

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



Financial Pillar

## F1 – Financial Operations

20 November 2014 – Thursday Morning Session

### ***Instructions to candidates***

You are allowed three hours to answer this question paper.
You are allowed 20 minutes reading time <b>before the examination begins</b> during which you should read the question paper and, if you wish, highlight and/or make notes on the question paper. However, you will <b>not</b> be allowed, <b>under any circumstances</b> , 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 <b>not</b> 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 8.
Section C comprises 2 questions and is on pages 10 to 13.
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 2015**

#### **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

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### *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 The effective incidence of a tax is:

- A the date the tax is actually paid.
- B the person or entity that finally bears the cost of the tax.
- C the date the tax assessment is issued.
- D the person or entity paying the tax authority.

(2 marks)

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1.2 BH purchased 250 items of a product from a foreign entity and imported them into Country X. On import, the products were subject to an excise duty of \$8 per item and standard rate VAT on cost, including the excise duty.

BH purchased the items for \$45 each and after importing them sold all of the items for \$65 each plus VAT at standard rate.

How much is due to be paid by BH to the tax authorities in total for these transactions?

- A \$450
- B \$2,450
- C \$2,750
- D \$3,988

(2 marks)

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1.3 Define the term “tax evasion”.

(2 marks)

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TURN OVER

**1.4 List TWO of the three main tax bases used in developed countries.**

**(2 marks)**

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**1.5** Tax authorities are generally given powers to ensure the right amount of tax is paid when due. Which ONE of the following powers is a tax authority **least likely** to have granted to it?

- A** Power to examine records of previous periods
- B** Power of entry and search
- C** Power of arrest
- D** Power to give information to other countries' tax authorities

**(2 marks)**

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**1.6** Which ONE of the following best describes a role of the IFRS Foundation?

- A** Prepares and publishes exposure drafts
- B** Provides the IASB with views of its members relating to current discussion documents
- C** Promotes the IASB, its work and the use of IFRS
- D** Clarifies issues where conflicting interpretations have developed

**(2 marks)**

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**1.7** At its financial year end HX has an outstanding legal action against it by a large multinational entity. It is highly probable that the legal action will be successful and HX will have to pay substantial damages. HX has refused to provide for these damages. In the opinion of the auditor, failure to make this provision means that the financial statements are seriously misleading.

What type of audit report will be issued in this situation?

- A** A modified report with an adverse opinion
- B** An unmodified report with an emphasis of matter paragraph
- C** A modified report with a disclaimer of opinion
- D** A modified report with a qualified opinion

**(2 marks)**

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- 1.8 According to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which ONE of the following is a change in accounting policy?
- A The depreciation method of vehicles being changed from straight line to reducing balance.
  - B The provision for warranty claims being recalculated using a different method.
  - C Recognising a provision for a legal claim which had been disclosed as a contingent liability in the previous year's financial statements.
  - D Presenting depreciation in cost of sales which had previously been presented in administrative expenses.
- (2 marks)
- 

1.9

PH purchased 100,000 of its own \$1 equity shares on the stock market for \$105,000. PH classified the shares as "treasury shares". PH still held the treasury shares at the year end.

How should PH present the treasury shares according to IAS 32 *Financial Instruments, Presentation*?

- A As a non-current asset investment \$100,000
  - B As a non-current asset investment \$105,000
  - C As a deduction from equity \$100,000
  - D As a deduction from equity \$105,000
- (2 marks)
- 

- 1.10 Which ONE of the following would **NOT** automatically be regarded as a related party of WQ by IAS 24 *Related Party Disclosures*?
- A QZ, a subsidiary of WQ, that does not trade with WQ
  - B A close relative of a director of WQ
  - C ABC, WQ's main banker
  - D WQ's employee pension fund
- (2 marks)
- 

(Total for Section A = 20 marks)

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*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*

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

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### Question Two

(a)

ALZ had the following balances on its non-current asset accounts at:

	31 March 2014	31 March 2013
	\$000	\$000
Tangible assets:		
Property, plant and equipment	27,660	28,000
Intangible assets:		
Deferred development expenditure	370	290

ALZ recorded the following movements of its non-current assets for the year to 31 March 2014:

Property, plant and equipment was revalued upwards by \$3,000,000.

Property, plant and equipment disposed of during the year had a carrying value of \$95,000 and incurred a loss on disposal of \$23,000.

Property, plant and equipment depreciation charged to profit or loss during the year was \$4,055,000.

Deferred development expenditure amortised during the year was \$73,000

*Required:*

**Prepare** the “cash flows from investing activities” section of ALZ’s statement of cash flows for the year ended 31 March 2014.

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

(b)

CXV was incorporated in Country Y many years ago. It has reduced its operations in Country Y but still has its registered office in Country Y and carries out a small proportion (less than 15%) of its trade there.

CXV buys most of its products and raw materials from Country Z and also generates 75% of its revenue in Country Z.

The remaining 10% of revenue is generated in Country X. All CXV's senior management live in Country X and hold all the management board meetings there.

*Required:*

**Explain**, for corporate income tax purposes:

- (i) why it is important to determine corporate residence.

*(2 marks)*

- (ii) the country of residence of CXV.

*(3 marks)*

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

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(c)

An ethical dilemma exists when one or more of the five fundamental principles that form the basis of the CIMA code of ethics are threatened.

*Required:*

- (i) **Describe** two of the five fundamental principles of ethical behaviour contained in the code.

*(2 marks)*

- (ii) **Explain** how an accountant should resolve an ethical dilemma.

*(3 marks)*

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

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(d)

*Required:*

**Explain** the four enhancing qualitative characteristics of financial information identified in the IASB's *Conceptual Framework for Financial Reporting* (2010).

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

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(e)

YT commenced business in Country X on 1 October 2012 and, on that date, it acquired property, plant and equipment for \$440,000. YT uses the straight line method of depreciation. The estimated useful life of the assets was five years with no residual value. YT's accounting year end is 30 September.

All the assets acquired qualified for a first year tax allowance and then an annual tax allowance.

On 1 October 2013, YT revalued all of its property, plant and equipment. This revaluation resulted in an increase in asset values of \$100,000.

*Required:*

- (i) **Explain** why YT's revaluation of its assets would cause a temporary difference as defined by IAS 12 *Income Taxes*. (2 marks)

- (ii) **Calculate** the amount of the deferred tax provision that YT should include in its statement of financial position as at 30 September 2014, in accordance with IAS 12 *Income Taxes*. (3 marks)

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

(f)

MX is resident in Country X for tax purposes.

Part of MX's plant and equipment was purchased on 1 October 2012 at a cost of \$112,000 and the remainder was purchased on 1 October 2013 at a cost of \$188,000. MX depreciates all its plant and equipment on the straight line basis at 20% per annum.

For the year ended 30 September 2014 MX's profit before tax was \$291,100. MX's expenses included entertaining \$22,120; staff travel and subsistence \$41,300 and donations to political parties of \$9,440.

*Required:*

**Calculate** the tax payable by MX for the year ended 30 September 2014.

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

*(Total for Section B = 30 marks)*

*End of Section B. Section C starts on page 10*



*Turn over for Section C*

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

TYV is a manufacturing entity and produces a range of products in several factories.

TYV's trial balance at 30 September 2014 is shown below:

	Notes	\$000	\$000
Accumulated depreciation at 30 September 2013:			
Buildings	(i)		1,700
Plant and equipment	(iv)		4,510
Administrative expenses		1,820	
Cash and cash equivalents		272	
Cost of sales		10,200	
Distribution costs		1,110	
Equity dividend paid		350	
Equity shares \$1 each, fully paid at 30 September 2014			6,000
Finance charges for new factory building		113	
Income tax	(v)	80	
Inventory at 30 September 2014		575	
Land and buildings at cost at 30 September 2013	(ii)&(iii)	17,386	
Long term borrowings	(vi)		5,000
Long term borrowings loan interest	(vi)	233	
New factory building cost		1,014	
Plant and equipment at cost at 30 September 2013	(iv)	7,750	
Provision for deferred tax at 30 September 2013	(v)		625
Receipt from disposal of plant and equipment	(iv)		7
Retained earnings at 30 September 2013			491
Sales revenue			19,460
Share premium at 30 September 2014			850
Short term loan	(iii)		1,500
Suspense account	(ii)		1,130
Trade payables			1,880
Trade receivables		2,250	
		<u>43,153</u>	<u>43,153</u>

#### Notes:

- (i) On 1 October 2013 two of TYV's factories, factory A and factory B, were deemed obsolete and no longer suitable for TYV's use. On 1 June 2014 both factories were closed and production moved to a new facility. TYV disposed of factory B with all legal formalities completed and cash received on 31 August 2014. Factory A was not sold by the financial year end, however at 30 September 2014 negotiations for the sale of factory A were well advanced and TYV's management expected to conclude the sale by 31 December 2014. The cost and accumulated depreciation included in land and buildings along with the fair value of each factory is shown below:

Factory	Cost		Depreciation at 30 September 2013	Fair value less cost of disposal at 30 Sept. 2014
	Land	Buildings		
A	\$1,375,000	\$455,000	\$364,000	\$1,420,000
B	\$1,120,000	\$325,000	\$286,000	\$1,130,000

- (ii) The suspense account is the cash received from the disposal of factory B. The only entries made in the ledgers for this item was in cash and cash equivalents and suspense account.
- (iii) The cost of land included in land and buildings was \$11,000,000 on 1 October 2013. TYV built the new factory on land it already owned, commencing on 1 October 2013 and completing it on 30 June 2014. To fund the project TYV raised a short term loan on 1 October 2013, repayable on 30 September 2015.
- (iv) Plant and equipment in factories A and B was relocated to the new factory, except for plant and equipment with a carrying value of \$55,000 (cost \$175,000) that was sold as scrap, realising \$7,000. Buildings are depreciated at 2% per annum on the straight line basis. Buildings depreciation is treated as an administrative expense. Plant and equipment is depreciated at 25% per annum using the reducing balance method and is charged to cost of sales. TYV's accounting policy for depreciation is to charge a full year in the year of acquisition and none in the year of disposal.
- (v) The director estimate the income tax charge on the year's profits at \$940,000. The balance on the income tax account represents the under-provision for the previous year's tax charge. The deferred tax provision is to be reduced by \$49,000.
- (vi) The long term borrowings consist of one loan issued in 2000 for 20 years at 7% interest per year. Interest is paid half yearly on 1 June and 1 December.

**Required:**

**Prepare** TYV's statement of profit or loss and a statement of changes in equity for the year ended 30 September 2014 and a statement of financial position at that date, in accordance with the requirements of international financial reporting standards.  
(All workings should be to the nearest \$000).

*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)**

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*Section C continues on page 12*

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## Question Four

The draft statements of financial position at 30 September 2014 and statements of profit or loss for the year ended 30 September 2014 for three entities, HC, SU and AS are given below:

### Statements of Financial Position as at 30 September 2014:

	Notes	HC \$000	SU \$000	AS \$000
<b>Non-current Assets</b>				
Property, plant and equipment		2,192	920	684
Investments:	(i)			
Loan to SU	(iii)	250	0	0
Investment in AS	(ii)	<u>384</u>	<u>0</u>	<u>0</u>
		<u>2,826</u>	<u>920</u>	<u>684</u>
<b>Current Assets</b>				
Inventory	(iv)	1,810	782	52
Trade and other receivables		2,292	686	57
Cash and cash equivalents	(iv)	<u>113</u>	<u>70</u>	<u>19</u>
		<u>4,215</u>	<u>1,538</u>	<u>128</u>
<b>Total Assets</b>		<u>7,041</u>	<u>2,458</u>	<u>812</u>
<b>Equity and Liabilities</b>				
<b>Equity</b>				
Equity shares of \$1 each		5,520	720	320
Retained earnings		<u>796</u>	<u>457</u>	<u>229</u>
		<u>6,316</u>	<u>1,177</u>	<u>549</u>
<b>Non-current liabilities</b>				
Long term loans	(iii)	<u>0</u>	<u>650</u>	<u>0</u>
<b>Current liabilities</b>				
Payables and accruals		<u>725</u>	<u>631</u>	<u>263</u>
<b>Total Equity and Liabilities</b>		<u>7,041</u>	<u>2,458</u>	<u>812</u>

### Statements of profit or loss for the year ended 30 September 2014

	HC \$000	SU \$000	AS \$000
Revenue	1,925	480	285
Cost of sales	<u>(925)</u>	<u>(230)</u>	<u>(119)</u>
Gross profit	1,000	250	166
Expenses	<u>(240)</u>	<u>(54)</u>	<u>(42)</u>
	760	196	124
Interest received	25	0	0
Finance cost	<u>(27)</u>	<u>(45)</u>	<u>0</u>
	758	151	124
Income tax expense	<u>(147)</u>	<u>(38)</u>	<u>(27)</u>
Profit for the year	<u>611</u>	<u>113</u>	<u>97</u>

**Notes:**

- (i) HC acquired all of SU's equity shares on 1 October 2013 by issuing 600,000 new HC shares. The agreed purchase consideration was \$1,356,000, however HC has not yet recorded the acquisition in its accounting records. SU's retained earnings were \$319,000 on 1 October 2013. The fair value of SU's property, plant and equipment on 1 October 2013 exceeded its carrying value by \$231,000. The excess of fair value over carrying value was attributed to buildings owned by SU. At the date of acquisition these buildings had a remaining useful life of 21 years. HC's accounting policy is to depreciate buildings using the straight line basis with no residual value. HC carried out an impairment review of goodwill arising on acquisition of SU and found that as at 30 September 2014 the goodwill had been impaired by 15%.
- (ii) HC purchased 96,000 \$1 equity shares in AS on 1 October 2013 for \$384,000 when AS's retained earnings were \$132,000. The fair value of AS's net assets was the same as its carrying value at that date. HC exercises significant influence over all aspects of AS's financial and operating policies.
- (iii) On 1 October 2013 HC advanced SU a 10 year loan of \$250,000 at 10% interest per year. SU paid the interest due on 25 September 2014.
- (iv) HC occasionally trades with SU. During September 2014 HC sold SU goods for \$170,000. HC uses a mark-up of 25% on cost. At 30 September 2014 50% of the goods remained in SU's inventory. SU paid \$90,000 to HC on 29 September 2014. HC did not receive the payment until 2 October 2014.

**Required:**

- (a) **Prepare** the journal entry to record the purchase of SU in HC's accounting records.  
(3 marks)
- (b) **Prepare** the consolidated statement of profit or loss for HC for the year ended 30 September 2014 AND a consolidated statement of financial position for HC as at 30 September 2014, in accordance with the requirements of International Financial Reporting Standards.  
(22 marks)

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

**(Total for Question Four = 25 marks)**

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**(Total for Section C = 50 marks)**

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

*Financial Pillar*

*Operational Level Paper*

*F1 – Financial Operations*

*November 2014*

*Thursday Morning Session*