IN 2012



华中科技大学出版社

<http://www.hustp.com>

中国·武汉

图书在版编目 (CIP) 数据

P4 高级财务管理 练习册 P4 Advanced Financial Management Practice&Revision Kit : 英文 / BPP Learning Media 著. -- 武汉 : 华中科技大学出版社, 2012.1

(ACCA考试用书)

ISBN 978-7-5609-7654-9

I. ①P... II. ①B... III. ①财务管理—会计师—资格考试—习题集—英文 IV. ①F23

中国版本图书馆CIP数据核字(2011)第270738号

版权由 BPP Learning Media 所有。未经 BPP Learning Media 的书面许可, 不得以任何形式或任何途径, 电子的或机械的, 包括影印、录制或通过任何信息存储检索系统重编或传播本书的任何部分。

本版本由 BPP Learning Media 授权华中科技大学出版社出版。本版本仅限于中华人民共和国境内(不包括中国香港特别行政区、澳门特别行政区和台湾地区)发行使用。

在此, 特别致谢 ACCA 许可 BPP Learning Media 重新出版 ACCA 考试历年试题。本书答题库中收录的建议的试题答案, 除非另外注明, 均由 BPP Learning Media 给出。

All rights reserved by BPP Learning Media. No part of this book may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording or by any information storage retrieval system, without permission from BPP Learning Media.

BPP Learning Media authorize Hua Zhong University of Science and Technology Press to publish this edition in China. This edition is only for use and distribution in People's Republic of China excluding Hong Kong SARs, Macao SARs and Taiwan.

We are grateful to the Association of Chartered Certified Accountants for permission to reproduce past examination questions. The suggested solutions in the exam answer bank have been prepared by BPP Learning Media Ltd, unless otherwise stated.

P4 高级财务管理 练习册

P4 Advanced Financial Management Practice&Revision Kit

BPP Learning Media 著

策划编辑: 周小方

责任编辑: 周小方

责任监印: 周治超

出版发行: 华中科技大学出版社(中国·武汉)

武汉喻家山 邮编: 430074 电话: (027) 87557437

印刷: 上海市印刷十厂有限公司

开本: 880mm×1230mm 1/16

印张: 33

字数: 763千字

版次: 2012年1月第1版第1次印刷

定价: 130.00元

本书若有印装质量问题, 请与我们联系更换
全国服务热线: 021-58366718 转 0, 竭诚为您服务
版权所有 侵权必究

关于 BPP Learning Media

BPP Learning Media 作为一家职业考试资料的出版商，在市场上一直独占鳌头。从 1977 年开始，我们就出版了很多高质量关于会计、营销和金融服务资格方面的产品。BPP 是全球 150 多个国家的学生、培训提供商、公司和专业机构的最佳选择。

BPP Learning Media 是 ACCA 官方认可的唯一的铂金级学习内容合作伙伴。这项与 ACCA 的伙伴关系确保了，在出卷考官的审订下，我们的教材正确的程度上涵盖了考纲并且符合了考试的要求。这项合作也允许我们在练习册内发布新近的考卷内容，包括考官的答案与评分。您可以信赖 BPP Learning Media 的产品，它们包含最新信息且关注重点，传递给您来自 BPP 作者和讲师们的专业知识和丰富经验。

除了 ACCA 系列外，BPP Learning Media 的课本和资料还涉及课程：

- 清算会计
- 商业税收和税收管理
- 金融营销和市场调查
- 银行业 IT
- 金融英语

P4（练习册）简介

P4 练习册包含大量的试题型习题，涵盖关键知识点；同时还配有 3 套模拟卷，其中之一是 ACCA 的测验卷。练习册涵盖大纲的所有主要部分，并针对重要知识点提供许多建议。

BPP 授权华中科技大学出版社在中国发行的 FIA 及 ACCA 练习册:

基础阶段课程

Knowledge Module

知识课程

FAB/F1 Accountant in Business

FAB/F1 会计师与企业

FMA/F2 Management Accounting

FMA/F2 管理会计

FFA/F3 Financial Accounting

FFA/F3 财务会计

Skills Module

技能课程

F4 Corporate and Business Law (ENG)

F4 公司法与商法 (英国版)

F5 Performance Management

F5 业绩管理

F6 Taxation (UK)

F6 税务 (英国版)

F7 Financial Reporting (INT&UK)

F7 财务报告 (国际版和英国版)

F8 Audit and Assurance (INT)

F8 审计与认证业务 (国际版)

F9 Financial Management

F9 财务管理

专业阶段课程

Essentials Module

核心课程

P1 Governance, Risk and Ethics

P1 公司治理、风险管理及职业操守

P2 Corporate Reporting (INT&UK)

P2 公司报告 (国际版和英国版)

P3 Business Analysis

P3 商务分析

Options Module

选修课程

P4 Advanced Financial Management

P4 高级财务管理

P5 Advanced Performance Management

P5 高级业绩管理

P6 Advanced Taxation (UK)

P6 高级税务 (英国版)

P7 Advanced Audit and Assurance (INT)

P7 高级审计与认证业务 (国际版)

Question index

The headings in this checklist/index indicate the main topics of questions, but questions are expected to cover several different topics.

Questions set under the old syllabus Paper 3.7 – *Strategic Financial Management* (SFM) and Paper 14 – *Financial Strategy* (FS) are included as their style and/or content are similar to the questions that appear in Paper P4 – *Advanced Financial Management*.

Marks	Time allocation Mins	Page number	
		Question	Answer

Part A: Role and responsibility towards stakeholders

1 Preparation question – Shareholders and bondholders	15	27	3	95
2 Preparation question – Capital structure (SFM, 12/04)	15	27	3	96
3 Multimedia company (Pilot paper)	20	36	3	98
4 Agenda for change (12/07)	20	36	4	100
5 Solar Supermarkets (12/08)	20	36	5	103
6 International corporate governance (SFM, 12/02)	15	27	5	104
7 Vadener (SFM, 6/06, amended)	40	72	7	106
8 International Enterprises (12/07)	30	54	7	110
9 LP	20	36	9	113
10 Mezza Co (6/11)	17	31	9	114

Part B: Economic environment for multinationals

11 Global financial markets	20	36	10	116
12 Boxless (SFM, 12/04, amended)	20	36	10	118
13 World Trade Organisation (SFM, 12/05, amended)	20	36	11	120
14 Pharmaceutical Co (6/09)	20	36	11	123
15 McTee (SFM, 6/05)	30	54	12	124
16 PMU (12/10)	20	36	13	129

Part C: Advanced investment appraisal

17 Stafer (SFM, 6/06)	15	27	14	131
18 Jonas Chemical Systems (Pilot paper)	20	36	14	132
19 CD	20	36	16	137
20 Slow Fashions Co (6/09)	20	36	17	139
21 Your business (6/09)	28	50	17	142
22 Kodiak Company (12/09)	28	50	18	146
23 Seal Island (6/10)	28	50	19	149
24 Sleepon (SFM, 12/05, amended)	30	54	20	152
25 Wickern (SFM, 12/01, amended)	30	54	21	155
26 Wurrall (SFM, 6/04, amended)	30	54	23	158
27 Blipton International (12/08)	30	54	25	161
28 Jupiter Co (12/08)	30	54	26	165
29 Wit and Pratney	20	36	26	168

	Marks	Time allocation Mins	Page number	
			Question	Answer
30 Preparation question - Cathlynn	15	27	27	170
31 Bioplasm (SFM, 12/03)	15	27	28	171
32 MMC (6/11)	17	31	28	173
33 Marengo Co (12/10)	20	36	29	175
34 Digunder (12/07)	20	36	29	177
35 AVT (SFM, 12/01, amended)	30	54	30	179
36 Alaska Salvage Co (12/09, amended)	20	36	30	181
37 Fuelit (FS, 12/00)	40	72	31	183
38 Aggrochem Co (6/10)	32	58	32	187
39 GNT Co (6/11)	17	31	33	191
40 Strayer (SFM, 6/02)	20	36	33	194
41 Cost of capital	20	36	33	195
42 Neptune (6/08)	20	36	34	197
43 Airline Business (12/07)	20	36	35	200
44 Aston Co (12/08)	20	36	35	203
45 Fubuki (12/10)	25	45	36	206
46 Impex	30	54	37	210
47 Trosoft (SFM, 12/04, amended)	30	54	37	214
48 Do-it-Yourself (Pilot paper)	20	36	38	217
49 Your company (FS, 6/99, amended)	30	54	40	220
50 Semer (SFM, 12/05)	30	54	42	222
51 Pondhills (FS, 6/01, amended)	30	54	43	224
52 Avto	40	72	44	226

Part D: Acquisitions and mergers

53 Gasco	20	36	46	230
54 Omnikit (FS, 6/97, amended)	30	54	46	232
55 X-Train	30	54	47	236
56 Carpetshop	30	54	49	238
57 Mercury Training (6/08)	28	51	49	242
58 Intergrand (SFM, 12/02, amended)	30	54	50	245
59 Kulpar (FS, 12/00)	30	54	52	249
60 Pursuit Co (6/11)	36	65	53	252
61 Saturn Systems (6/08)	20	36	54	258
62 Paxis (SFM, 6/05, amended)	40	72	55	260
63 Minprice (SFM, Pilot paper)	30	54	56	263
64 Laceto (FS, 6/01, amended)	30	54	57	267
65 Fly 4000 (Pilot paper)	30	54	59	271
66 Burcolene (12/07)	30	54	60	276
67 Anchorage Retail Co (12/09)	32	58	61	279

Marks	Time allocation Mins	Page number	
		Question	Answer

Part E: Corporate reconstruction and reorganisation

68 AIR	20	36	64	284
69 MandM Co (6/10)	20	36	65	287
70 Evertalk (SFM, 6/03, amended)	35	63	65	289
71 Romage (FS, 6/00, amended)	30	54	67	293
72 Airgo (FS, 6/97)	30	54	69	296
73 BBS Stores (6/09)	32	58	70	299
74 Doric Co (12/10)	35	63	71	304

Part F: Treasury and advanced risk management techniques

75 Uniglow (SFM, 6/02, amended)	20	36	74	308
76 Discos (SFM, 6/03)	15	27	74	310
77 Troder (SFM, 6/03, amended)	20	36	75	312
78 Gitlor	20	36	75	313
79 MJY (SFM, 12/05, amended)	20	36	76	316
80 KYT (FS, 6/99, amended)	20	36	77	317
81 Asteroid Systems (6/08)	20	36	77	319
82 Stone Chippings (6/09)	20	36	78	322
83 Multidrop (6/10)	20	36	78	323
84 Galeplus (SFM, 12/04)	30	54	79	325
85 Polytot (SFM, 6/04)	30	54	80	328
86 NTC (SFM, 6/02, amended)	30	54	81	332
87 Casasophia Co (6/11)	30	54	82	336
88 HYK (FS, 12/99, amended)	20	36	83	339
89 Phobos Co (12/08)	20	36	84	342
90 Katmai Co (12/09)	20	36	85	344
91 Somax (FS, 6/96, amended)	30	54	85	345
92 FNDC (SFM, 12/06)	30	54	86	348
93 Semi-strong efficiency (FS, 6/00)	15	27	87	351
94 Shegdor (SFM, 12/02, amended)	20	36	88	353
95 Lamri Co (12/10)	20	36	88	356

Part G: Emerging issues

96 Moose Co (12/09)	20	36	90	359
97 GoSlow Motor Corp (6/10)	20	36	90	361

Mock exam 1

Questions to 98 to 102

Mock exam 2

Questions to 103 to 107

Mock exam 3 (December 2011)

Questions to 108 to 112

Topic index

Listed below are the key Paper P4 syllabus topics and the numbers of the questions in this Kit covering those topics.

If you need to concentrate your practice and revision on certain topics or if you want to attempt all available questions that refer to a particular subject, you will find this index useful.

Syllabus topic	Question numbers
Acquisitions	67
Adjusted present value	29, 37, 42, 47, Mock 1 Q1, Mock 3 Q1
Barriers to trade	13, 52
Basis	51, 80, Mock 1 Q2, Mock 3 Q2
Black-Scholes model	18, 33, 36, 38, 41
Bonds	Mock 3 Q3
Capital asset pricing model	25, 46, 49, 52, 58, 59, 71, 91
Capital structure	15, 59, 60
Caps	77
Cash flow	27
Cash flow forecast	8, 22
Collars	77, 92, Mock 3 Q2
Corporate governance	6
Countertrade	85, 86
Credit crunch	96
Credit enhancement	97
Credit ratings	Mock 3 Q3
Currency forward contracts	79, 85, 86, 87, Mock 1 Q2, Mock 2 Q2
Currency futures	14, 87, Mock 1 Q2
Currency options	28, 79, 85, 87, Mock 2 Q2
Currency swaps	82, 84
Debt covenants	Mock 3 Q4
Debt problem of LDCs	68
Debt valuation	12, 28, 46
Delta hedge	33, 75
Demergers	71
Divestment	71
Dividend capacity	8, 95
Dividend policy	Mock 1 Q5
Duration	39
Economic exposure	51
Economic value added (EVA) TM	8, 18, 67
Efficient market hypothesis	7, 63
Ethics	3, 4, 5, 10, 14, 61
Euromarkets	15, 85
Exchange rates	78
Exchange traded derivatives	81
Financing	43, 48, 50, 59, 60, 72, Mock 1 Q1, Mock 2 Q1
Foreign investment	52, 54, 55, 58, Mock 2 Q1
Free cash flow	22, 26, 58, 59, 62, 65, 66, 70
Greeks	75
Hedging	81, 89
Interest forward rate agreements	Mock 2 Q2
Interest rate futures	88, 89, 92, Mock 2 Q2, Mock 3 Q2

Interest rate hedging	90, Mock 3 Q1
Interest rate options	88, Mock 2 Q2, Mock 3 Q2
Interest rate swaps	90, 91
Interest rate parity	78
Investment appraisal	18, 19, 21, 23, 24, 25, 37, 45, 54, 58, 71, Mock 1 Q1, Mock 2 Q1, Mock 3 Q1
Joint ventures	16
Loan syndication	96
Management buy-out	68, 72, 74, Mock 1 Q4, Mock 3 Q4
Mezzanine debt	36
Modified internal rate of return	27, 42
Money market hedge	81, 86, Mock 1 Q2
Multilateral netting	79, 83
Option pricing theory	22
Political risk	52, Mock 1 Q1, Mock 2 Q1
Private equity finance	57
Purchasing power parity	25, 78, Mock 2 Q1
Real options	29, 32, 34, 37, 47, 56, Mock 1 Q3
Reconstruction	69, 70, 71, 73, 74
Simulation	23
Share options	35, 66
Share valuation	57, 59, 63, Mock 1 Q1
Stock exchange listings	3, 57
Strategic financial issues	4, 5
Strategic planning	7, 54, 71, Mock 1 Q1
Swaptions	84
Synergy	66, Mock 1 Q1
Takeover regulations	61
Takeovers and mergers	38, 54, 55, 56, 58, 60, 62, 63, 64, 65, 66
Tax haven	12, Mock 1 Q5
Tranching	97
Triple bottom line reporting	Mock 3 Q5
Transaction exposure	51, 80, 81
Translation exposure	7, 51, 80
Treasury management	86
Value at risk	46, 90
Weighted average cost of capital	28, 37, 49, 50, 55, 57, 59, 62, 64, 66, 70, 73, 91, Mock 1 Q1, Mock 2 Q1
World Trade Organisation	13, 14

Helping you with your revision – the **ONLY P4 Practice and Revision Kit** to be reviewed by the examiner!

BPP Learning Media – the sole Platinum Approved Learning Partner - content

As ACCA's **sole Platinum Approved Learning Partner – content**, BPP Learning Media gives you the **unique opportunity** to use **examiner-reviewed** revision materials for the 2012 exams. By incorporating the examiner's comments and suggestions regarding syllabus coverage, the BPP Learning Media Practice and Revision Kit provides excellent, **ACCA-approved** support for your revision.

Tackling revision and the exam

Using feedback obtained from ACCA examiners as part of their review:

- We look at the dos and don'ts of revising for, and taking, ACCA exams
- We focus on Paper P4; we discuss revising the syllabus, what to do (and what not to do) in the exam, how to approach different types of question and ways of obtaining easy marks

Selecting questions

We provide signposts to help you plan your revision.

- A full **question index**
- A **topic index** listing all the questions that cover key topics, so that you can locate the questions that provide practice on these topics, and see the different ways in which they might be examined
- **BPP's question plan** highlighting the most important questions and explaining why you should attempt them
- **Build your own exams**, showing how you can practise questions in a series of exams

Making the most of question practice

At BPP Learning Media we realise that you need more than just questions and model answers to get the most from your question practice.

- Our **Top tips** included for certain questions provide essential advice on tackling questions, presenting answers and the key points that answers need to include
- We show you how you can pick up **Easy marks** on some questions, as we know that picking up all readily available marks often can make the difference between passing and failing
- We include **marking guides** to show you what the examiner rewards
- We include **examiners' comments** to show you where students struggled or performed well in the actual exam
- We refer to the **2011 BPP Study Text** (for exams in 2012) for detailed coverage of the topics covered in questions
- In a bank at the end of this Kit we include the **examiner's answers** to the June and December 2011 papers. Used in conjunction with our answers they provide an indication of all possible points that could be made, issues that could be covered and approaches to adopt.

Attempting mock exams

There are three mock exams that provide practice at coping with the pressures of the exam day. We strongly recommend that you attempt them under exam conditions. **Mock exams 1 and 2** reflect the question styles and syllabus coverage of the exam; **Mock exam 3** is the December 2011 paper.

Revising P4

Topics to revise

Any part of the syllabus could be tested in the compulsory Section A questions, therefore it is essential that you learn the **entire syllabus** to maximise your chances of passing. There are no short cuts – trying to spot topics is dangerous and will significantly reduce the likelihood of success.

As this is an advanced level paper, it **assumes knowledge** of the topics covered in Paper F9 – *Financial Management*, including the Capital Asset Pricing Model (CAPM), investment appraisal techniques (such as NPV and IRR), cost of capital and risk management. You should revise these topics if necessary as they have a significant impact on your understanding of the more advanced techniques.

It's also useful to keep reading the business pages during your revision period and not just narrowly focus on the syllabus. Remember that the examiner has stressed that this paper is about how organisations respond to real-world issues, so the more you read, the more practical examples you will have of how organisations have tackled real-life situations.

Question practice

You should use the Passcards and any brief notes you have to revise the syllabus, but you mustn't spend all your revision time passively reading. **Question practice is vital**; doing as many questions as you can in full will help develop your ability to analyse scenarios and produce relevant discussion and recommendations. The question plan on page xxiv tells you what questions cover so that you can choose questions covering a variety of syllabus areas.

Make sure you leave enough time in your revision schedule to practise the longer Section A questions, as such questions are compulsory in the exam. The scenarios and requirements of Section A questions are more complex and will integrate several parts of the syllabus, therefore practice is essential. Also ensure that you attempt all three mock exams under exam conditions.

Passing the P4 exam

Displaying the right qualities

The examiner will expect you to display the following qualities.

Qualities required	
Fulfilling the higher level question requirements	This means that when you are asked to show higher level skills such as assessment or evaluation , you will only score well if you demonstrate them. Merely describing something when you are asked to evaluate it will not earn you the marks you need.
Identifying the most important features of the organisation and its environment	You must use your technical knowledge and business awareness to identify the key features of the scenario.
Sorting the information in the scenario	You will get a lot of information, particularly in the Section A scenario, and will be expected to evaluate how useful it is and use it to support answers such as comparisons and discussions.
Selecting relevant real-life examples	You will gain credit for using good examples .
Arguing well	You may be expected to discuss both sides of a case, or present an argument in favour or against something. You will gain marks for the quality and logical flow of your arguments .
Making reasonable recommendations	The measures you recommend must be appropriate for the organisation; you may need to discuss their strengths and weaknesses, as there may be costs of adopting them. The recommendations should clearly state what has to be done.

Avoiding weaknesses

Our experience of, and examiner feedback from, other higher level exams enables us to predict a number of weaknesses that are likely to occur in many students' answers. You will enhance your chances significantly if you ensure you avoid these mistakes:

- **Failing to provide what the question verbs require** (discussion, evaluation, recommendation) or to write about the topics specified in the question requirements
- **Repeating the same material** in different parts of answers
- **Stating theories and concepts** rather than applying them
- **Quoting chunks of detail** from the question that don't add any value
- **Forcing irrelevancies into answers**, for example irrelevant definitions or theories, or examples that don't relate to the scenario
- **Giving long lists or writing down all that's known** about a broad subject area, and not caring whether it's relevant or not
- **Focusing too narrowly on one area** – for example only covering financial risks when other risks are also important
- **Letting your personal views prevent you from answering the question** – the question may require you to construct an argument with which you personally don't agree
- **Unrealistic or impractical recommendations**
- **Vague recommendations** - instead of just saying improve risk management procedures, you should discuss precisely **how** you would improve them
- **Failing to answer sufficient questions**, or all parts of a question, because of poor time management

Using the reading time

We recommend that you spend the first part of the 15 minutes reading time choosing the Section B questions you will do, on the basis of your knowledge of the syllabus areas being tested and whether you can fulfil all the question requirements. Remember that Section B questions can cover different parts of the syllabus, and you should be happy with all the areas that the questions you choose cover. We suggest that you should note on the paper any ideas that come to you about these questions.

However don't spend all the reading time going through and analysing the Section B question requirements in detail; leave that until the three hours' writing time. Instead you should be looking to spend as much of the reading time as possible looking at the Section A scenario, as this will be longer and more complex than the Section B scenarios and cover more of the syllabus. You should highlight and annotate the key points of the scenario on the question paper.

Choosing which questions to answer first

Spending most of your reading time on the compulsory Section A questions will mean that you can get underway with planning and writing your answer to the Section A questions as soon as the three hours start. It will give you more actual writing time during the one and a half hours you should allocate to it and it's writing time that you'll need. Comments from examiners of other syllabuses that have similar exam formats suggest that students appear less time-pressured if they do the big compulsory questions first.

During the second half of the exam, you can put Section A aside and concentrate on the two Section B questions you've chosen.

However our recommendations are not inflexible. If you really think the Section A questions looks a lot harder than the Section B questions you've chosen, then do those first, but **DON'T run over time on them**. You must leave yourself at least one hour and 50 minutes (a maximum of just over 2 hours if Section A is worth 70 marks) to tackle the Section A questions. When you come back to it, having had initial thoughts during the reading time, you should be able to generate more ideas and find the question is not as bad as it looks.

Tackling questions

Scenario questions

You'll improve your chances by following a step-by-step approach to Section A scenarios along the following lines.

Step 1 Read the background

Usually the first couple of paragraphs will give some background on the company and what it is aiming to achieve. By reading this carefully you will be better equipped to relate your answers to the company as much as possible.

Step 2 Read the requirements

There is no point reading the detailed information in the question until you know what it is going to be used for. Don't panic if some of the requirements look challenging – identify the elements you are able to do and look for links between requirements, as well as possible indications of the syllabus areas the question is covering.

Step 3 Highlight the action verbs that are used in each requirement

These convey the level of skill you need to exhibit and also the structure your answer should have. A lower level verb such as define will require a more descriptive answer; a higher level verb such as evaluate will require a more applied, critical answer. Approximately 75% of the syllabus will be tested at intellectual level 3 (synthesis), 20% at intellectual level 2 (application) and 5% at level one (knowledge). Action verbs that are likely to be frequently used in this exam are listed below, together with their intellectual levels and guidance on their meaning.

Intellectual level		
1	Identify/describe Calculate	State the meaning of Perform a specific mathematical technique
2	Discuss Analyse Evaluate	Examine in detail by argument Examine in detail the structure of... Use your judgement to assess the value of...
3	Advise Report Estimate	Use judgement to recommend a course of action Present/justify valid recommendations Make an approximate judgement or calculation

Step 4 Check the mark allocation to each part

This shows you the depth anticipated and helps allocate time.

Step 5 Read the question slowly, focusing on the initial requirements

Once you know what you are expected to do in the first requirement, read the question in detail, trying to focus on the information that will be needed for your first task.

Step 6 Read the scenario carefully

Put points under headings related to requirements (eg by noting in the margin to what part of the question the scenario detail relates).

Step 7 Consider the consequences of the points you've identified

You will often have to provide recommendations based on the information you've been given. Be prepared to criticize the code, framework or model that you've been told to use if required. You may have also to bring in wider issues or viewpoints, for example the views of different stakeholders.

Step 8 Write a brief plan

You may be able to do this on the question paper as often there will be at least one blank page in the question booklet. However any plan you make should be reproduced in the answer booklet when writing time begins. Make sure you identify all the requirements of the question in your plan – each requirement may have sub-requirements that must also be addressed. If there are professional marks available, highlight in your plan where these may be gained (such as preparing a report).

Step 9 Write the answer

Make every effort to present your answer clearly. The pilot paper and exam papers so far indicate that the examiner will be looking for you to make a number of clear points. The best way to demonstrate what you're doing is to put points into separate paragraphs with clear headers.

Discussion questions

Do not be tempted to write all you know about a particular topic in a discussion question. Markers can easily spot when a student is 'waffling' and you will receive little or no credit for this approach. Keep referring back to the question requirement to ensure you are not straying from the point.

To make it easier for the marker to determine the relevance of the points you are making, you could explain what you mean in one sentence and then why this point is relevant in another.

Remember that **depth of discussion** will be important. Always bear in mind how many marks are available for the discussion as this will give you an indication of the depth that is required. Ask yourself the following questions as you are tackling a discussion question:

- **Have I made a point in a coherent sentence?**
- **Have I explained the point** (to answer the 'so what' or 'why' queries)?
- **Have I related the point to the company in the scenario?**

Gaining the easy marks

Knowledge of the core topics that we list under topics to revise should present you with some easy marks. The pilot paper suggests that there will be some marks available on certain part questions for definitions, explanations or descriptions that don't have to be related to the scenario. However don't assume that you can ignore all the scenarios and still pass!

As P4 is a Professional level paper, 4 or 5 **professional level marks** will be awarded. Some of these should be easy to obtain. The examiner has stated that some marks may be available for presenting your answer in the form of a letter, presentation, memo, report or briefing notes. You may also be able to obtain marks for the style and layout of your answer.

Reports should always have an appropriate title. They should be **formally written**, with an **introductory paragraph** setting out the aims of the report. You should use **short paragraphs** and **appropriate headings**, with a summary of findings as a conclusion.

Memorandums should have the following information at the beginning:

Subject; name of recipient; name of author; date

The language can be **less formal** than a report but the content should still have an introduction and conclusion, and be divided into small paragraphs with appropriate headings.

Letters should be addressed appropriately to the correct person and be dated. They should have a short introductory paragraph, and conclusion and be formally written. Letters beginning with 'Dear Sir/Madam' should end with 'Yours faithfully'.

Exam formulae

Set out below are the **formulae you will be given in the exam**. If you are not sure what the symbols mean, or how the formulae are used, you should refer to the appropriate chapter in this Study Text.

Chapter in Study Text

Modigliani and Miller Proposition 2 (with tax)

$$k_e = k_e^i + (1 - T)(k_e^i - k_d) \frac{V_d}{V_e} \quad 7$$

Two asset portfolio

$$s_p = \sqrt{w_a^2 s_a^2 + w_b^2 s_b^2 + 2w_a w_b r_{ab} s_a s_b} \quad 2$$

The capital asset pricing model

$$E(r_i) = R_f + \beta_i(E(r_m) - R_f)$$

Revision section

The asset beta formula

$$\beta_a = \left[\frac{V_e}{(V_e + V_d(1 - T))} \right] \beta_e + \left[\frac{V_d(1 - T)}{(V_e + V_d(1 - T))} \right] \beta_d \quad \text{Revision section}$$

The growth model

$$P_0 = \frac{D_0(1 + g)}{(r_e - g)} \quad 12$$

Gordon's growth approximation

$$g = br_e \quad 5$$

The weighted average cost of capital

$$WACC = \left[\frac{V_e}{V_e + V_d} \right] k_e + \left[\frac{V_d}{V_e + V_d} \right] k_d(1 - T) \quad 7$$

The Fisher formula

$$(1 + i) = (1 + r)(1 + h) \quad 5$$

Purchasing power parity and interest rate parity

$$S_1 = S_0 \times \frac{(1 + h_c)}{(1 + h_b)} \quad 8$$

$$F_0 = S_0 \times \frac{(1 + i_c)}{(1 + i_b)} \quad 8$$