

## Exam Approach Interview: F6 – Taxation

**Interviewer:** Welcome to the F6 Examiner's Approach interview.

The following is an Examiner's Approach interview for Paper F6, *Taxation*. It is important to note, that this refers to the UK Taxation paper, rather than ACCA's variant papers.

The content of this interview has been prepared by the examiner, working with the Qualifications team at ACCA, and is presented by actors representing an interviewer and the examiner in discussion. For more detail on the examiner's approach, please see the article produced by the examiner in the January 2007 archive edition of *Student Accountant*. For more advice on teaching paper F6 please see the article published in *Teach Accounting* e-magazine in May 2010 and also refer to the changes in the most recent Finance Act in articles published annually in *Student Accountant*.

I suppose it would be most appropriate to start off by asking where F6 fits within the overall structure of the ACCA Qualification.

**Examiner:** The ACCA Qualification is divided into two levels – Fundamentals and Professional. The Fundamentals level is further divided into two modules – Knowledge and Skills.

F6 is one of the six Skills module subjects which comprehensively cover the main technical areas that any accountant, regardless of their future career aspirations, is expected to have mastered. These comprise law, performance management, taxation, financial reporting, auditing and financial management.

All Skills module exams are three hours long and make use of a range of assessment methods such as short-answer questions, extended computational exercises, essays, scenarios and case studies.

**Interviewer:** From what you have just said, F6 is connected to other papers within the ACCA Qualification. What are the links with other papers, or with other components of the qualification?

**Examiner:** F6 introduces the students to the subject of taxation and gives a firm grounding in this area. All accountants should have an awareness of the tax impact of transactions undertaken in business, even if they do not work specifically in taxation.

The paper also provides the firm underpinning for the P6 Advanced Taxation paper which is likely to be chosen by people working in a tax environment. As knowledge of F6 will be assumed when

students commence their studies of P6, it is essential that students fully understand the taxation topics studied in F6.

There is an obvious continuation of the subject matter into paper P6. In addition, students who wish to take paper P4, *Advanced Financial Management* should also study the tax framework well as Taxation can have a major impact on investment decisions. Finally, all knowledge and capabilities acquired in F6 can start to be applied, in context, within the practical experience requirements. The relevant Performance Objectives to taxation are Options objectives 19 and 20.

**Interviewer:** What is the overall concept or theme for F6 UK Taxation as a paper?

**Examiner:** The aim of F6 is to ensure that students have an understanding of the UK tax system, and a knowledge of income tax, corporation tax, capital gains tax, inheritance tax, value added tax, and national insurance. It provides a solid basis for those who will progress to P6 Advanced Taxation.

According to Benjamin Franklin, "In this world nothing is certain but death and taxes."

With this paper, we gain an understanding of what tax is and what is due.

**Interviewer:** The syllabus for F6 is structured into eight main sections. Can you briefly explain the main content of these syllabus sections?

**Examiner:** Yes, of course I can. The first syllabus Section is A, the UK tax system. This introduces the UK tax system and the different taxes therein. Additionally students are introduced to the principal sources of revenue law and practice, as well as being taught to distinguish between tax avoidance and tax evasion.

Section B introduces students to income tax, including the treatment of income from self-employment, income from employment and property and investment income.

Section C covers corporation tax; students will learn how to compute profits chargeable to corporation tax, and learn about various reliefs and exemptions that are available to companies and groups of companies.

In Section D, students will learn the scope of the taxation of chargeable gains, and how to calculate gains and losses arising on the disposal of various assets owned personally or by a company –

taking into account any reliefs or exemptions that may be available.

In Section E, students will learn the scope of inheritance tax, and how to calculate liabilities arising during lifetime and on death – once again taking into account any exemptions that may be available.

Section F covers national insurance contributions paid by employees, employers and the self-employed.

In Section G students are introduced to value added tax, usually called VAT. They will learn the scope of VAT, how to compute a person's VAT liabilities and the effect of special schemes.

Section H looks at the obligations of tax payers and their agents. Students will learn about the self-assessment system, when payments and returns are due, and the consequences of submitting late returns or making late payments.

**Interviewer:** Thank you for explaining the main content of the syllabus for us.  
What can you tell us about how the exam itself is structured?

**Examiner:** First of all it is worth noting that as F6 is a Fundamentals paper; all students must sit this exam unless they have an exemption awarded for prior learning in a degree or equivalent.

As with all papers within the Skills module, the writing time for this exam is three hours. All ACCA three hour papers have been allocated an additional 15 minutes reading and planning time, within which students can read the paper and understand the requirements. An article explaining how this time should be productively used has been published in the *Student Accountant* magazine in the August 2007 edition which can be seen on the website.

**Interviewer:** What exactly can students do in reading and planning time?

**Examiner:** They can make notes and plan answers. This may *only* be done on the question paper and *not* on the answer booklet. The answer booklet cannot be used until the examination begins.

**Interviewer:** So, how many questions are there in the exam and what choice, if any exists?

**Examiner:** As can be seen here, the exam has five compulsory questions. It is important that the student tries to answer all questions. For more

information about the exam itself and how it is structured, refer to the sample exam papers on the website

**Interviewer:** What kind of questions will appear in the exam?

**Examiner:** The F6 paper contains a mix of computational and discursive questions, although it is predominantly computational. It is essential that students show all their workings clearly to allow them to get all the marks they deserve in an exam paper.

The style of the exam, particularly the first three questions, requires students to perform a number of calculations or workings and then to bring these together into an overall tax computation. It is this second aspect that causes most problems. For example, most students have no difficulty when calculating a taxpayer's pension contributions, but then often are unsure whether this figure should be treated as a deduction or as an extension of the basic rate tax band. It is therefore important that students ask themselves when they study each aspect of the syllabus how it fits into an overall tax computation.

**Interviewer:** How should students deal with a requirement that asks the candidate to do something AND something else?

**Examiner:** Because some questions may ask the candidate to do something 'and' something else, the candidate may have to use judgement to decide how much effort to devote to each aspect. This will be based on the difficulty of different cognitive levels, for example 'describe' is usually easier than 'assess'. However, markers will be asked to exercise quite a lot of flexibility in awarding marks in this situation.

**Interviewer:** Can you explain more about cognitive levels?

**Examiner:** Certainly. This is *very* important. Most instructional verbs used within the Fundamentals' Skills module should be set at level 2, but where lower level verbs are used, the marks available will usually reflect this. For more information about these levels and the kind of verbs which fall within them, see the 'Testing testing 1, 2, 3' article in the January 2007 edition of *Student Accountant*.

**Interviewer:** Are any issues about ethics introduced in this paper?

**Examiner:** Yes, a little, since in some circumstances the ethical dimension of dealing with HMRC either as a taxpayer or as a practicing accountant may be examined.

**Interviewer:** You said that all the questions were compulsory. Why is this?

**Examiner:** This is because all questions in all papers are compulsory at the Fundamentals level. As the name of the level implies, all subject areas and main capabilities within these papers are 'fundamental' to having a sound grasp and technical proficiency in all these topics.

**Interviewer:** What would your advice be about revising effectively for, and passing, F6?

**Examiner:** Remember that effective revision involves plenty of question practice. There is no substitute for practicing exam standard questions under exam conditions. If you find that you cannot complete questions in the permitted time then maybe you need to look at how you are presenting your answers. Are you wasting time by giving unnecessarily detailed workings or explanations, or are you providing information that is not required?

It is also important to ensure that you cover everything in the syllabus. F6 is a compulsory paper and you don't want to find yourself having to answer a question on a topic for which you have not revised. However, some topics are more important than others since they are examined more frequently. My examiner's approach article in the January 2007 edition of *Student Accountant* lists the

most important syllabus areas that you can expect to see most frequently examined.

When it comes to the final few days of revision, or if short of time, then it makes sense to concentrate on the topics that will be examined in questions one and two since these two questions will account for 55% of the total marks available. However, it will be very difficult to obtain a pass mark if this is all that is revised.

**Interviewer:** What about in the exam itself?

**Examiner:** Probably the most important piece of advice that I can give is not to rush straight into answering a question, but to spend a few minutes planning your answer. This is where the 15 minutes reading and planning time will be very useful. For example, if you are dealing with a capital gains tax question involving a husband and wife, your planning would include:

- Identifying exempt disposals, so as to not waste any time performing unnecessary calculations;
- Identifying any reliefs that are available, particularly entrepreneurs relief;
- Identifying jointly held assets, as it is easiest to calculate these gains first;

- Deciding on the layout of your answer using appropriate headings and
- Determining which workings can be included as part of the main computation and which will have to be dealt with separately.

Finally candidates should identify the appropriate rates of capital gains tax – 10%, 18% or 28%.

**Interviewer:** What would your top three tips be for students revising for, and sitting F6?

**Examiner:** The first tip is that when making revision notes, students should make sure they list the essential points. For example, with a long period of account for corporation tax, the essential point is that it is split into a twelve month accounting period plus another period consisting of the remaining months. This could be summarised on revision notes as *long period of account = 12 + balance*.

The second tip is that it isn't always a good idea – in the examination itself – to correct workings when a mistake has been made. For example, where there is an eight or nine mark capital allowances computation and a student rewrites the whole thing

because one addition has been omitted. The extra half mark gained is far outweighed by the amount of time spent doing this.

The third tip is never to forget that the objective in the examination is to score marks. The F6 answers are mainly marked on a  $\frac{1}{2}$  mark basis, so allowing for time spent planning, you need to be scoring a  $\frac{1}{2}$  mark every 1.5 minutes in order to achieve a pass. For example, although it is generally good advice to attempt all five questions, when short of time it is better to finish a question where you are scoring marks rather than attempting a new question on a topic which you don't know very much about.

**Interviewer:** What are the main potential pitfalls in preparing for and taking the F6 exam?

**Examiner:** One particular problem is poor time management. For example, when just a computation is required, students will often waste time explaining their answer. Also, when a question part is for just three or four marks it should be obvious that a one page answer is not expected. To a large extent, using common sense will avoid this problem. Of course, practicing past exam questions under exam conditions will help in eliminating time management problems prior to sitting the exam.

**Interviewer:** Do students make appropriate use of workings?

**Examiner:** Not always, and there are two different aspects to this problem. Firstly, some students do not show workings when they should do. For example, when producing a profit adjustment it might be necessary to adjust for two of four given figures. If a student incorrectly adjusts for three figures instead of two, then marks can only be awarded if a working is shown. The other aspect is that students sometimes produce too many workings. In the profit adjustment example, workings can easily be shown as part of the main computation. It is not necessary to produce a separate workings page. Not only does this make marking a script much harder, it is also poor time management. A good idea is to look at how answers to past examination questions are laid out. Any additional explanations in the answers are shown as tutorial notes, and these are only included in order to help students understand an answer.

**Interviewer:** Why is it so important to read the question properly?

**Examiner:** A great deal of time is spent making question requirements as clear and precise as possible. If a student does not read them properly, they can end up performing unnecessary work such as calculating a tax liability when only the amount of taxable income is required,

or, even worse, answering the question that they would like to answer rather than the one that has actually been set!

**Interviewer:** It is clearly important to follow the above tips and avoid any common pitfalls in exam revision and performance. What further information about student performance would you give which might help students prepare for exams?

**Examiner:** After each examination session, all ACCA examiners are required to produce an exam report. These reports highlight key issues arising in the last exam and focus on where students performed particularly well or badly. These are published in February and August and can be found under paper resources for each paper which can be accessed through the website.

In addition, after each exam session has been completed, the exam review board meets. This is a board consisting of ACCA internal Education staff and six representative members of the approved learning partner community. Minutes from this board summarise the comments made by tuition provider representatives, report survey results about the exams from student questionnaires and detail the responses. Again, the minutes from the exam review board are available on the website.

**Interviewer:** And finally, what would be your concluding advice about the F6 examination paper?

**Examiner:** Firstly, students must always read the question as carefully as they can, clearly identifying the instructional verbs contained within each requirement.

Secondly, it is important to properly understand the requirements, assessing how much the examiner is really looking for in each question part, being fully aware of the marks available for each requirement.

Finally, don't forget that answers given should relate to the question actually asked, not the one that a candidate would have liked to answer!

**Interviewer:** Thank you very much for sharing your insight into this exam paper. I'm sure it has given students and tutors lots of useful information.

**Examiner:** Thank you.