



Business Planning: Banking

TUTOR CONFERENCE 2 FEBRUARY 2018 – SESSION NOTES

Introductory slides

June 2018 is the first CBE sitting for BPB.

There will be one question of about 40 marks on the exam, the other two questions can vary between 25-35 marks.

Students are strongly advised to pass FAR and AA before attempting BPB.

Example question styles

Audit and assurance is 30-35% of the BPB syllabus therefore external audit style questions will feature, but there could also be internal audit or other assurance engagement scenarios.

Regulatory and financial reporting is 35-40% of the syllabus. Regulatory and financial reporting may feature in any question.

Question 1 will not necessarily be an audit and assurance context question, the order may be changed, as students have seen in 2017.

2018 changes

There are no major changes from 2017.

The wording of impairment allowances has been tidied up because students get confused between a provision (a liability) and an impairment allowance (a deduction from an asset). In the December 2017 exam, there was a fine for mis-sold products with a related provision recognised in the financial statements. Many students treated this fine as the impairment allowance when answering requirement 1.1.

IFRS 9 will largely replace IAS 39 in the 2019 syllabus and learning materials as it is effective for 31 December 2018 year ends onwards.

In 2018, IFRS 9 is level A technical knowledge so there is more content in the learning materials, especially chapters 6, 7 and 9. Students will be directed when they need to answer using IFRS 9, and should not do so otherwise.

Review of December 2017 exam

Question 1

1.1 Generally well answered as calculative questions tend to be. Workings could have been clearer. Most students did reach a conclusion. In the EL-P calculation, the figure incorrectly used in many cases was the 1,200, i.e. the misconduct fine.

1.2 Needed to increase the provision and explore the implications. Many students ignored the provision that was recognised already. Easy marks were missed because the requirement asked for both CET1 and total regulatory capital but many students only discussed one of the two.

1.3 Impact of credit downgrading. Again, easy marks were missed by students discussing only CET1 or total capital (rather than both). Often only one type of credit downgrading was discussed and calculated i.e. the Mediterranean corporate lending or the Wakanda sovereign debt (rather than both).

1.4 There were three actions to evaluate. Some students did not discuss all three and some answers were very brief. However, some answers gained full marks.

1.5 Some students ignored the dates and failed to talk about events after the end of the reporting period.

Question 2

2.1 Many students, around half, wrote audit procedures to address the identified risks which was not required. Some carried out the analysis but then did not identify the risk.

2.2 A well answered requirement. Students were comfortable providing audit procedures.

2.3 Generally a well answered ethics requirement. The use of judgement is what students struggle with. There is not necessarily a right and wrong answer, marks can be given for a well-reasoned, well supported answer. Some proportionality needs to be applied, to try to resolve matters internally before referring to regulators or whistleblowing etc. It is important to be clear whose ethical issues you are asked to address.

Question 3

3.1 Many candidates ignored the analysis provided in Exhibit 1. Some students performed calculations but did not discuss them. Some even talked about audit procedures which was not required.

3.2 Few numbers were provided in the hedging question, intentionally to allow the students to talk about the hedge rather than get bogged down in calculations. In BPB, hedging is of high importance and students must focus on higher level skills.

3.3 Some students wrote too much given that the verb in the requirement was 'outline'.

3.4. Again, some students included audit procedures which was not required.

Performance in 2017

Time management seemed less of an issue for this exam as most candidates reached the end of the exam.

For all exams in 2017, time management was much improved.

Students still resort to copying out text from the open book but are less likely to copy answers from other questions in the question bank.

Key messages for 2018

- Read the requirement carefully – students can lose 10-20 marks from these errors
- IFRS 9 is an important current issue for banks

- There is an emphasis on the impact of technology on the profession, in line with progression of the syllabus and in the banking sector.
- Skills are being brought to the forefront and are particularly important in the business planning exams. See the article on page 12 of the January issue of VITAL magazine. This explores the approach to examining skills in this suite of exams.

CBE

The exam writing process, structure and style is the same as before CBE.

It is imperative that students practise on the CBE platform that they will use in the real exam.

Markers can only mark what is visible on the page, they cannot interrogate the cells for workings so students must show workings.

The CBE package is not Excel or Word, it is bespoke software to enable answers to be input on a level playing field. We are not assessing IT skills.

Marking

The tutor marking guide is not to be shared with students.

Q&A session

Q) Has ICAEW completely ruled out using paper copies? This tutor said he finds it extremely difficult to use the question on screen, would prefer for students to have a paper copy of the question for them to refer to.

A) This was not the consensus around the room, as most tutors stated that students were adapting to the new format, and that this was more an individual preference.

Q) Paper exam copies are not provided for security reasons but what does this mean? ACCA still has paper exams and doesn't seem to have a security risk?

A) ACCA has the same security issues that tutors are unaware of. ICAEW will move ahead without the exam paper in the exam room.

Q) Until June 2017, the BPB exams seemed to follow a trend. Since then the exams have been more imaginative and interesting. Is this likely to continue going forward?

A) June 2016 was the first sitting for BPB and we played it safe for the first few sittings so there were no surprises. Now the examining team have taken the opportunity to mix up the scenarios and offer more variety. A variety of exam contexts and questions styles should be expected in 2018.

Q) How will IFRS 9 be incorporated in the 2018 exams? Will the requirement to use it be obvious?

A) IAS 39 is the extant standard for 2018. If IFRS 9 is required, and it forms a large element of the question, it will be explicitly requested.

Q) A lot of the learning material technical/mathematical content is not largely tested. I avoid it in teaching as it scares students, how likely is it to be examined?

A) Concepts such as duration and convexity are very difficult to explain without numbers and illustrations. We would not ask students for detailed calculations in the exam. Questions could, for example, provide calculations to test whether students can recognise as error. It is not the Financial Management exam. Students must demonstrate an understanding of the qualitative issues.

Q) It is advised that FAR and AA are passed prior to students attempting BPB. However, some clients put students through the exam before they have attempted these subjects. Should ICAEW counsel firms not to do this?

A) We provide content in the learning materials for those students who have not attempted FAR and AA prior to BPB.

Q) When students use information from the question in their answer, can they use bullet points?

A) Yes, but the bullet points should be explained and we don't need them to duplicate the question in their answer.

Q) Is a March sitting likely to be introduced?

A) No, because most banks have 31 December year ends.

Q) When IFRS 9 is fully introduced into the learning materials, will IAS 39 knowledge still be required to compare and contrast with IFRS 9?

A) No, not when IAS 39 rules are superseded for 2019. IFRS 9 is so different that the questions will be re-written in the learning materials.

Q) At the moment, students need to know both IAS 39 and IFRS 9. When they need only IFRS 9 what will fill the gap?

A) Technology will be increased but no further additions to the syllabus are currently anticipated.