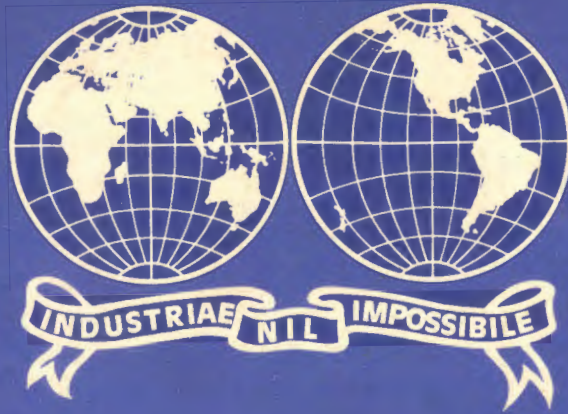


# Executive Accountant



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Association of

Cost & Executive Accountants

THE  
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EXECUTIVE ACCOUNTANTS  
(Incorporated by Guarantee)

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The Association is a professional and examining body representing Cost and Executive Accountants engaged in the service of the Crown and Municipal Corporations, Banks, Insurance Companies, Building Societies, Civil Service, Statutory Undertakings, Nationalised and other Industrial and Commercial Consultancies. It promotes the study and adoption of scientific methods in industrial and commercial enterprises, local governments, public service and internal audit streams. The Association's examinations are held twice a year in the U.K. and abroad.

# Executive Accountant

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# How to Pass Executive Accountancy

By Dick Mukoro, PhD, FCEA

The Association has decided to place considerable emphasis on one of its last papers, Executive Accountancy, as this is one of the areas where the Executive Accountant will come in contact with Management.

Of the working population in the U.K., about 60% are probably involved in Commerce and Industry, either in Government or nationalised industries. This is where I agree wholeheartedly with the Association: that students must be examined and they are expected to present a work that represents 80% of their thinking ability as they are probably going to meet with this in their future employment.

Even a passing familiarity with the Association's Report by the Secretary General of the Association on the Examination Report in the Autumn issue of the official Journal will have been ample to suggest that all is not well within the profession. The report went further: to state that among the papers, the number of students who failed in Executive Accountancy is higher than in any other subject.

Unfortunately, most students have very little idea of what Executive Accountancy is all about as I pointed out in my last article, and very few have any opportunity of seeing in practice the techniques which they are required to study in theory. Consequently, the mere words Executive Accountancy immediately conjure up in the student's mind a sophisticated technique which only the most intelligent student can possibly comprehend.

## Difference between Associate Examinees and Fellowship Examinees

Having raised the alarm, what do we do about it? The first and foremost requirement especially for Fellowship Examinees is to read the responsible professional journals such as one prepared by the members of CCAB, as professional Examinees can be drawn from any direction. The Fellowship Examinees should not forget that the examiners themselves read these official journals.

Having said this, how then can a student maximize the chances of success?

Perhaps the most effective way of answering this crucial question is to take a specimen from a past examination

paper. To this question, the examiner did not disclose the marks, but I have assumed here that it is 25 marks for answering the question.

## The question reads thus:

As an Executive Accountant you are required to (1) compile a discount cash flow statement to consider the acceptance of a project and (2) compute the approximated discount cash flow rate of return for the project from the following information:—

Project cost	£500,000
Cash inflow per annum before tax	100,000
Working Capital required:	
Year 1	15,000
Year 2	20,000
All released at end of seventh year	35,000

## Tax Assumptions

- Corporation Tax Rate on 65%
- The first year allowance rate 95%, and there are sufficient profits available from other activities to absorb the whole amount of this allowances in the first year.
- Tax payments are made, and allowance are received in the year following to which they relate.

## Grants

An 18% tax free regional development grant is available and it is expected that this will be received one year after the purchase and installation of capital equipment.

To answer such questions as the suggested answer stated below is to divide the question into three parts —

- Problem No. (1). Tax Computation
- Problem No. (2). Net cash flow
- Problem No. (3). IRR (Internal Rate of Return).

If you really grasp the technical significance of the procedures as stated below, then why should you fail?

## The Examination Approach

Your general approach in answering such a question should be:

- To distinguish the more obvious points (which it is essential to include) from those which, although relevant, are more of a Discounted Cash Flow procedure and then,
- To set out your answer so that it is obvious to the examiner that the above distinction has been understood.

Finally, the problems of Communication in Executive Accountancy is a must. The examiner cannot award marks for knowledge which you have not given to him.

Make sure that *each question is attempted* on a strict time allocation basis, and do not run over the time allocated (it is easier to pick up the first two questions which represents two-thirds of the marks than the last one-third). If you do find yourself running out of time, make a brief summary of the points which you would have made.

*Presentation* too is of paramount importance. It is essential that reports, for example, are properly headed, and include introductory and concluding paragraphs.

## Conclusion

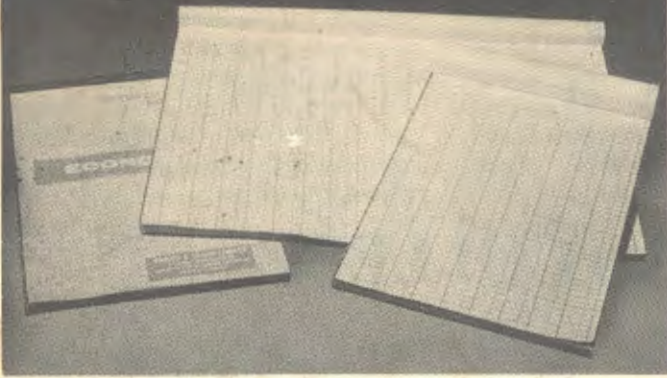
What general conclusions may be drawn from this exercise?

Firstly, most of the points included are on the commonsense level, requiring no abstract knowledge, and in most cases, it is only computation. Always be sure to state the obvious before you start delving for hidden meanings of which even the examiner is probably unaware.

Finally, and most important of all, cultivate a sense of proportion: relate your answers to the exact requirements using the number of marks awarded as a guide to length and details required.

Where necessary, give plenty of emphasis where it is needed, but refrain from self-indulgence, displaying a profound understanding of the subject matter whose tenuous connection with the question is appreciated by yourself and Almighty God alone. The examiner may be impressed — so much so that he will probably invite you back to show off again in the next six months. Is it worth it???

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