DO NOT OPEN THIS QUESTION PAPER UNTIL YOU ARE TOLD TO DO SO.

CIMA

Financial Pillar

F1 – Financial Operations

22 May 2014 – Thursday Morning Session

Instructions to candidates

You are allowed three hours to answer this question paper.
You are allowed 20 minutes reading time **before the examination begins** during which you should read the question paper and, if you wish, highlight and/or make notes on the question paper. However, you will **not** be allowed, **under any circumstances**, to open the answer book and start writing or use your calculator during this reading time.
You are strongly advised to carefully read ALL the question requirements before attempting the question concerned (that is all parts and/or sub-questions).
ALL answers must be written in the answer book. Answers written on the question paper will **not** be submitted for marking.
You should show all workings as marks are available for the method you use.
ALL QUESTIONS ARE COMPULSORY.
Section A comprises 10 sub-questions and is on pages 3 to 5.
Section B comprises 6 sub-questions and is on pages 6 to 9.
Section C comprises 2 questions and is on pages 12 to 15.
References to IFRS in this paper refer to International Financial Reporting Standards or International Accounting Standards as issued or adopted by the International Accounting Standards Board.
The country 'Tax Regime' for the paper is provided on page 2. Maths tables and formulae are provided on pages 17 and 18. The list of verbs as published in the syllabus is given for reference on page 19.
Write your candidate number, the paper number and examination subject title in the spaces provided on the front of the answer book. Also write your contact ID and name in the space provided in the right hand margin and seal to close.
Tick the appropriate boxes on the front of the answer book to indicate the questions you have answered.

F1 – Financial Operations

TURN OVER

COUNTRY X - TAX REGIME FOR USE THROUGHOUT THE EXAMINATION PAPER

Relevant Tax Rules for Years Ended 31 March 2007 to 2014

Corporate Profits

Unless otherwise specified, only the following rules for taxation of corporate profits will be relevant, other taxes can be ignored:

- Accounting rules on recognition and measurement are followed for tax purposes.
- All expenses other than depreciation, amortisation, entertaining, taxes paid to other public bodies and donations to political parties are tax deductible.
- Tax depreciation is deductible as follows:
  - 50% of additions to property, plant and equipment in the accounting period in which they are recorded;
  - 25% per year of the written-down value (i.e. cost minus previous allowances) in subsequent accounting periods except that in which the asset is disposed of;
  - No tax depreciation is allowed on land.
- The corporate tax on profits is at a rate of 25%.
- No indexation is allowable on the sale of land.
- Tax losses can be carried forward to offset against future taxable profits from the same business.

Value Added Tax

Country X has a VAT system which allows entities to reclaim input tax paid.
In country X the VAT rates are:

Zero rated	0%
Standard rated	15%
Exempt goods	0%

SECTION A – 20 MARKS

[You are advised to spend no longer than 36 minutes on this section]

ANSWER *ALL* TEN SUB-QUESTIONS IN THIS SECTION

Instructions for answering Section A:

The answers to the ten sub-questions in Section A should ALL be written in your answer book.

Your answers should be clearly numbered with the sub-question number and then ruled off, so that the markers know which sub-question you are answering. **For multiple choice questions, you need only write the sub-question number and the letter of the answer option you have chosen.** You do not need to start a new page for each sub-question.

Question One

1.1

Define the meaning of the term "an indirect tax".

(2 marks)

1.2

List TWO main sources of tax rules in a country.

(2 marks)

1.3

A withholding tax is:

A tax deducted at source before payment to a recipient in a foreign country.
B tax on profits that is then paid out net as a dividend to equity shareholders.
C tax paid to local tax authorities with an amount withheld from payment.
D tax withheld from employees' salaries with salaries paid to them net of tax.

(2 marks)

1.4

During the VAT period ended 31 March 2014, EDF raised sales invoices (including VAT at standard rate) totalling $74,750.
EDF incurred expenses during the period of $57,000, excluding VAT. All expenses incurred VAT at standard rate.

Calculate the VAT due for the period.

(2 marks)

TURN OVER

1.5

The tax rules of Country X allow an entity ceasing to trade to carry back terminal losses against the previous two years' profits.

CT ceased trading on 31 March 2014, having incurred a trading loss of $75,000 for the year ended 31 March 2014.

CT's profits for the previous 3 years were as follows:

Year to 31 March:	2011	2012	2013
Taxable trading profit	$95,000	$40,000	$25,000

Assuming that CT had paid all tax due up to 31 March 2013, **calculate** the tax refund that CT can claim for its terminal loss.

(2 marks)

1.6

(i) Power to arrest individuals.
(ii) Power of entry and search of premises.
(iii) Power to exchange information with other tax authorities.
(iv) Power to confiscate assets of the entity.

Which TWO of the above are statutory powers that a tax authority may be granted to ensure compliance with tax regulations?

A (i) and (iii)
B (i) and (iv)
C (ii) and (iii)
D (ii) and (iv)

(2 marks)

1.7

The IASB's *Conceptual Framework for Financial Reporting (2010)* (Framework) lists five elements of financial statements. Two of the elements are assets and liabilities, **list** the other three.

(2 marks)

1.8

An external audit of VH's financial statements has discovered that a customer who, at 31 March 2014, owed VH $250,000 was declared bankrupt on 8 April 2014. VH has not provided for the bad debt in its financial statements for the year ended 31 March 2014. This is regarded as material but not pervasive.

Assuming that the auditors find everything else satisfactory, which ONE of the following is the appropriate audit report for the auditors of VH to issue?

A The external audit report should be a modified report, with a qualified "except for" opinion.
B The external audit report should be an unmodified report with an emphasis of matter paragraph relating to the bad debt.
C The external audit report should be a modified report, with a disclaimer of opinion.
D The external audit report should be a modified report, with an adverse opinion.

(2 marks)

1.9

Under the current structure of regulatory bodies, which organisation is responsible for reviewing international reporting standards and issuing revised international reporting standards?

A IFRS Advisory Council
B IFRS Interpretations Committee
C International Accounting Standards Board
D IFRS Foundation

(2 marks)

1.10

Which of the following is the correct meaning of "rollover relief"?

A A trading loss can be carried forward and used to reduce tax in a future profitable year.
B A capital loss incurred on the disposal of an asset can be carried forward to a future tax year.
C An entity ceasing to trade, carrying back a trading loss to set off against previous years' profits.
D A gain arising from the sale of an asset is deferred provided the entity reinvests the proceeds of the sale in a replacement asset.

(2 marks)

(Total for Section A = 20 marks)

Reminder

All answers to Section A must be written in your answer book.

Answers or notes to Section A written on the question paper will **not** be submitted for marking.

End of Section A

Section B starts on the next page

TURN OVER

SECTION B – 30 MARKS

[You are advised to spend no longer than 9 minutes on each sub-question in this section.]

ANSWER *ALL* SIX SUB-QUESTIONS IN THIS SECTION – 5 MARKS EACH

Question Two

(a)

LKO is a listed entity with five geographic segments, and reports segmental information under

IFRS 8 *Operating Segments* in its financial statements.
Financial information is reported to LKO's chief operating decision maker on a geographical basis. Each geographical region has separate risk characteristics. The results for the year ended 31 March 2014 are as follows:

	Europe	North America	Middle East	Asia	Other	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Internal revenue	100	-	-	10	30	140
External revenue	90	530	340	720	90	1,770
Total revenue	190	530	340	730	120	1,910
Segment profits	14	18	7	119	34	192
Segment assets	210	330	230	1,040	590	2,400

Required:

Explain with reasons which of LKO's geographical segments will be classified as reportable operating segments according to IFRS 8 *Operating Segments.*

(Total for sub-question (a) = 5 marks)

(b)

On 1 April 2013 IUJ acquired 100% of the equity shares of A and B as follows:

	A	B
	$000	$000
Cost of acquisition	850	610
Fair value of net assets at date of acquisition	750	500

At 31 March 2014 IUJ carried out an impairment review of the goodwill arising on both acquisitions. At 31 March 2014:

- the goodwill in A was NOT impaired but had actually increased in value by $40,000.
- the goodwill in B had been impaired by $20,000.

Required:

(i) **Explain** how IUJ should account for the changes in goodwill values at 31 March 2014 and

(ii) **Calculate** the goodwill that will be included in its statement of financial position at 31 March 2014.

(Total for sub-question (b) = 5 marks)

(c)

UY prepares its financial statements to 31 March each year. UY discontinued production of one of its products on 31 October 2013 and declared the factory producing those products surplus to its requirements. UY agreed the sale of the factory completing all legal requirements of the sale by 1 March 2014. The final payment for the sale was received on 15 April 2014. UY made a substantial loss on the sale.

The chairman of UY's management board does not want the loss to be recognised in the period ended 31 March 2014. The Chairman has instructed UY's Finance Director (a CIMA qualified accountant) to treat the factory as unsold at 31 March 2014 as all the cash was not received until 15 April 2014.

Required:

Explain the ethical issues that the Finance Director may face as a result of the Chairman's instruction.

(Total for sub-question (c) = 5 marks)

Section B continues on the next page

TURN OVER

(d)

The International Accounting Standards Board's (IASB) *Conceptual Framework for Financial Reporting (2010)* (Framework) identifies two fundamental qualitative characteristics and four enhancing qualitative characteristics of financial statements.

Required:

Explain the two fundamental qualitative characteristics of financial statements as identified in the IASB's Framework.

(Total for sub-question (d) = 5 marks)

Information for questions 2e and 2f.

DTX is resident in Country X for tax purposes. DTX purchased machinery costing $776,000 on 1 April 2012, which qualified for tax depreciation allowances.

On 1 April 2013 the machinery was damaged and $119,000 was written off its carrying value.

DTX charges depreciation on a straight line basis over 8 years, with no residual value.

DTX had profits of $341,000 for the year ended 31 March 2013 and $416,000 for the year ended 31 March 2014. These profits are after charging depreciation and before adjusting for tax allowances.

(e)

Required:

Calculate DTX's corporate income tax due for the years ended 31 March 2013 and 31 March 2014.

(Total for sub-question (e) = 5 marks)

(f)

Required:

(i) **Calculate** the amount of income taxes charged to DTX's statement of profit or loss for the years ended 31 March 2013 and 31 March 2014.

(ii) **Calculate** the deferred tax balance that will appear in DTX's statement of financial position at 31 March 2013 and 31 March 2014.

(Total for sub-question (f) = 5 marks)

(Total for Section B = 30 marks)

End of Section B

Section C starts on page 12

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TURN OVER

SECTION C – 50 MARKS

[You are advised to spend no longer than 45 minutes on each question in this section.]

ANSWER *BOTH* QUESTIONS FROM THIS SECTION – 25 MARKS EACH

Question Three

The trial balance for XCB at 31 March 2014 was as follows:

	Notes	*$000*	*$000*
7% Loan notes	(xi)		1,012
Administrative expenses		1,112	
Cash & cash equivalents		1,217	
Purchases		6,526	
Distribution costs		629	
Dividends paid	(iv)	105	
Equity shares $1 each, fully paid at 31 March 2014	(ix)		1,500
Interest paid	(xi)	35	
Inventory at 31 March 2013	(iii)	337	
Operating licence	(viii)	400	
Operating licence amortisation at 31 March 2013	(viii)		64
Patent	(vii)	80	
Patent amortisation at 31 March 2013	(vii)		24
Plant & Equipment		2,105	
Property rentals paid		72	
Provision for legal claim	(x)		17
Accumulated depreciation at 31 March 2013:	(i)		
Plant & Equipment			737
Vehicles			116
Allowance for doubtful trade receivables	(v)		42
Restructuring costs	(vi)	90	
Retained earnings at 31 March 2013			938
Sales revenue	(xii)		8,356
Share premium at 31 March 2014	(ix)		285
Trade payables			564
Trade receivables		689	
Vehicles		258	
		13,655	13,655

Notes:

(i) Non-current assets are depreciated as follows:

Plant & equipment: 20% per annum straight line

Vehicles: 25% per annum reducing balance

Depreciation of plant and equipment is charged to cost of sales, and depreciation of vehicles is a distribution cost.

XCB's accounting policy for amortisation and depreciation is to charge a full year in the year of acquisition and none in the year of disposal.

(ii) Tax due for the year to 31 March 2014 is estimated at $10,000.

(iii) The closing inventory at 31 March 2014 was $438,000.

(iv) An interim dividend was paid in February 2014; no final dividend is proposed.

(v) The allowance for doubtful trade receivables is to be increased to 10% of closing trade receivables.

(vi) The restructuring costs in the trial balance represent the cost of the final phase of a fundamental restructuring of the entity.

(vii) On 1 April 2010 XCB purchased a patent for a secret recipe and manufacturing process for one of its products. Due to recent economic difficulties in the market, XCB has carried out an impairment review of its patent. At 31 March 2014 the patent was found to have the following values:

- Value in use $42,000
- Fair value less cost to sell $36,000

The patent is being amortised over 10 years.

(viii) XCB paid for a 25 year licence to operate using a well respected and highly advertised international business name. The licence cost XCB $400,000 on 1 April 2009.

(ix) On 1 October 2013, XCB issued 500,000 equity shares at $1·50 each. All proceeds had been received and correctly accounted for by the year end.

(x) At 31 March 2013 XCB had an outstanding legal claim alleging that XCB's product had caused injury to a customer. At 31 March 2013 XCB was advised that it would probably lose the case. A provision of $17,000 was set up at 31 March 2013. During 2014 new evidence was discovered and the case against XCB was dropped. As there is no liability the directors have decided that the provision is no longer required.

(xi) The loan notes are 10-year loans that were raised on 1 April 2013. XCB incurred no other interest charges in the year to 31 March 2014.

(xii) The sales revenue for the year to 31 March 2014 includes $20,000 received from a new customer. The $20,000 was a 10% deposit for an order of $200,000 worth of goods. XCB is still waiting for the results of the new customer's credit reference and at 31 March 2014 had not despatched any goods.

Required:

Prepare the statement of profit or loss and a statement of changes in equity for XCB for the year ended 31 March 2014 and a statement of financial position at that date, in accordance with the requirements of International Financial Reporting Standards.

Notes to the financial statements are not required, but all workings must be clearly shown. Do not prepare a statement of accounting policies.

(Total for Question Three = 25 marks)

TURN OVER

Question Four

WZQ's financial statements for 2013/2014 include the following:

WZQ Statement of profit or loss and other comprehensive income for the year ended 31 March 2014

	Note	$000
Revenue		58,292
Cost of sales		(27,605)
Gross Profit		30,687
Administrative expenses		(7,246)
Distribution costs		(2,410)
Profit from operations		21,031
Finance cost		(2,461)
Profit before tax		18,570
Income tax expense		(1,646)
Profit for the period		16,924
Other comprehensive income – items that will not be reclassified subsequently to profit or loss		
Revaluation gain on properties	(ii)	3,750
		20,674

WZQ Statements of financial position at 31 March

		2014		2013	
	Note	$000	$000	$000	$000
Non-current assets					
Property, plant and equipment	(i);(ii);(iii)&(iv)	104,450		88,680	
Deferred development expenditure	(v)	2,150	106,600	2,548	91,228
Current assets					
Inventories		4,664		3,780	
Trade receivables		2,901		5,046	
Investments	(vi)	0		350	
Cash in hand and at bank		237	7,802	712	9,888
Total Assets			114,402		101,116
Equity and liabilities					
Equity					
Equity shares	(vii)	27,350		18,350	
Share premium		10,835		1,835	
Revaluation reserve		3,750		0	
Retained earnings	(ix)	39,119		24,732	
Total equity			81,054		44,917
Non-current liabilities					
Long term loans	(x)	26,350		49,250	
Deferred tax		1,258		890	
Finance lease payable	(iv)	1,491	29,099	438	50,578
Current liabilities	(viii)		4,249		5,621
Total equity and liabilities			114,402		101,116

Notes:

(i) Property, plant and equipment are comprised of:

	2014	2013
	$000	$000
Property	62,120	52,000
Plant and equipment	42,330	36,680

Plant and equipment with a carrying value of $196,000 was sold during the year for $365,000. Any gain/loss on disposal is included in profit or loss.

(ii) Properties were revalued on 31 March 2014.

(iii) Depreciation charged during the year to 31 March 2014 was $1,040,000 for property and $4,115,000 for plant and equipment.

(iv) WZQ acquired new plant and equipment on a finance lease on 1 April 2013, debiting $1,500,000 to plant and equipment at that date. The total interest on finance leases for the year was $143,000.

(v) Deferred development expenditure at 31 March 2013 comprised two projects as follows:
Project A $2,260,000 – completed. Amortisation commenced on 1 April 2013 at 10% per year.
Project B $288,000 – on 1 April 2013, WZQ decided to discontinue project B.

During the year ended 31 March 2014, WZQ capitalised expenditure on a new project, Project C.

(vi) The current asset investment, disposed of during the year, was a 30 day government bond.

(vii) WZQ issued 9,000,000 $1 equity shares at a premium of $1 on 31 December 2013.

(viii) Current liabilities:

	2014	2013
	$000	$000
Trade payables	1,250	1,850
Loan interest payable	1,166	2,024
Tax payable	1,490	1,620
Finance lease payable	343	127
Total current liabilities	4,249	5,621

(ix) A final dividend for the year ended 31 March 2013 was paid during the year ended 31 March 2014.

(x) WZQ repaid $25,000,000 of its long term loans during the year.

Required:

Prepare WZQ's statement of cash flows, using the indirect method, for the year ended 31 March 2014 in accordance with IAS 7 *Statement of Cash Flows*.

Notes to the financial statements are not required, but all workings must be clearly shown.

(Total for Question Four = 25 marks)

(Total for Section C = 50 marks)

End of Question Paper

Maths Tables and Formulae are on Pages 17 and 18

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MATHS TABLES AND FORMULAE

Present value table

Present value of $1, that is $(1 + r)^{-n}$ where r = interest rate; n = number of periods until payment or receipt.

Periods (n)	Interest rates (r)									
	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%
1	0.990	0.980	0.971	0.962	0.952	0.943	0.935	0.926	0.917	0.909
2	0.980	0.961	0.943	0.925	0.907	0.890	0.873	0.857	0.842	0.826
3	0.971	0.942	0.915	0.889	0.864	0.840	0.816	0.794	0.772	0.751
4	0.961	0.924	0.888	0.855	0.823	0.792	0.763	0.735	0.708	0.683
5	0.951	0.906	0.863	0.822	0.784	0.747	0.713	0.681	0.650	0.621
6	0.942	0.888	0.837	0.790	0.746	0.705	0.666	0.630	0.596	0.564
7	0.933	0.871	0.813	0.760	0.711	0.665	0.623	0.583	0.547	0.513
8	0.923	0.853	0.789	0.731	0.677	0.627	0.582	0.540	0.502	0.467
9	0.914	0.837	0.766	0.703	0.645	0.592	0.544	0.500	0.460	0.424
10	0.905	0.820	0.744	0.676	0.614	0.558	0.508	0.463	0.422	0.386
11	0.896	0.804	0.722	0.650	0.585	0.527	0.475	0.429	0.388	0.350
12	0.887	0.788	0.701	0.625	0.557	0.497	0.444	0.397	0.356	0.319
13	0.879	0.773	0.681	0.601	0.530	0.469	0.415	0.368	0.326	0.290
14	0.870	0.758	0.661	0.577	0.505	0.442	0.388	0.340	0.299	0.263
15	0.861	0.743	0.642	0.555	0.481	0.417	0.362	0.315	0.275	0.239
16	0.853	0.728	0.623	0.534	0.458	0.394	0.339	0.292	0.252	0.218
17	0.844	0.714	0.605	0.513	0.436	0.371	0.317	0.270	0.231	0.198
18	0.836	0.700	0.587	0.494	0.416	0.350	0.296	0.250	0.212	0.180
19	0.828	0.686	0.570	0.475	0.396	0.331	0.277	0.232	0.194	0.164
20	0.820	0.673	0.554	0.456	0.377	0.312	0.258	0.215	0.178	0.149

Periods (n)	Interest rates (r)									
	11%	12%	13%	14%	15%	16%	17%	18%	19%	20%
1	0.901	0.893	0.885	0.877	0.870	0.862	0.855	0.847	0.840	0.833
2	0.812	0.797	0.783	0.769	0.756	0.743	0.731	0.718	0.706	0.694
3	0.731	0.712	0.693	0.675	0.658	0.641	0.624	0.609	0.593	0.579
4	0.659	0.636	0.613	0.592	0.572	0.552	0.534	0.516	0.499	0.482
5	0.593	0.567	0.543	0.519	0.497	0.476	0.456	0.437	0.419	0.402
6	0.535	0.507	0.480	0.456	0.432	0.410	0.390	0.370	0.352	0.335
7	0.482	0.452	0.425	0.400	0.376	0.354	0.333	0.314	0.296	0.279
8	0.434	0.404	0.376	0.351	0.327	0.305	0.285	0.266	0.249	0.233
9	0.391	0.361	0.333	0.308	0.284	0.263	0.243	0.225	0.209	0.194
10	0.352	0.322	0.295	0.270	0.247	0.227	0.208	0.191	0.176	0.162
11	0.317	0.287	0.261	0.237	0.215	0.195	0.178	0.162	0.148	0.135
12	0.286	0.257	0.231	0.208	0.187	0.168	0.152	0.137	0.124	0.112
13	0.258	0.229	0.204	0.182	0.163	0.145	0.130	0.116	0.104	0.093
14	0.232	0.205	0.181	0.160	0.141	0.125	0.111	0.099	0.088	0.078
15	0.209	0.183	0.160	0.140	0.123	0.108	0.095	0.084	0.079	0.065
16	0.188	0.163	0.141	0.123	0.107	0.093	0.081	0.071	0.062	0.054
17	0.170	0.146	0.125	0.108	0.093	0.080	0.069	0.060	0.052	0.045
18	0.153	0.130	0.111	0.095	0.081	0.069	0.059	0.051	0.044	0.038
19	0.138	0.116	0.098	0.083	0.070	0.060	0.051	0.043	0.037	0.031
20	0.124	0.104	0.087	0.073	0.061	0.051	0.043	0.037	0.031	0.026

Cumulative present value of $1 per annum, Receivable or Payable at the end of each year for *n* years

$\frac{1-(1+r)^{-n}}{r}$

Periods (*n*)	Interest rates (*r*)									
	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%
1	0.990	0.980	0.971	0.962	0.952	0.943	0.935	0.926	0.917	0.909
2	1.970	1.942	1.913	1.886	1.859	1.833	1.808	1.783	1.759	1.736
3	2.941	2.884	2.829	2.775	2.723	2.673	2.624	2.577	2.531	2.487
4	3.902	3.808	3.717	3.630	3.546	3.465	3.387	3.312	3.240	3.170
5	4.853	4.713	4.580	4.452	4.329	4.212	4.100	3.993	3.890	3.791
6	5.795	5.601	5.417	5.242	5.076	4.917	4.767	4.623	4.486	4.355
7	6.728	6.472	6.230	6.002	5.786	5.582	5.389	5.206	5.033	4.868
8	7.652	7.325	7.020	6.733	6.463	6.210	5.971	5.747	5.535	5.335
9	8.566	8.162	7.786	7.435	7.108	6.802	6.515	6.247	5.995	5.759
10	9.471	8.983	8.530	8.111	7.722	7.360	7.024	6.710	6.418	6.145
11	10.368	9.787	9.253	8.760	8.306	7.887	7.499	7.139	6.805	6.495
12	11.255	10.575	9.954	9.385	8.863	8.384	7.943	7.536	7.161	6.814
13	12.134	11.348	10.635	9.986	9.394	8.853	8.358	7.904	7.487	7.103
14	13.004	12.106	11.296	10.563	9.899	9.295	8.745	8.244	7.786	7.367
15	13.865	12.849	11.938	11.118	10.380	9.712	9.108	8.559	8.061	7.606
16	14.718	13.578	12.561	11.652	10.838	10.106	9.447	8.851	8.313	7.824
17	15.562	14.292	13.166	12.166	11.274	10.477	9.763	9.122	8.544	8.022
18	16.398	14.992	13.754	12.659	11.690	10.828	10.059	9.372	8.756	8.201
19	17.226	15.679	14.324	13.134	12.085	11.158	10.336	9.604	8.950	8.365
20	18.046	16.351	14.878	13.590	12.462	11.470	10.594	9.818	9.129	8.514

Periods (*n*)	Interest rates (*r*)									
	11%	12%	13%	14%	15%	16%	17%	18%	19%	20%
1	0.901	0.893	0.885	0.877	0.870	0.862	0.855	0.847	0.840	0.833
2	1.713	1.690	1.668	1.647	1.626	1.605	1.585	1.566	1.547	1.528
3	2.444	2.402	2.361	2.322	2.283	2.246	2.210	2.174	2.140	2.106
4	3.102	3.037	2.974	2.914	2.855	2.798	2.743	2.690	2.639	2.589
5	3.696	3.605	3.517	3.433	3.352	3.274	3.199	3.127	3.058	2.991
6	4.231	4.111	3.998	3.889	3.784	3.685	3.589	3.498	3.410	3.326
7	4.712	4.564	4.423	4.288	4.160	4.039	3.922	3.812	3.706	3.605
8	5.146	4.968	4.799	4.639	4.487	4.344	4.207	4.078	3.954	3.837
9	5.537	5.328	5.132	4.946	4.772	4.607	4.451	4.303	4.163	4.031
10	5.889	5.650	5.426	5.216	5.019	4.833	4.659	4.494	4.339	4.192
11	6.207	5.938	5.687	5.453	5.234	5.029	4.836	4.656	4.486	4.327
12	6.492	6.194	5.918	5.660	5.421	5.197	4.988	4.793	4.611	4.439
13	6.750	6.424	6.122	5.842	5.583	5.342	5.118	4.910	4.715	4.533
14	6.982	6.628	6.302	6.002	5.724	5.468	5.229	5.008	4.802	4.611
15	7.191	6.811	6.462	6.142	5.847	5.575	5.324	5.092	4.876	4.675
16	7.379	6.974	6.604	6.265	5.954	5.668	5.405	5.162	4.938	4.730
17	7.549	7.120	6.729	6.373	6.047	5.749	5.475	5.222	4.990	4.775
18	7.702	7.250	6.840	6.467	6.128	5.818	5.534	5.273	5.033	4.812
19	7.839	7.366	6.938	6.550	6.198	5.877	5.584	5.316	5.070	4.843
20	7.963	7.469	7.025	6.623	6.259	5.929	5.628	5.353	5.101	4.870

FORMULAE

Annuity

Present value of an annuity of $1 per annum, receivable or payable for *n* years, commencing in one year, discounted at *r*% per annum:

$$PV = \frac{1}{r}\left[1 - \frac{1}{[1+r]^n}\right]$$

Perpetuity

Present value of $1 per annum, payable or receivable in perpetuity, commencing in one year, discounted at *r*% per annum: $PV = \frac{1}{r}$

LIST OF VERBS USED IN THE QUESTION REQUIREMENTS

A list of the learning objectives and verbs that appear in the syllabus and in the question requirements for each question in this paper.

It is important that you answer the question according to the definition of the verb.

LEARNING OBJECTIVE	VERBS USED	DEFINITION
Level 1 - KNOWLEDGE		
What you are expected to know.	List	Make a list of
	State	Express, fully or clearly, the details/facts of
	Define	Give the exact meaning of
Level 2 - COMPREHENSION		
What you are expected to understand.	Describe	Communicate the key features
	Distinguish	Highlight the differences between
	Explain	Make clear or intelligible/State the meaning or purpose of
	Identify	Recognise, establish or select after consideration
	Illustrate	Use an example to describe or explain something
Level 3 - APPLICATION		
How you are expected to apply your knowledge.	Apply	Put to practical use
	Calculate	Ascertain or reckon mathematically
	Demonstrate	Prove with certainty or to exhibit by practical means
	Prepare	Make or get ready for use
	Reconcile	Make or prove consistent/compatible
	Solve	Find an answer to
	Tabulate	Arrange in a table
Level 4 - ANALYSIS		
How are you expected to analyse the detail of what you have learned.	Analyse	Examine in detail the structure of
	Categorise	Place into a defined class or division
	Compare and contrast	Show the similarities and/or differences between
	Construct	Build up or compile
	Discuss	Examine in detail by argument
	Interpret	Translate into intelligible or familiar terms
	Prioritise	Place in order of priority or sequence for action
	Produce	Create or bring into existence
Level 5 - EVALUATION		
How are you expected to use your learning to evaluate, make decisions or recommendations.	Advise	Counsel, inform or notify
	Evaluate	Appraise or assess the value of
	Recommend	Advise on a course of action

Financial Pillar

Operational Level Paper

F1 – Financial Operations

May 2014

Thursday Morning Session