

# What's F5 all about?



*Rebbish!*

Caron writes: It's not clear whether you have been doing some question practise as part of your 'reading' phase. Reading on its own is not the most effective study technique. Studying a topic means actively reading followed by exam standard question practice, so you are learning how to apply your new-found knowledge. It means that when you start revision you are just recapping and not relearning.

See my top five revision checklist (below) for more ideas.

Dear Caron,

I don't understand why we do the throughput accounting ratio when limiting factor calculations are easier. Surely, they do the same thing?

*Formula-phobe*

The ACCA F5 exam typically has one of the lowest pass rates, and September 2017 was no exception with only 43% of those entering securing a pass. In contrast, the ACCA F1-F4 pass rates average around 70%. So why is this? AVADO's F5 Agony Aunt (AKA Caron Betts) answers typical student queries and concerns on this tricky exam.

Dear Caron,

I have been studying F5 for a few weeks now and it just seems to be full of different and unrelated calculations. I can't get a handle on this subject. How does it all fit together? What is F5 all about?

*Lost F5 student*

Caron writes: Think about the process of a business developing a new product and there are eight key stages it needs to go through (see diagram). The F5 syllabus covers all of these stages.

Keep going – it won't be until you get to the end of your learning that you'll be able to see the full picture.

Dear Caron,

I am really struggling to understand the difference between ROI and RI. Can you help?

*Frustrated by F5*

Caron writes: Both of these are techniques for evaluating the performance of a division. The key is remembering which profit you are using: controllable profit for assessing the manager of the division, and traceable profit for assessing the division.

If you think about the words behind ROI it will help you to remember that you are measuring Return (the 'profit') On (top of, or divided by) Investment (the capital employed to fund the business, namely debt and equity). The business should accept any projects greater than the current ROI.

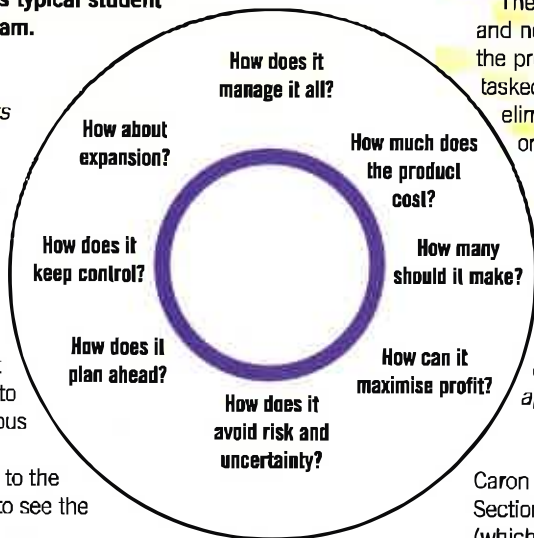
Residual income is the 'residue' after paying the imputed interest. For imputed interest, you simply multiply the capital employed (yes, use that again) by the cost of capital (the clue's in the name).

Accept all positive projects.

Dear Caron,

Despite my best intentions, I have only just finished reading the study text. There's a couple of weeks left before the exam. I know I should have done some revision by now. Do you think I've left it too late?

*Poor planner*



Caron writes: The throughput accounting ratio is based on the theory of constraints.

The idea is that a business should focus on producing a sale and not producing work in progress. If the TPAR is less than 1, the product is loss-making and the factory managers should be tasked with finding ways to improve performance such as eliminating bottlenecks, reducing time on bottleneck activities or reducing other factory costs.

If a business knows its bottleneck activities, it can then maximise return by using limiting factor analysis to calculate the contribution per unit of scarce resource.

Dear Caron,

This sitting I shall be attempting the CBE version of F5. I have heard that this is very different to F1-F4 CBE exams and I am a little nervous. Any advice on how to approach the CBE will be much appreciated.

*CBE novice*

Caron writes: Firstly, let me confirm the exam structure. Sections A and B of the exam are objective test questions (which includes multiple choice, drop-down options, etc), but section C has scenario questions where you prepare a written response, possibly including calculations within a spreadsheet or word document.

With 40% of the paper being covered in section C, it's important to make sure you practise answering these questions. Remember, you get marks for your workings, even if you don't complete the question. Ensure you allow sufficient time in the exam to complete section C. You may even choose to do those questions first.

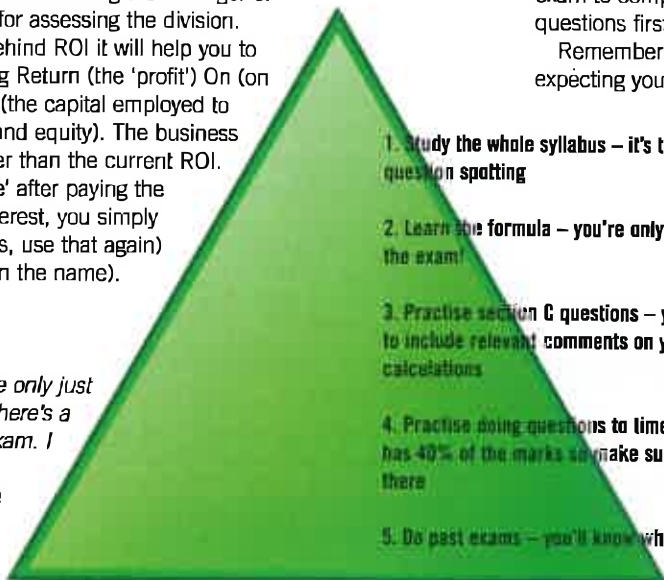
Remember also that for section C the examiner will be expecting you to advise the business in the context of the scenario.

While you may need to explain theories, ensure your comments are relevant to the business situation. Your tuition provider should be able to provide you with mock CBEs and, if not, then make sure you practise with the ACCA Specimen F5 CBE and the past CBE exams available on the ACCA website.

A final tip about multiple choice questions. Don't try to look for patterns or worry if it's the same option each time.

Contrary to popular belief the answer is not always 'B'.

**PQ Agony Aunt Caron Betts is the AVADO F5 tutor**



1. Study the whole syllabus – it's too broad for question spotting
2. Learn the formula – you're only given two in the exam!
3. Practise section C questions – you'll need to include relevant comments on your calculations
4. Practise doing questions to time – section C has 40% of the marks so make sure you get there
5. Do past exams – you'll know what to expect