FP

Chartered Accountant SINGAPORE

Singapore CA Qualification (Foundation) Examination

16 June 2025

Financial Management

INSTRUCTIONS TO CANDIDATES

1. The time allowed for this examination paper is **3 hours 15 minutes**.
2. This examination paper has **FOUR (4)** questions and comprises **TWENTY-TWO (22)** 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 exam location:
   - One A4-sized double-sided cheat sheet.
   - One A4-sized double-sided blank scratch paper.
4. During the examination, you are allowed to use your laptop and any calculators that comply with the ISCA's regulations. Please note that watches, mobile phones, tablets, and all other electronic devices **MUST NOT** be used during the examination and **MUST NOT** be within reach or sight or hearing from where you are seated to write the exam.
5. During the examination, videos of you and your computer screen will be recorded for the purpose of ensuring examination integrity and you have consented to these recordings.
6. This examination paper is the property of the Accounting and Corporate Regulatory Authority.
7. Only answers in **English** are accepted.

MODULE-SPECIFIC INSTRUCTIONS:

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

IMPORTANT NOTICE:

If you are not feeling well, please do not press "Start Assessment". If you have started and leave during the exam, you would be deemed to have attempted the paper.

e-Exam Question Number	
1	

VERY IMPORTANT NOTICE

1. Your question paper is attached under the **"Resource"** tab found at the bottom right of **EACH** question.

Other important information:

2. You will **only be allowed** to access the Excel function from your computer.

3. You are **NOT ALLOWED** to access any websites or reference materials (except for your A4-sized double-sided cheat sheet) during the exam.

4. You are **NOT ALLOWED** to print the question paper.

5. **Please take note that your screen will be monitored throughout the examination. If you are found to have accessed unauthorised materials or websites, or if you cheat or attempt to cheat, you will be liable to severe disciplinary action.**

   Should you encounter any issues during the exam, please call the following number:

   +65 6028 9811

6. **You do not need to fill in an answer to this instruction question.**

Question 1 – (a), (b), (c) and (d)

Wrought Iron Hardware (WIH) is a listed manufacturer of wrought iron appliances and accessories – such as outdoor furniture, door handles, locks, and kitchenware.

The newly appointed Finance Director, Dexter Jackson, is in the process of formulating the financial strategy for the business for the coming five years. He is aware that three major and connected considerations need to be brought together when formulating a strategy (finance, investment and dividends) and intends to express the strategy in this way.

WIH plans to secure a $100 million loan to finance investment in a new product range which will include outdoor stairs, railings, and gates. The company aims to secure government contracts for work in public parks and streets. This project has already been announced publicly.

Summary of the current finances of WIH:

	Note	**$'m**
$1 Ordinary shares	**1**	25
Retained earnings		65
10% Irredeemable debentures	**2**	50
12% Overdraft	**3**	10

Note 1: The ordinary shares are currently trading at $4.20 cum dividend. A dividend of $5 million is scheduled to be paid. The dividend paid one year ago was $0.1818 per share.

Note 2: The irredeemable debentures are currently trading at a market price of $125 ex-interest per $100 nominal value.

Note 3: The company has a $20 million overdraft facility. The company rarely uses its overdraft, and when it does, it is typically for short-term working capital financing needs.

The credit rating of the current debenture issue is ‘BBB+’. The project will require $100 million to be raised, which will increase the company’s gearing and consequently lower the credit rating for both the current and new debentures issues to ‘BBB-’. This downgrade of credit rating will increase the cost of debt by 200 basis points (with one basis point being 0.01%). The new debentures will be issued as 12% redeemable debentures, redeemable in 5 years at a 5% premium. The new debentures’ market value after the issue is expected to be $100.

Ignore taxation.

e-Exam Question Number	Question 1 required:
2	**(a)** Explain the **THREE** key considerations in a financial strategy (finance, investment and dividends), and how they interrelate, using WIH to provide relevant examples. **(8 marks)**
3	**(b)** Calculate the **current** weighted average cost of capital of WIH, prior to the issuance of the new debentures. **(7 marks)**
4	**(c)** Calculate the revised cost and market value of the **existing** debentures following the reduction in credit rating. **(3 marks)**
5	**(d)** Calculate the revised weighted average cost of capital **after** the new issue of debentures. You may assume that the cost and market value of equity are not impacted by the debenture issue. **(7 marks)** **(Total : 25 marks)**

Question 2 – (a), (b) and (c)

Cookson Ridge Primary School is a large state-funded school that provides education for children aged 6 to 12 years. The school receives funds from central government but manages its own budget, provided it continues to provide sufficient Value for Money. Basil James, the Finance Manager of the school, is preparing a Value for Money report for the Board of Trustees under the following headings:

- **Economy**: The cost of inputs.
- **Efficiency**: Productivity – the ratio of inputs to outputs. How much has been produced given what's gone into the process?
- **Effectiveness**: The quality of outputs. Are we hitting our goals?

He has obtained the following information to be included in his report:

	Cookson Ridge	**National Average**
Average salary per teacher	$59,800	$61,404
Average class size	30	34.2
Teacher utilisation (proportion of time spent teaching)	80%	85%
% of pupils achieving *AL1-6 in Mother Tongue	90%	94.6%
% of pupils achieving *AL1-6 in English	90%	93.9%
% of pupils achieving *AL1-6 in Mathematics	95%	89.6%
Parent's satisfaction rating (out of 5)	4.4	3.9

*AL refers to Achievement Level, and ranges from 1-8, with 1 being the highest.

The school takes pride in its innovative approach of small classes, with a large investment in preparation time to maximise the productivity of contact hours.

e-Exam Question Number	Question 2 required:
6	**(a)** Assess the Value for Money performance of the school, under the headings of ‘Economy’, ‘Efficiency’ and ‘Effectiveness’, and provide a conclusion on the performance of the school. **(10 marks)**

Another innovative aspect of the school is its fundraising activities. The school sells merchandise online and rents out its facilities during school holidays for a fee. The school facilities are often hired by a large local business that provides various clubs and activities for children during the holiday period.

Basil James is looking to free up working capital by offering the business an early settlement discount. The business usually rents the school's facilities for 100 days each year and pays $2,000 per day with 90-day credit terms. The school incurs an overdraft rate of 15% per year. Basil is considering offering a 1% discount for payment within 60 days or alternatively a 1.5% discount for payment within 30 days, but he has not yet made a final decision as to which discount scheme to offer. Assume 365 days a year.

e-Exam Question Number	**Question 2 cont.**
7	**(b)** Calculate the net cost or benefit of offering the early settlement discount and conclude which payment terms (if either) are most favourable to the school. **(8 marks)**

Basil is continuing to focus on working capital management for the school. The school usually adopts a conservative financing approach with 100% of the 'permanent' working capital requirement and 50% of the 'fluctuating' requirement financed by long-term debt. Basil intends to adopt a more aggressive strategy, financing only 50% of the 'permanent' requirement with long-term debt, while the remaining long-term and short-term needs will be financed through short-term debt. The maximum working capital balance is projected under the following conditions:

- Receivables days: 90 days.
- Payables days (excluding salaries – paid centrally): 30 days
- Inventory days: 60 days
- Annual sales: $200,000
- Annual purchases: $2,000,000

The fluctuating element of working capital is estimated to be 40% of the maximum balance. Assume 365 days a year.

e-Exam Question Number	**Question 2 cont.**
8	**(c)** Calculate how much additional short-term finance would be required with the more aggressive policy. **(7 marks)** **(Total: 25 marks)**

Question 3 – (a), (b) and (c)

Super Sour Candy (SSC) produces an intensely sour range of candies, which are popular with young teenagers who ‘challenge’ each other to consume them. Established three years ago, the business is financed entirely by equity and has grown to be large and successful. To further boost sales, the owners – Mike and Catherine Dulce – are considering borrowing to build and launch an ultra-high-tech ‘pop-up’ shop. The shop will be taken to public events and temporarily occupy spare retail space for a short period.

The shop will cost $250,000 to build and will have a zero-scrap value. Tax-deductible depreciation can be ignored.

SSC hopes to sell an extra 10,000 packets of candy in the first year, with an increase of 2,000 packets each year in Years 2 and 3. The project will come to an end after three years. However, it is anticipated that the extra annual sales achieved in Year 3 will continue indefinitely due to the publicity created by the ‘pop-up’ shop. The sales price of the candy is $5 per packet, which is net of any fees payable to event organisers or site fees for the shop.

Each packet of candy contains 0.2 kilogramme of ingredients and packaging, costing $10 per kilogramme. Mike and Catherine are each paid $60,000 per year by the business, and Mike estimates he will spend 25% of his time involved in the new shop. They also intend to hire a part-time assistant who will be paid $22 per hour. The assistant will work 10 hours per week for 30 weeks each year, regardless of the exact amount of extra volume achieved.

Tax on corporate income is paid at a rate of 17%. SSC’s cost of capital is 10% per annum.

e-Exam Question Number	Question 3 required:
9	**(a)** Calculate the Net Present Value (NPV) of the 'pop-up' shop project over a four-year period and based on the calculation, provide a recommendation on whether to proceed with the project. **(13 marks)**
10	**(b)** Calculate the percentage change in sales volume required to change the decision of whether to proceed. **(6 marks)**
11	**(c)** Discuss **THREE** key assumptions being made when using the existing Weighted Average Cost of Capital to appraise the 'pop-up' shop project and discuss whether the assumptions are reasonable in this case. **(6 marks)** **(Total : 25 marks)**

Question 4 – (a) and (b)

Deep Data Messaging (DDM) provides cloud-based data analytics services, utilising artificial intelligence to summarise key messages from lakes of unstructured data for clients. They are considering an expansion of their services to offer Infrastructure as a Service (IaaS) to clients. This service would allow clients to access DDM's data centre facilities online for their computing needs, significantly reducing the need for investment in their own equipment and infrastructure.

In order to progress their plans quickly, the Board of DDM has decided to acquire an existing IaaS business - MyOnline Data Centre (MDC), an unlisted data centre business that has been running for 24 months. It has plans to expand rapidly by extending existing and starting new data centres.

An extract of relevant information from the latest annual MDC's financial statements:

Statement of Financial Performance:		**$'000**	**$'000**
Revenue			18,810
Costs			(11,286)
Profit before interest and tax			7,524
Interest			(1,500)
Profit before tax			6,024
Tax 17%			(1,024)
Profit after tax			5,000
Statement of Financial Position:			
Non-current assets			24,000
Ordinary $1 shares		1,000	
Retained profits		14,000	
Total Equity			15,000
Long-term debt		15,000	
Current liabilities		4,500	
Overdraft		150	
Total Liabilities			19,650
Total Equity and Liabilities			34,650

Note 1: The latest dividend was $100,000 in total. This is forecast by the directors of MDC to grow at 5% per year indefinitely.

Note 2: Costs include depreciation of $4.8 million. All other costs were paid in cash. $6 million will be needed to invest in non-current assets each year indefinitely.

Note 3: Servermagic – a similar, but listed company has a price-earnings ratio of 18 times. Servermagic's cost of equity, after adjustments being made to make it suitable for use by DDM, is 15%.

Note 4: Non-current assets include $11.5 million net book value of server equipment with a market value of approximately $4.5 million.

Note 5: The directors of MDC forecast a growth in future operating cashflows of 20% per year for the next 3 years, falling to 5% per year indefinitely after that.

Note 6: When using listed proxy company ratios, multiples and data to value an unlisted target company, a reduction of 25% is considered appropriate to correct for a lack of marketability in the target company's shares.

e-Exam Question Number	Question 4 required:
12	**a)** Calculate a value for DDM to pay for MDC's ordinary shares using the following methods**:** (i) Revised net asset basis **(3 marks)** (ii) Present value of future cashflows **(8 marks)** (iii) Earnings based, using a price-earnings ratio **(4 marks)** (iv) Dividend discount model **(2 marks)**
13	**(b)** Discuss **ONE** practical issue involved with **EACH** of the valuation methods used in part (a) in this case. **(8 marks)** **(Total: 25 marks)**

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'
Working Capital cycle	=	Receivables days + Inventory days - Payables days

Dividend Growth Model

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

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 price**

g can be estimated as

$(D_r / D_e)^{(1/n)} -1$

Where:

D_r = The latest dividend in a historical pattern

D_e = 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**

Or g = b x r

Where:

b = **The proportion of earnings held back**

r = **The return on reinvested earnings**

Capital Asset Pricing Model ('CAPM'):

$K_e = R_f + \beta(R_m - R_f)$

K_e = **The cost of equity**

R_f = **The risk-free rate of return**

R_m = **The return on a market portfolio**

β = **The systematic risk factor**

Valuations

Weighted Average Cost of Capital (WACC)

$WACC\% = [(V_e/(V_e+V_d) \times K_e] + [(V_d/(V_e+V_d) \times K_d]$

Where:

V_e = **The market value of all ordinary shares**

V_d = **The market value of debt**

K_e = **Cost of Equity**

K_d = **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 x 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

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

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 period

n = Number of periods

Internal Rate of Return

IRR is approximately $A + \frac{(B - A)N_A}{(N_A - N_B)}$

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%

The nominal (or money) cost of capital

$(1+m) = (1+i) \times (1+r)$

m = The money rate

i = The inflation rate

r = The real rate

The Baumol Model of Cash Management:

$$Q = \sqrt{\frac{2C_O D}{C_H}}$$

Where:

Q = The value of securities to sell each time

C_o = The fixed costs associated with selling a parcel of securities

D = The annual demand for cash

C_H = The annual interest rate, as a decimal, associated with holding cash as opposed to investments

Interest Rate Parity

An unbiased estimate for the future spot rate of exchange can be calculated as:

$S_1 = S_0 \times (1+i_a / 1+i_b)$

Where:

$_a$ = One country

$_b$ = The base country

S_1 = The estimated future spot rate in 1 year's time in terms of the number of $ in country a per $1 in country b

S_0 = The current spot rate in terms of the number of $ in country a per $1 in country b

i_a = Annual interest rate in country a as a decimal

i_b = Annual interest rate in country b as a decimal

Present value interest factor of an (ordinary) annuity of $1 per period at i% for n periods, 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
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

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
Calculate / Compute	Do the number crunching and derive the correct answer. Make sure that you write down your workings and crosscheck your numbers.
Discuss	**Discuss** 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 **discuss** is placed near the front of the instruction, then it requires you to provide an answer that is similar to **explain**, but addresses both for and against arguments.
Explain	**Explain** requires you to write at least several sentences conveying how you have **analysed** the information in a way that a layperson can easily understand the concept or grasp the technical issue at hand. For instance, "**Explain** whether an 'emphasis of matter' paragraph or an 'other matter' paragraph would be most appropriate in this situation", or "**Explain** how a partnership is assessed for tax". **Evaluate** and **Examine** are interchangeable.
Produce	**Produce** requires you to present your answer in a specific format from scratch. For instance, you may be required to "**Produce** a Profit or Loss Statement".
Use	This instruction tells you the type of model that you must **use** when formulating your answer. For instance, "**Using** the Discounted Cash Flow approach, …" tells you what valuation approach to use. Another common phrase is "**Using** the facts of the case, ...", which tells you that you must relate your answer to the specific facts given in the question scenario. Generic answers will not pass
Recommend	Make a statement about the most appropriate course of action. If there is more than one possible course of action, **state** which action you would choose and why (**justify** your choice). Your professional judgment and your ability to **interpret** the wider situation are critical to scoring well in these types of questions. Don't forget to think about the future and the past, not just the present when making a **recommendation**.