



# Singapore CA Qualification (Foundation) Examination 5 December 2019 Financial Management

# **INSTRUCTIONS TO CANDIDATES:**

- 1. The time allowed for this examination paper is **3 hours 15 minutes**.
- This examination paper has FOUR (4) questions and comprises SEVENTEEN (17) pages (including this instruction sheet, Appendix A, and Appendix B). Each question may have MULTIPLE parts and ALL questions are examinable.
- 3. This is a restricted open book examination. This means that you are allowed to only bring the following materials into the examination hall:
  - One A4-sized double-sided cheat sheet.
- 4. During the examination, you are allowed to use your laptop and any calculators that comply with the SAC's regulations. Please note that watches, mobile phones, tablets, and all other electronic devices **MUST NOT** be used during the examination.
- 5. This examination paper is the property of the Singapore Accountancy Commission.

#### MODULE-SPECIFIC INSTRUCTIONS:

6. Assume that all dollar amounts are in Singapore dollar (S\$) unless otherwise stated.





## Question 1 - (a) and (b) and Question 2 - (a), (b) and (c)

Starched and Pressed Ltd (SAP) is a traditional laundry business – it takes in dirty laundry (mainly from hotels), washes and dries it, and returns it.

The Board of SAP are considering expansion into offering dry-cleaning services in addition to the current traditional detergent-and-water service. They are considering either buying the equipment and building the business themselves or buying an existing dry-cleaning business – 'Crisp and Dry Ltd'. They wish to consider an initial four-year period under either option, which is the useful life of the equipment.

#### **Option 1: Build the business themselves**

The equipment would cost \$1.75 million and would last for four years before being sold for scrap for a nominal value of \$500,000 (after all taxes).

4 people employees would need to be hired at a first-year cost of \$20,000 per year wages each. It is anticipated that pay rises of 4% per annum will be awarded.

The volume of dry cleaning is anticipated to be 300 tonnes in the first year, rising to 500 tonnes in year two, and 700 tonnes for years three and four.

Cleaning materials will cost \$30 per tonne in the first year, falling by 2% per annum thereafter as the business benefits from bulk-buying discounts and strengthening relationships with suppliers.

SAP will charge customers \$1,000 per tonne in the first year, increasing by 10% per year over each of the remaining three years.

Working capital equating to 10% of sales for each year needs to be in place at the start of that year. This will be released in full at the end of the four years.

SAP pays corporation tax at a rate of 17%. Capital allowances are available on the investment in equipment at a rate of 25% per year straight line for each of the four years of the project.

#### Option 2: Purchase of 'Crisp and Dry Ltd'

Crisp and Dry Ltd (CAD) has recently renewed all its equipment. Should SAP purchase CAD, the following cashflows (net of tax) are forecast for the next four years:

|        | \$        |
|--------|-----------|
| Year 1 | 500,000   |
| Year 2 | 700,000   |
| Year 3 | 1,000,000 |
| Year 4 | 1,200,000 |

CAD is financed by 1,000,000 ordinary shares. It is felt that an offer of \$2.80 per share would be accepted by the current owners.

SAP wishes to use a nominal cost of capital of 10% to appraise the dry-cleaning alternatives.

After four years, the value of the business is expected to be worth \$0.30 per share as the equipment will be largely worn out and require replacement at that point.

| Examplify<br>Question<br>Number | Que | stion 1 required:   |
|---------------------------------|-----|---|
| 1                               | (a) | Calculate the nominal (inflated) sales revenue and cleaning materials costs for each year of the project for Option 1. (10 marks) |
| 2                               | (b) | Calculate the Net Present Value of Option 1.  |
|                                 |     | Present your answers using the following format:  |
|                                 |     | < real ><br>Working 1 = <b>S\$ Answer</b>   |
|                                 |     | Working 2 = <b>S\$ Answer</b>   |
|                                 |     | Present value = S\$ Answer  |
|                                 |     | Total NPV of the project = S\$ Answer   |
|                                 |     | (21 marks)  |
|                                 |     | (Total: 31 marks)   |
|                                 |     |   |

| Examplify<br>Question<br>Number | Que | estion 2 required:  |
|---------------------------------|-----|---|
| 3                               | (a) | Calculate the Net Present Value of Option 2.  |
|                                 |     | Present your answers using the following format:  |
|                                 |     | <year></year>   |
|                                 |     | Working 1 = <b>S\$ Answer</b>   |
|                                 |     | Working 2 = <b>S\$ Answer</b>   |
|                                 |     | Present value = S\$ Answer  |
|                                 |     | Total NPV of the project = S\$ Answer   |
|                                 |     | (6 marks)   |
| 4                               | (b) | By comparing your answers under Option 1 and Option 2, identify which option would be financially the best alternative. Discuss TWO further factors to take into account in the comparison. (3 marks) |
| 5                               | (c) | Identify and discuss THREE advantages and THREE<br>disadvantages of organic growth as opposed to growth by<br>acquisition. (6 marks)<br>(Total: 15 marks)   |
|                                 |     |   |

# Question 3 – (a), (b) and (c)

Today is 1 January 20x9. Automotive Battery Chargers Ltd (ABC) supplies components to the automotive industry. Given the recent surge in demand for electric cars, it is looking to expand.

The following is an extract from the latest statement of financial position at 31 December 20x8:

|  | Note | \$ millions | \$ millions |
|--|------|-------------|-------------|
| Ordinary shares (\$0.50 nominal value) | 1    | 50          |             |
| Reserves                               |      | <u>175</u>  |             |
| Total equity                           |      |             | 225         |
| 8% Redeemable \$1 preference shares    | 2    |             | 50          |
| 7% bank loan 20y0                      | 3    |             | <u>150</u>  |
| Total equity and long-term debt        |      |             | <u>425</u>  |

The company pays corporation tax at a rate of 17% per annum.

#### Note 1

The cum-dividend share price is \$4.50 per share; a dividend of \$0.50 a share is about to be paid. In recent years dividends have been paid as follows:

|              | 31 Dec x4 | 31 Dec x5 | 31 Dec x6 | 31 Dec x7 |
|--------------|-----------|-----------|-----------|-----------|
| Dividend per | \$0.78    | \$0.86    | \$0.45    | \$0.47    |
| share        |           |           |           |           |

During 20x6, a 2-for-1 share split occurred. Two new \$0.50 nominal value ordinary shares were issued to replace every existing \$1 nominal value ordinary share, for zero consideration.

# Note 2

The preference shares are currently trading at \$0.97 ex-div. They are redeemable at par value in 5 years' time.

#### Note 3

The 7% bank loan is secured by a fixed charge on property owned by the company.

#### **Expansion funding**

In order to fund their expansion plans, the company has approached a bank for a new loan of \$250 million. The bank has offered a rate of 9% before tax for this new loan. The increase in gearing would reduce the company's credit rating and increase the pre-tax cost of the current debt finance by 1%, the cost of equity by 0.5% and the cost of the preference shares by 0.3%. The market prices of the ordinary and preference shares will NOT be affected by this change.

| Examplify<br>Question<br>Number | Que | estion 3 required:  |
|---------------------------------|-----|---|
| 6                               | (a) | Calculate the weighted average cost of capital BEFORE any   |
|                                 |     | new finance is raised. Note: the dividend growth percentage   |
|                                 |     | should be calculated to one decimal place.  |
|                                 |     | Present your answers using the following format:  |
|                                 |     | <source capital="" of=""/>  |
|                                 |     | Working 1 = <b>S\$ Answer</b>   |
|                                 |     | Working 2 = <b>S\$ Answer</b>   |
|                                 |     | Subtotal = S\$ Answer   |
|                                 |     | WACC = S\$ Answer   |
|                                 |     | (18 marks)  |
| 7                               | (b) | Calculate the revised weighted average cost of capital AFTER<br>the new loan has been taken out.<br>(6 marks) |
| 8                               | (c) | Explain why the weighted average cost of capital has changed  |
|                                 |     | the way it has despite the worsening credit rating as a result of   |
|                                 |     | taking on more debt. (5 marks)  |
|                                 |     | (Total: 29 marks)   |
|                                 |     |   |

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# Question 4 - (a), (b), (c) and (d)

The Skin We're In Ltd (TSWI) is a skincare products company. It has a new head of finance, who is on a mission to prove herself. Cash has been running low, and she feels this can best be addressed by improving the management of working capital. She has forecast key financial data if she puts the new operating policies in place compared to the current operating policies:

|              | Current operating policies | New operating policies |  |  |  |
|--------------|----------------------------|------------------------|--|--|--|
| Gross margin | 30%                        | 30%                    |  |  |  |
|              | \$'000                     | \$'000                 |  |  |  |
| Turnover     | 77,000                     | 77,000                 |  |  |  |
| Inventory    | 7,500                      | 4,000                  |  |  |  |
| Receivables  | 6,250                      | 4,750                  |  |  |  |
| Payables     | 5,000                      | 9,000                  |  |  |  |

The head of finance is also considering changing the working capital financing policies to make it more 'aggressive'. The current policy is to finance all working capital with long-term finance. The aggressive policy would be to finance 75% with short-term funds (short-term loans and overdraft), with the balance made up of long-term loans.

Assume there are 365 days in a year, and that all sales are on credit.

| Examplify<br>Question<br>Number | Que | estion 4 required:   |
|---------------------------------|-----|--|
| 9                               | (a) | Calculate the length of the working capital cycle under the current policies as well as the new operating policies.  |
|                                 |     | (8 marks)  |
| 10                              | (b) | Discuss how the new operating policies may be implemented<br>and any concerns you may have with the new operating policies.<br>(7 marks)   |
| 11                              | (c) | Calculate and compare the amount of short-term versus long-<br>term loans that is needed under each financing policy. Assume<br>the current operating policies remain in place.<br>(6 marks) |
| 12                              | (d) | Discuss TWO risks and TWO benefits of an aggressive financing<br>policy. (4 marks)<br>(Total: 25 marks)  |
|                                 |     | END OF PAPER   |

#### Appendix A – Formulae and Present Value Tables

| Financial ratios       |  |
|------------------------|--|
| Current ratio          | = Current assets / Current liabilities                       |
| Net working capital    | = Current assets - Current liabilities                       |
| Return on total assets | = Net income / Average total assets                          |
| Return on equity       | = Net income / Average shareholders' equity                  |
| Receivables days       | = (Accounts receivable balance / annual credit sales) x 365  |
| Receivables turnover   | = (Annual credit sales/ Accounts receivable balance) to give |
|                        | 'times a year'   |
| Payables days          | = (Accounts payable balance / annual purchases or cost of    |
|                        | sales) x 365   |
| Payables turnover      | = (Annual purchases or cost of sales/ Accounts payable       |
|                        | balance) to give 'times a year'                              |
| Inventory days         | = (Inventory balance / cost of sales) x 365                  |
| Inventory turnover     | = (Cost of sales / inventory balance) to give 'times a year' |

**Yield of an irredeemable preference share =** Dividend per year / market price Yield of a redeemable preference share: Internal rate of return of the following cash flows:

T<sub>0</sub> – market value as an outflow

 $T_{1-n}$  – preference dividends as an inflow

T<sub>n</sub> – redemption proceeds

#### After-tax Cost of a bank loan = 1% (1-t)

Where:

1% = the annual percentage rate payable on the loan

t = the annual corporate tax rate

#### **Dividend growth model**

 $K_e = [D_0(1+g) / P_0] + g$ Where:

Ke = the cost of equity

 $D_0$  = the current dividend per share

g = future anticipated annual growth rate in dividends per share  $P_0 =$  the current ex-div share price

#### g can be estimated as

(Dr / De)<sup>(1/n)</sup> -1 *Where:* 

 $D_r$  = the latest dividend in a historical pattern

 $D_{e}-\mbox{the earliest}$  dividend in a historical pattern

n = the number of years between the earliest and the latest dividend in a sequence of historical dividends.

Org = bxr

Where:

b = the proportion of earnings held back

r = the return on reinvested earnings

# Valuations

# Weighted Average Cost of Capital (WACC)

WACC% =  $[(Ve/(Ve+Vd) \times Ke] + [(Vd/(Ve+Vd) \times Kd])]$ 

Where:

- Ve = The market value of all ordinary shares
- Vd = The market value of debt
- Ke = Cost of Equity
- Kd = After-tax Cost of Debt

# **Constant Growth Dividend discount model**

 $P_0 = D_0 (1+g) / (K_e-g)$ 

Where:

 $K_e$  = the cost of equity

- $D_0$  = the current dividend per share
- g = future anticipated annual growth rate in dividends per share
- $P_0$  = the current ex-div share value of one share

# Price-Earnings (P/E) model (EPS)

 $P_0 = P/E \times EPS$ 

#### Where:

 $P_0$  = value of 1 ordinary share

P/E = an applicable price/earnings ratio (calculated as price per share / earnings per share)

EPS = earnings per share (being earnings available for distribution to ordinary shareholders / number of ordinary shares)

#### Present value of an annuity

<u>1-(1+r)<sup>-n</sup></u>

r

Where:

r = discount rate

n = number of periods

#### **Present value**

 $PV = FV_n/(1 + i)^n$  *Where:*  PV = Present Value  $FV_n = Future value at end of period n$  i = Interest rate per periodn = Number of periods

#### Internal Rate of Return

IRR is approximately  $A + (B-A)N_A$ 

 $(N_A - N_B)$ 

Where:

| A | = | The lower discount rate chosen |
|---|---|--------------------------------|
|---|---|--------------------------------|

- B = The higher discount rate chosen
- $N_A$  = The net present value calculated at A%
- $N_B$  = The net present value calculated at B%

# Working Capital Cycle (WCC)

The Working Capital Cycle for a business is the length of time it takes to convert net working capital (<u>current assets</u> less <u>current liabilities</u>) all into cash.

WCC = Inventory Days + Receivable Days - Payable Days

| Present value interest factor of an (ordinary) annuity of \$1 per period at i% for n periods,<br>PVIFA(i,n). |        |        |        |        |        |        |        |       |       |       |
|--|--------|--------|--------|--------|--------|--------|--------|-------|-------|-------|
| Period   | 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 | 15.678 | 14.324 | 13.134 | 12.085 | 11.158 | 10.336 | 9.604 | 8.950 | 8.365 |
| 20   | 18.046 | 16.351 | 14.877 | 13.590 | 12.462 | 11.470 | 10.594 | 9.818 | 9.129 | 8.514 |
| ·  |        |        |        |        |        |        |        |       |       |       |
| Period   | 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 |
| 1/   | 7.549  | 7.120  | 6.729  | 6.3/3  | 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  | 5.8//  | 5.584  | 5.316 | 5.070 | 4.843 |
| 20   | 1.963  | 7.469  | 1.025  | 0.023  | b.259  | 5.929  | 5.628  | 5.353 | 5.101 | 4.870 |

| Present value interest factor of \$1 per period at i% for n periods, PVIF(i,n). |       |       |       |       |       |       |       |       |       |       |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Period  | 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 |
|   |       |       |       |       |       |       |       |       |       |       |
| Period  | 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 | 0.074 | 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 |

# Appendix B – Common verbs used by the Examiners

| Verb                    | Description   |
|-------------------------|---|
| Advise / Give<br>advice | This type of question requires you to give specific guidance to an individual or a group (e.g. a taxpayer, audit client, management, etc.), so your answer must provide specific information or make a <b>recommendation</b> tailored to the individual or group and <b>justify</b> you position.   |
| Calculate /<br>Compute  | Do the number crunching and derive the correct answer. Make<br>sure that you write down your workings and crosscheck your<br>numbers.   |
| Discuss                 | <b>Discuss</b> requires you to provide the 'for' and 'against' arguments, you cannot have a discussion without opposing views otherwise it would be just a conversation. If <b>discuss</b> is placed near the front of the instruction, then it requires you to provide an answer that is similar to <b>explain</b> , but addresses both the for and against arguments. |
| Estimate                | Suggest an approximate value (or range of values) based on the available information. Remember, although <b>estimating</b> involves uncertainty, some answers will be <u>more right</u> (or appropriate) than others.   |
| Explain                 | <b>Explain</b> requires you to write at least several sentences conveying how you have <b>analysed</b> the information in a way that a layperson can easily understand the concept or grasp the technical issue at hand.  |
| Identify                | <b>Identify</b> is similar to <b>list</b> , but requires you to also provide an <b>explanation</b> as to why the item/s that you have <b>identified</b> is/are relevant to the facts given in the question.   |