CHANGES TO THE QUALIFICATION

RELEVANT TO ALL ACCA QUALIFICATION PAPERS

Gareth Owen, ACCA qualifications development manager, explains the planned updates to the ACCA Qualification syllabus taking place in 2011 as part of a process of continuous syllabus improvement. This article summarises the rationale for the latest qualification developments, indicating which syllabuses are affected and when, outlining specifically which areas are being amended and why.

The last major development of the ACCA Qualification was introduced in December 2007. The qualification was brought up to date and restructured to meet employer, student and learning provider needs at the time and to comply with IFAC International Education Standards and other regulatory requirements. These changes were introduced to increase the relevance of the qualification in the market and take into account the results of an extensive programme of consultation with ACCA's key stakeholders.

With effect from June 2011, the ACCA Qualification will undergo further development and updating, rather than any major structural change, ensuring that the qualification continues to evolve and adapt to the latest business and accounting sector needs.

These latest changes are being introduced to update the syllabus content, to ensure that the ACCA Qualification continues to comply with the appropriate regulatory standards, to improve the articulation between related syllabuses and to reflect the views of our key stakeholders.

SUMMARY OF CHANGES

As mentioned above, there will be no major structural changes to the ACCA Qualification assessment or in respect of rules relating to registration, progression or exemption. Neither will there be any significant changes to the structure of the exams, apart from the Knowledge module papers, which will be structured differently from **December 2011**.

Please also note that a new exam timetable will apply from December 2011. Further details of this will be published later on this year.

Most of the ACCA Qualification syllabuses will be affected to a greater or lesser extent. These changes are explained below.

FUNDAMENTAL KNOWLEDGE MODULE (DECEMBER 2011)

From December 2011, amended syllabuses will be introduced for Papers F1, F2 and F3. Initially these papers will continue to use short-form questions but once these syllabuses have embedded themselves a greater variety of longer and short-form questions will be introduced into the assessment, which is currently based entirely on a mix of short objective questions of one and two marks.

ACCA will provide sufficient notice to candidates and learning providers of when the longer style questions will form part of the assessment.

The new format applies to both paper-based and computer-based exams (CBE). The format will better underpin later exams, particularly Papers F5 and F7. From December 2011, Paper F3 will only have one version offered, based on International Financial Reporting Standards, so students will no longer have to designate whether they wish to take INT, UK, SGP etc.

The syllabuses have also been re-aligned and brought up to date to take into account the latest occupational standards for the accountancy and finance sector.

These new syllabuses will have the exam structures shown in **Table 1** on page 4 with effect from December 2011, which coincides with the launch of ACCA's new Foundations in Accountancy suite of qualifications which will be communicated to you very shortly.

FUNDAMENTAL SKILLS MODULE (JUNE 2011)

Note: For all financial reporting and auditing papers, Irish papers will continue to follow the UK *Syllabus* and *Study Guide*, and Hong Kong, Malaysia and Singapore papers will continue to follow the International *Syllabus* and *Study Guide*. All papers will continue to have separate examinable documents.

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The first paper in the Skills module F4, *Corporate Business Law* is unaffected in all countries.

Changes are being made to Paper F5, *Performance Management* and Paper F7, *Financial Reporting* to re-align these syllabuses with the revised Paper F2 and F3 exams. For example, more decision making is being brought into Paper F5 and regulatory requirements into Paper F7.

A key change is happening to Paper F7 (UK). The Paper F7 (UK) exams will be based on International Financial Reporting Standards (IFRS) using international terminology with the key differences between UK GAAP and IFRS becoming examinable. The examinable differences will be indicated within the Paper F7 (UK) syllabus guide.

Elsewhere in the Skills module, Paper F6 (UK), *Taxation* has been updated to more effectively underpin the syllabus of Paper P6 (UK), *Advanced Taxation*. The most significant changes to Paper F6 (UK) are to introduce the basic aspects of inheritance tax (IHT), which will be predominantly computational, and the inclusion of overseas transactions for VAT.

Paper F6 (IRL), *Taxation* has also been updated to effectively underpin the syllabus of Paper P6 (IRL), Advanced Taxation. The main changes are the inclusion of domicile, termination payments, and overseas aspects of VAT, and the exclusion of retirement relief and favourable holding company relief.

Paper F6 (MYS) will reintroduce Real Property Gains Tax (RPGT) in the December 2010/June 2011 syllabus. Other variant tax papers may have minor changes, as is normal from year to year.

The Paper F8 (INT) and (UK) syllabuses have been updated to more explicitly include certain examinable content within the *Study Guide*, including the audit framework, internal audit, planning and risk and audit evidence. These changes will have minimal effect on the style or content of future exams, but does align the *Study Guide* more explicitly with the content of the published examinable documents. However, in line with Paper F7 (UK), *International Accounting Standards* will be used to underpin Paper F8 (UK) exam papers.

Finally the Paper F9, *Financial Management* syllabus has been amended to include aspects of Islamic finance which are gaining greater prominence in the financial markets and in mainstream finance. The main addition to the syllabus is a section on Islamic sources of finance, including the Islamic concept of interest and coverage of Islamic financial instruments.

PROFESSIONAL LEVEL SYLLABUS CHANGES (JUNE 2011)

The Paper P1, *Professional Accountant* syllabus has been amended to explicitly include more areas on business risk as a response to an employer stakeholder survey results carried out in 2008/2009. These areas include risk assessment and management responses in changes to risk profile, both strategic and operational, including some strategic aspects of financial risk. To reflect the new content and to recognise that the examination syllabus extensively examines all aspects of governance, risk and ethics, the title of the examination will be changed with effect from June 2011 to coincide with these new syllabus changes. With effect from June 2011 the new title will therefore be Paper P1, *Governance, Risk and Ethics*.

The changes to Paper F7 (UK) in particular have also had a further impact on Paper P2 (UK), which now also includes more content on the legal requirements relating to the submission and reporting of accounts. As with Paper F7 (UK), Paper P2 (UK) will now be based on IFRS with the key differences between UK GAAP and IFRS being examinable. The syllabuses for both Paper P2 (INT) and (UK) have also been re-aligned to contain more on requirements relating to small and medium-sized enterprises (SMEs) and about when accounts must be consolidated and when exemptions from consolidation apply. Entity reconstructions have been added to the syllabuses of both papers.

However, IFRICs will not be examinable in Paper P2 from June 2011.

Please note that any candidate wishing to practise as a registered auditor within the UK and/or Ireland (obtain the audit qualification/audit practising certificate), must attempt the P2 UK/Irish and P7 UK/Irish papers from June 2011 onwards. Anyone who has attempted and passed Paper P2 or P7 prior to this date is not affected by this ruling.

All UK and Irish professional accountancy bodies are governed by the requirements of the Statutory Audit Directive (SAD). In order to comply with the requirements of SAD – and to practice as an auditor – certain elements of UK/Irish legislation and regulation should be examined. The revised Papers P2 (UK/IRL) and P7 (UK/IRL) fully meet regulatory and business environment requirements for those wishing to obtain the UK/Irish audit qualification and hence practise as a registered auditor in the UK/Ireland.

Certain new regulatory requirements have brought changes to Paper P3, *Business Analysis*. As a result more management accounting has been introduced to this syllabus to provide a more rounded financial context to the business analysis scenarios examinable.

Business analysis is a subject where a working knowledge of management accounting and cost issues plays an increasingly important role. The changes will give the examiner wider scope to set more 'real world' questions, including the assessment of such business financial and quantitative techniques as forecasting, budgeting, cost accounting and decision making within a business analytics context. As these changes will impact the entire paper, the original 2007 *Pilot Paper* has been updated for the new syllabus.

Some of the content of Paper P4, *Advanced Financial Management* has been amended and developed to make the syllabus more coherent and to align it more closely with Paper F9, which underpins it.

There have been no significant new areas added, but rather there has been a re-arrangement of the syllabus and a grouping/splitting of items to make the *Study Guide* clearer.

As a consequence of planned changes to Papers F2 and F5 outlined above, Paper P5, *Advanced Performance Management* requires some re-alignment, to eliminate overlap with Paper F5 and to differentiate the content of Paper P5 more distinctly from Paper F5.

However, the more significant changes to Paper P5 are as a response to feedback received that there was potentially too much overlap between Papers P3 and P5, particularly in the areas of strategic, quality and people management. As a consequence some strategic management areas have been removed from Paper P5.

Quality management is now exclusively assessed in Paper P5 rather than in Paper P3 and some areas concerned with performance management and reward measurement in the 'People' section of Paper P3 have been re-allocated to Paper P5.

Paper P6 (UK) will have no changes initially. To allow students who have not covered IHT in Paper F6 (UK) time to finish their exam training, Paper P6 (UK) will remain unchanged until June 2013. After this time the more basic elements of IHT which are covered in Paper F6 (UK) will come out of Paper P6 (UK), leaving only the more complex aspects of IHT in Paper P6 (UK).

Paper P6 (IRL) will now have retirement relief and favourable holding company relief as new topics at this level, since they are no longer included in Paper F6 (IRL). In addition, termination payments will no longer be a new topic at this level, since they are now introduced in F6 (IRL). Paper P6 (MYS) will reintroduce Real Property Gains Tax (RPGT) in the December 2010 syllabus. Other Paper P6 variant papers have no significant changes, although they may have minor changes, as is normal from year to year.

Paper P7 (UK) has been amended to include the auditing aspects of insolvency (and similar procedures). Certain areas of internal audit have been added and re-arranged.

Some content relating to practice management, assignments and reporting have been removed. Although Paper P7 (INT) does not contain any material on insolvency because this area is country specific and legal in nature, all other changes to the Paper P7 (UK) syllabus have been made to the P7 (INT) syllabus, to bring them into line with each other. **Table 2** on **pages 5 and 6** shows which syllabuses and papers will be affected.

HOW AND WHEN WILL THESE CHANGES BE COMMUNICATED?

The updated ACCA 2011 syllabuses are available on the ACCA website. These amended syllabuses include appendices which summarise the changes in each syllabus.

The new Knowledge module (Papers F1, F2 and F3) *Syllabus* and *Study Guides* and the new pilot questions for the ACCA syllabuses with the most changes, such as Paper P3, are also be available. Pilot questions for the new style longer questions for Section B of the Knowledge module papers are also available as despite not being examined until December 2011 form excellent question practice. All ACCA Approved Learning Partners – content have been given details of all the planned changes to syllabuses so that study texts can be updated accordingly. It is, therefore, important to ensure you choose texts that are dated June 2011 or later for the Skills module and Professional level exams, and December 2011 or later for Knowledge module exams.

Finally, a number of articles are planned in *Student Accountant* over the coming months to update you fully on the changes. Examiner approach articles and interviews on the ACCA website will also be updated accordingly.

TABLE 1: NEW ACCA QUALIFICATION FUNDAMENTAL LEVEL SYLLABUSES AND EXAM STRUCTURES FROM DECEMBER 2011

		ONCE NEW SYLLABUS HAS BEEN EMBEDDED (DATE TBC)	
Exam	From December 2011	Section A	Section B
Paper F1, *Accounting in Business*	50 x two-mark objective test questions	16 x one-mark short objective test questions and 30 x two-mark short objective test questions	6 x four-mark longer version objective test questions, one taken from each of the six sections of the syllabus
Paper F2, *Management Accounting*	50 x two-mark objective test questions	35 x two-mark short objective test questions	3 x 10-mark longer version objective test questions – one taken from each of the budgeting, standard costing and performance measurement sections of the syllabus
Paper F3, *Financial Accounting*	50 x two-mark objective test questions	35 x two-mark short objective test questions	2 x 15 mark longer version objective test questions with one question based on group accounts and the other on preparation of financial statements (which may include an element of interpretation of accounts)

TABLE 2: NEW ACCA QUALIFICATION SYLLABUSES AND EXAM STRUCTURES FOR 2011

ACCA exam	Impact	When?
Paper F1	New style CBE and paper-based exam and syllabus changes	December 2011
Paper F2	New style CBE and paper-based exam and syllabus changes	December 2011
Paper F3	New style CBE and paper-based exam and syllabus changes	December 2011
Paper F4 (all versions)	None	
Paper F5	Syllabus changes to align better with Papers F2 and P5	June 2011
Paper F6 (UK)	Minor syllabus changes to re-align and make more coherent the underpinning of Paper P6 by Paper F6	June 2011
Paper F6 (other variants)	See text detail in Fundamentals level syllabus changes	June 2011
Paper F7 (INT)	To introduce more legal/regulatory information on financial reporting of groups	June 2011
Paper F7 (UK)	Now based on IFRS and including more legal aspects of preparation, submission and reporting of financial accounts and to include key differences between UK GAAP and IFRS	June 2011
Paper F8 (INT) and (UK)	To make more explicit areas included in examinable documents within the syllabus and remove some aspects of risk planning	June 2011
Paper F9	Introduction to Islamic finance added in relation to sources of finance, to keep syllabus relevant and up to date	June 2011
Paper P1	More emphasis on coverage of business risk in rresponse to employer stakeholder survey findings	June 2011
Paper P2 (INT)	More coverage of accounting treatment of SMEs, the circumstances in which consolidated accounts are required or exemptions and capital reconstructions	June 2011

TABLE 2: NEW ACCA QUALIFICATION SYLLABUSES AND EXAM STRUCTURES FOR 2011 (CONTINUED)

ACCA exam	Impact	When?
Paper P2 (UK)	Now based on IFRS and including coverage of legal aspects of preparation, submission and reporting of financial accounts in the UK for single and combined entities, including the circumstances when such accounts are required and accounting treatment of SMEs and consolidated accounts to align with Paper P2 (INT) and to include key differences between UK GAAP and IFRS.	June 2011
Paper P3	Aspects of forecasting, budgeting, cost accounting and decision making, relevant to business analysis introduced, to provide more scope for a financial context within exam scenarios. Quality Section and performance aspects of HR management removed to Paper P5 to address overlaps	June 2011
Paper P4	Re-arrangement of syllabus and better re-alignment with Paper F9. No significant areas added but some removed to provide more coherence	June 2011
Paper P5	Syllabus developed to align better with Paper F5 and to reduce potential overlap with Paper P3, particularly in the Quality and performance management and measurement areas of HR	June 2011
Paper P6 (UK)	Basic elements of IHT which are included in Paper F6 (UK) will be taken out of the Paper P6 (UK) syllabus, and the Paper P6 (UK) syllabus will concentrate exclusively on the more complex areas of IHT	June 2013
Paper P6 (other variants)	See detail in Professional level syllabus changes above	June 2011
Paper P7 (INT)	The internal audit area has been amended. Aspects of practice management, assignments and reporting have been removed	June 2011
Paper P7 (UK)	Auditing aspects of insolvency have been introduced to the syllabus and the internal audit area has been amended. Aspects of practice management, assignments and reporting have been removed	June 2011