

Subject CB1

2023 Study Guide

Introduction

This Study Guide has been created to help you navigate your way through Subject CB1. It contains all the information you will need before starting to study Subject CB1 for the 2023 exams and you may also find it useful to refer to throughout your studies.

The guide is split into two parts:

- Part 1 contains specific information about Subject CB1
- Part 2 contains general information about the Core Business (CB) subjects.

Please read this Study Guide carefully before reading the Course Notes, even if you have studied for some actuarial exams before. While you may have already read (the majority of) the Part 2 material in previous subjects, the information in Part 1 is unique to this course.

Contents

Part 1	Section 1	Subject CB1 – background and contents	Page 2
	Section 2	Subject CB1 – Syllabus and Core Reading	Page 4
	Section 3	Subject CB1 – summary of ActEd products	Page 12
	Section 4	Subject CB1 – skills and assessment	Page 13
	Section 5	Subject CB1 – frequently asked questions	Page 14
Part 2	Section 1	General information and support	Page 15
	Section 2	Core study material	Page 17
	Section 3	ActEd study support	Page 19
	Section 4	Study skills and assessment	Page 26
	Section 5	Queries and feedback	Page 31

1.1 Subject CB1 – background and contents

History

The Business subjects (Subjects CB1, CB2 and CB3) were introduced in the Institute and Faculty of Actuaries' 2019 Curriculum. ActEd is not involved in the delivery of Subject CB3.

Prior to 2023, Subjects CB1 and CB2 were examined using a mixture of multiple-choice and 'free form' answer questions.

Subject CB1 is *Business Finance*.

Predecessors

The topics in the Business subjects (Subjects CB1 and CB2) cover content previously in Subjects CT2 and CT7:

- Subject CB1 replaces Subject CT2.
- Subject CB2 replaces Subject CT7.

Exemptions

In order to be eligible for a pass in Subject CB1, you will need:

- to have passed or been granted an exemption from Subject CT2 during the transfer process
- to have met the Institute and Faculty of Actuaries' requirements based on the current curriculum.

See the Institute and Faculty of Actuaries' website for further details:

actuaries.org.uk/studying/exam-exemptions

Links to other subjects

- Subjects CB2 and CB3 – Business Economics and Business Management are the other *Business* subjects.
- Subject CM1 – Actuarial Mathematics
- Subject CP1 – Actuarial Practice
- Subject SP5 – Investment and Finance Principles

Contents

There are three parts to the Subject CB1 course. The parts cover related topics and are broken down into chapters. At the end of each part there is an assignment testing the material from that part.

The following table shows how the parts and chapters relate to each other. The final column shows how the chapters relate to the days of the regular tutorials. This table should help you plan your progress across the study session.

Part	Chapter	Title	No of pages	X Ass	3 full days
1	1	Key principles of finance and corporate governance	32	X1	1
	2	Business ownership	21		
	3	Taxation	21		
	4	Long-term finance	38		
	5	Issue of shares	30		
	6	Short- and medium-term finance	19		
	7	Alternative sources of finance	18		
	8	Use of derivatives	23		
2	9	Introduction to accounts	32	X2	2
	10	The main accounts	36		
	11	Depreciation and reserves	20		
	12	Constructing accounts	32		
	13	Accounts for groups, insurance companies and banks	30		
	14	Interpretation of accounts	55		
	15	Limitations of accounts and alternative reporting	23		
3	16	Constructing management information	19	X3	3
	17	Growth and restructuring of companies	24		
	18	Weighted average cost of capital	36		
	19	Capital structure and dividend policy	36		
	20	Capital project appraisal (1)	32		
	21	Capital project appraisal (2)	29		

1.2 Subject CB1 – Syllabus and Core Reading

Syllabus

The Syllabus for Subject CB1 is given here. To the right of each objective are the chapter numbers in which the objective is covered in the ActEd course.

Aim

The aim of the Business Finance subject is to:

- provide a basic understanding of corporate finance including a knowledge of the instruments used by companies to raise finance and manage financial risk
- provide the ability to interpret the accounts and financial statements of companies and financial institutions.

Competences

On successful completion of this subject, a student will be able to:

1. understand how companies are governed and structured
2. suggest appropriate ways to finance a company
3. analyse published accounts
4. produce management information.

Syllabus topics

- | | | |
|----|--|-------|
| 1. | Corporate governance and organisation | (20%) |
| 2. | How corporates are financed | (25%) |
| 3. | Evaluating projects | (15%) |
| 4. | Constructing and interpreting company accounts | (40%) |

The weightings are indicative of the approximate balance of the assessment of this subject between the main syllabus topics.

The weightings also have a correspondence with the amount of learning material underlying each syllabus topic. However, this will also reflect aspects such as:

- the relative complexity of each topic, and hence the amount of explanation and support required for it
- the need to provide thorough foundation understanding on which to build the other objectives
- the extent of prior knowledge which is expected
- the degree to which each topic area is more knowledge- or application-based.

Detailed syllabus objectives

- | | | |
|-------|--|-------------|
| 1 | Corporate governance and organisation | (20%) |
| 1.1 | Explain the purpose and process of regulating the financial reporting information of incorporated entities. | (Chapter 1) |
| 1.2 | Describe the key principles of corporate governance and the regulation of companies. | (Chapter 1) |
| 1.3 | Demonstrate an awareness of the key principles of finance. | (Chapter 1) |
| 1.3.1 | Outline the relationship between finance and the real resources and objectives of an organisation. | |
| 1.3.2 | Outline the relationship between the stakeholders in an organisation (including lenders and investors). | |
| 1.3.3 | Outline the role and effects of the capital markets. | |
| 1.3.4 | Outline the maximisation of shareholder wealth as the main goal of financial management in a company. | |
| 1.3.5 | Outline problems relating to the maximisation of shareholder wealth in practice: social responsibility concerns, agency problems and divergent objectives. | |
| 1.3.6 | Outline the strategies employed by managers to maximise shareholder wealth. | |
| 1.3.7 | Outline the determinants of value and the actions managers can take to influence value. | |
| 1.4 | Discuss the ethical responsibilities of the owners and managers of businesses. | (Chapter 1) |
| 2 | How corporates are financed | (25%) |
| 2.1 | Describe the structure of a company and the different methods by which it may be financed. | |
| 2.1.1 | Outline the distinctive characteristics of sole traders, partnerships and limited companies and social enterprises as business entities. | (Chapter 2) |
| 2.1.2 | Describe the different types of loan and share capital. | (Chapter 4) |
| 2.1.3 | Contrast authorised and issued share capital. | (Chapter 4) |
| 2.1.4 | Discuss the economic advantages and disadvantages of a limited company as a business entity. | (Chapter 2) |
| 2.1.5 | Outline the main differences between a private and public company. | (Chapter 2) |

- 2.1.6 Outline the following different types of medium term company finance: (Chapter 6)
- credit sale
 - leasing
 - bank loans.
- 2.1.7 Describe the following different types of short term company finance: (Chapter 6)
- bank overdrafts
 - trade credit
 - factoring
 - bills of exchange
 - commercial paper.
- 2.1.8 Describe alternative methods of raising finance outside the regular banking system, including 'shadow banking', direct project financing, peer-to-peer lending, crowd-funding and micro-finance. (Chapter 7)
- 2.2 Describe the basic principles of personal and corporate taxation. (Chapter 3)
- 2.2.1 Describe the basic principles of personal taxation of income and capital gains.
- 2.2.2 Describe the basic principles of company taxation.
- 2.2.3 Explain the different systems of company taxation from the points of view of an individual shareholder and the company.
- 2.2.4 Explain why investment funds, including private equity funds, might locate offshore if they obtain their funds from investors in a variety of jurisdictions.
- 2.2.5 Outline the basic principles of double taxation relief.
- 2.3 Demonstrate a knowledge and understanding of the characteristics of the principal forms of financial instrument issued or used by companies and the ways in which they may be issued.
- 2.3.1 Outline for a private company: (Chapter 5)
- the reasons they may have for seeking a quotation on the stock exchange
 - how shares are issued and traded
 - the advantages and disadvantages for their remaining as a private company compared with becoming a publicly quoted company.

- 2.3.2 Describe the characteristics of the following: (Chapter 4)
- debenture stocks
 - unsecured loan stocks
 - Eurobonds
 - preference shares
 - ordinary shares
 - convertible unsecured loan stocks
 - convertible preference shares
 - contingent convertibles
 - floating rate notes
 - subordinated debt
 - asset-backed securities
 - options issued by companies.
- 2.3.3 Describe the characteristics and possible uses by a non-financial company of: (Chapter 8)
- financial futures
 - options
 - interest rate and currency swaps.
- 2.3.4 Outline the following methods of obtaining a quotation for securities: (Chapter 5)
- offer for sale
 - offer for sale by tender
 - offer for subscription
 - placing
 - introduction.
- 2.3.5 Describe a rights issue to existing shareholders. (Chapter 5)
- 2.3.6 Describe the role of underwriting in the issue of securities. (Chapter 5)
- 2.4 Discuss the factors to be considered by a company when deciding on its capital structure and dividend policy. (Chapter 19)
- 2.4.1 Describe the effect that the capital structure used by a company will have on the market valuation of the company.
- 2.4.2 Describe the effect of taxation on the capital structure used by a company.
- 2.4.3 Discuss the principal factors that a company should consider in setting dividend policy.
- 2.4.4 Discuss alternative ways of distributing profits, such as buybacks.

- 2.4.5 Discuss the effect that the dividend policy will have on the market valuation of a company.
- 2.5 Discuss how and why companies grow, how and why they may wish to divest and the different ways of company restructuring. (Chapter 17)
- 2.5.1 Describe why businesses want to grow larger, how companies achieve internal growth and explain the relationship between growth and profitability.
- 2.5.2 Describe the constraints on a firm's growth.
- 2.5.3 Explain why a company may wish to divest subsidiaries or business units.
- 2.6 Outline the motives for mergers and acquisitions. (Chapter 17)
- 2.6.1 Describe the characteristics of a merger.
- 2.6.2 Discuss methods of evaluating a target company.
- 2.6.3 Discuss the steps that a buyer will usually take in a leveraged buyout.
- 3 Evaluating projects (15%)
- 3.1 Discuss how a company's cost of capital interacts with the nature of the investment projects it undertakes. (Chapters 18, 20 and 21)
- 3.1.1 Define what is meant by a company's cost of capital.
- 3.1.2 Describe how to calculate a company's weighted average cost of capital.
- 3.1.3 Discuss the principal methods that may be used to determine the viability of a capital project.
- 3.1.4 Carry out cashflow projections and techniques to estimate cashflows.
- 3.1.5 Describe methods commonly used to evaluate risky investments including simulation and certainty equivalents.
- 3.1.6 Discuss the issues in establishing the required rate of return for a capital project.
- 3.1.7 Discuss the factors underlying the choice of discount rate within project assessment, including:
- the assumptions and limitations in the use of the weighted average cost of capital.
 - the allowance for leverage.
 - the allowance for risk.
- 3.1.8 Discuss the methods that may be used for identifying the risks that may be present for different types of project.
- 3.1.9 Discuss suitable techniques for ascertaining the probability of occurrence of different risks over varying timescales and the financial impact of occurrence.

- 3.1.10 Discuss suitable techniques for ascertaining the distribution of the possible financial outcomes of a capital project.
- 4 Constructing and interpreting company accounts (40%)
- 4.1 Describe the basic construction of accounts of different types and the role and principal features of the accounts of a company. (Chapters 9 to 13 and 15)
- 4.1.1 Explain why companies are required to produce annual reports and accounts.
- 4.1.2 Explain the value of financial reporting on environmental, social and economic sustainability.
- 4.1.3 Describe alternatives to traditional financial reporting.
- 4.1.4 Explain the fundamental accounting concepts that should be adopted in the drawing up of company accounts.
- 4.1.5 Explain the purpose of:
- a statement of financial position.
 - a statement of comprehensive income.
 - a cashflow statement.
 - the notes to the accounts.
- 4.1.6 Construct simple statements of financial position and statements of profit or loss.
- 4.1.7 Explain cashflow statements.
- 4.1.8 Describe the structure and content of insurance company accounts.
- 4.1.9 Describe the structure and content of banking company accounts.
- 4.1.10 Explain what is meant by the terms subsidiary company and associated company.
- 4.1.11 Explain the purpose of consolidated accounts.
- 4.1.12 Explain how goodwill may arise on the consolidation of group accounts.
- 4.1.13 Explain how depreciation is treated in company accounts.
- 4.1.14 Explain the function of the following accounts – share capital, other reserves and retained earnings.
- 4.2 Assess the accounts of a company or a group of companies, including the limitations of such assessment. (Chapters 14 to 16)
- 4.2.1 Calculate and explain priority percentages and gearing.
- 4.2.2 Calculate and explain interest cover and asset cover for loan capital.
- 4.2.3 Describe the possible effects of interest rate movements on a highly geared company.

- 4.2.4 Calculate and explain price earnings ratio, dividend yield, dividend cover and EBITDA.
- 4.2.5 Explain net earnings per share.
- 4.2.6 Calculate and explain accounting ratios that indicate:
- profitability
 - liquidity
 - efficiency.
- 4.2.7 Discuss the working capital position of a company.
- 4.2.8 Discuss the shortcomings of historical cost accounting.
- 4.2.9 Discuss the limitations in the interpretation of company accounts.
- 4.2.10 Discuss the ways that reported figures can be manipulated to create a false impression of a company's financial position.
- 4.2.11 Describe the function of forecasts and budgets as sources of management information.

Core Reading

The Subject CB1 Course Notes include the Core Reading in full, integrated throughout the course.

The United Kingdom left the European Union on 1 January 2021 without an EU-wide arrangement for the operation and regulation of financial services. Discussions continue and this version of the Core Reading does not attempt to address these areas.

The enduring effect of the coronavirus pandemic on both the global economy and financial markets will not be known for some time. This version of the Core Reading does not attempt to address these areas.

Accreditation

Material from the Audit and Assurance Council (formerly Auditing Practices Board) in this Core Reading is reproduced by kind permission of the Audit and Assurance Council. For further information please **visit frc.org.uk**.

Further reading

The exam will be based on the relevant Syllabus and Core Reading and the ActEd course material will be the main source of tuition for students.

1.3 Subject CB1 – summary of ActEd products

The following products are available for Subject CB1:

- Course Notes
- X Assignments – three assignments:
 - X1-X3: 100-mark tests (you are allowed 3¼ hours to complete these)
- Series X Marking
- Online Classroom – around 60 tutorial units
- Flashcards
- Revision Notes – six A5 booklets
- ASET (2014-17 papers)* – an archive of four years of exam papers, *ie* eight sittings, covering the period April 2014 to September 2017
- ASET (2019-21 papers) – three years of exam papers, *ie* six sittings, covering the period April 2019 to September 2021
- Mock Exam – one 100-mark test
- Additional Mock Pack (AMP) – two additional 100-mark tests
- Mock Exam Marking
- Marking Vouchers.

Products are generally available in both paper and eBook format. Visit **ActEd.co.uk** for full details about available eBooks, software requirements and restrictions.

* This product is no longer updated each year to reflect changes to the Syllabus and Core Reading. Some of the questions may be used elsewhere in ActEd's product range.

The following tutorials are typically available for Subject CB1:

- Regular Tutorials (three days)
- Block Tutorials (three days).

Tutorials are typically available both face-to-face and live online.

Full details are set out in our *Tuition Bulletin*, which is available on our website at **ActEd.co.uk**.

1.4 Subject CB1 – skills and assessment

Technical skills

Subjects CB1 and CB2 are less mathematical than the other Core Principles subjects, instead involving in-depth understanding of business and accounting principles.

Subject CB1 is assessed using objective test (multiple choice) questions and ‘free form’ answer questions. Don’t panic if you haven’t produced such exam answers in a while – it is more important to come up with a set of clear, concise points than to answer with flowing prose.

Exam skills

Exam question skill levels

In Subject CB1, the approximate split of assessment across the three skill types is:

- Knowledge – 20%
- Application – 60%
- Higher Order skills – 20%.

Assessment

Assessment consists of a 3¼-hour* examination involving objective test questions and ‘free form’ answer questions.

* The online exams provide an additional 5 minutes (*ie* 3 hours 20 minutes in total) for students to download and print the question paper.

1.5 Subject CB1 – frequently asked questions

Q: *What knowledge of earlier subjects should I have?*

A: No knowledge of earlier subjects is required.

Q: *What are the key question answering skills?*

A: Part 2 of the course covers the construction and interpretation of accounts. This work can be quite complex and it helps to have accurate numerical skills. A lot of question practice in this area will help.

More generally, questions often ask you to recommend action for a particular firm or individual in a particular situation. You need to know and understand the course content and then be able to think practically to apply the principles to the given situation.

Q: *What should I do if I discover an error in the course?*

A: If you find an error in the course, please check our website at:

ActEd.co.uk/paper_corrections.html

to see if the correction has already been dealt with. Otherwise please send details via email to **CB1@bpp.com**.

Q: *Who should I send feedback to?*

A: We are always happy to receive feedback from students, particularly details concerning any errors, contradictions or unclear statements in the courses.

If you have any comments on this course in general, please email to **CB1@bpp.com**.

If you have any comments or concerns about the Syllabus or Core Reading, these can be passed on to the Institute and Faculty of Actuaries via ActEd. Alternatively, you can send them directly to the Institute and Faculty of Actuaries' Examination Team by email to **education.services@actuaries.org.uk**.

2.1 General information and support

Before you start

When studying for the Institute and Faculty of Actuaries' exams, you will need:

- a copy of the **Formulae and Tables for Examinations of the Faculty of Actuaries and the Institute of Actuaries, 2nd Edition (2002)** – these are referred to simply as the *Tables*
- a **scientific calculator** and/or **software package** to help with calculations.

The *Tables* are available from the Institute and Faculty of Actuaries' eShop. Please visit [actuaries.org.uk](https://www.actuaries.org.uk).

BPP learning support

BPP's Learning Support team offers a wide range of support for all students who disclose a learning difficulty or disability, including sensory difficulties, mobility difficulty, ADHD, Asperger Syndrome, mental health difficulties, dyslexia, dyspraxia and general health problems. This support is accessible to all ActEd students free of charge.

This support includes:

- accessible and inclusive learning facilities
- a dedicated team that provides information, advice, guidance and support.

Please contact the Learning Support team at LearningSupport@bpp.com for more information.

Safeguarding

Safeguarding means protecting people's health, wellbeing and human rights, and enabling them to live free from harm, abuse and neglect.

For ActEd, safeguarding is recognising when someone needs support to help them achieve their learning goals while maintaining their safety, both face-to-face and online.

We want you to feel comfortable within our learning environment and safe in the knowledge that if you ever needed support, you would know where to go.

If you need support, please contact BPP's Safeguarding team at safeguarding@bpp.com or for urgent concerns call 07464 542 636.

The Prevent Duty

As a Government-regulated training provider, we are responsible for ensuring our learners are well informed and staying safe.

The Prevent Duty is to protect people from radicalisation and being drawn into extremist views and terrorism. ActEd has a duty to ensure that our learners are well informed and stay safe, and to empower our students to know what to look for and when to report concerns.

Please be aware of:

- people sharing or accessing extremist materials
- homophobic, disability-related, religious or racist bullying
- expressions of hatred towards or incitement to harm particular groups
- use of derogatory language towards particular groups.

Please report any concerns to a tutor or email **safeguarding@bpp.com**.

More information is available at:

officeforstudents.org.uk/advice-and-guidance/regulation/counter-terrorism-the-prevent-duty

2.2 Core study material

This section explains the role of the Syllabus, Core Reading and supplementary ActEd text. It also gives guidance on how to use these materials most effectively in order to pass the exam.

Some of the information below is also contained in the introduction to the Core Reading produced by the Institute and Faculty of Actuaries.

Syllabus

The Syllabus for Subject CB1 has been produced by the Institute and Faculty of Actuaries. The relevant individual syllabus objectives are included at the start of each course chapter and a complete copy of the Syllabus is included in Section 1.2 of this Study Guide. We recommend that you use the Syllabus as an important part of your study.

Core Reading

The Core Reading has been produced by the Institute and Faculty of Actuaries. The purpose of the Core Reading is to assist in ensuring that tutors, students and examiners have clear shared appreciation of the requirements of the Syllabus for the qualification examinations for Fellowship of the Institute and Faculty of Actuaries.

The Core Reading supports coverage of the Syllabus in helping to ensure that both depth and breadth are re-enforced. It is therefore important that students have a good understanding of the concepts covered by the Core Reading.

The examinations require students to demonstrate their understanding of the concepts given in the Syllabus and described in the Core Reading; this will be based on the legislation, professional guidance, *etc* that are in force when the Core Reading is published, *ie* on 31 May in the year preceding the examinations.

Therefore the exams in April and September 2023 will be based on the Syllabus and Core Reading as at 31 May 2022. We recommend that you always use the up-to-date Core Reading to prepare for the exams.

Examiners will have this Core Reading when setting the papers. In preparing for examinations, students are advised to work through past examination questions and will find additional tuition helpful. The Core Reading will be updated each year to reflect changes in the Syllabus, to reflect current practice, and in the interest of clarity.

Accreditation

The Institute and Faculty of Actuaries would like to thank the numerous people who have helped in the development of the material contained in this Core Reading.

ActEd text

Core Reading deals with each syllabus objective and covers what is needed to pass the exam. However, the tuition material that has been written by ActEd enhances it by giving examples and further explanation of key points. Here is an excerpt from some ActEd Course Notes to show you how to identify Core Reading and the ActEd material. **Core Reading is shown in this bold font.**

In the example given above, the index *will* fall if the actual share price goes below the theoretical ex-rights share price. Again, this is consistent with what would happen to an underlying portfolio.

After allowing for chain-linking, **the formula for the investment index then becomes:**

$$I(t) = \frac{\sum_i N_{i,t} P_{i,t}}{B(t)}$$

where **$N_{i,t}$** is the number of shares issued for the i th constituent at time t ;

$B(t)$ is the base value, or divisor, at time t .

The diagram shows two text boxes on the right side of the excerpt. The top box, labeled 'This is ActEd text', has an arrow pointing to the bolded sentence 'the formula for the investment index then becomes:'. The bottom box, labeled 'This is Core Reading', has an arrow pointing to the bolded definition of $B(t)$.

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Legal action will be taken if these terms are infringed. In addition, we may seek to take disciplinary action through the Institute and Faculty of Actuaries or through your employer.

These conditions remain in force after you have finished using the course.

2.3 ActEd study support

This section gives a description of the products offered by ActEd.

Successful students tend to undertake three main study activities:

1. *Learning* – initial study and understanding of subject material
2. *Revision* – learning subject material and preparing to tackle exam-style questions
3. *Rehearsal* – answering exam-style questions, culminating in answering questions at exam speed.

Different approaches suit different people. For example, you may like to revise material gradually over the months running up to the exams or you may do your revision in a shorter period just before the exams. Also, these three activities will almost certainly overlap.

We offer a flexible range of products to suit you and let you control your own learning and exam preparation. The following table shows the products that we produce. Not all products are available for all subjects.

LEARNING	LEARNING & REVISION	REVISION	REVISION & REHEARSAL	REHEARSAL
Course Notes	X Assignments Combined Materials Pack (CMP) X Assignment Marking Tutorials Online Classroom	Flashcards Sound Revision	Revision Notes ASET	Mock Exam Additional Mock Pack (AMP) Mock Marking

The products and services are described in more detail below.

‘Learning’ products

Course Notes

The Course Notes will help you develop the basic knowledge and understanding of principles needed to pass the exam. They incorporate the complete Core Reading and include full explanation of all the syllabus objectives, with worked examples and questions (including some past exam questions) to test your understanding.

Each chapter includes:

- the relevant syllabus objectives
- a chapter summary
- a page of important formulae or definitions (where appropriate)
- practice questions with full solutions.

‘Learning & revision’ products

X Assignments

The Series X Assignments are assessments that cover the material in each part of the course in turn. They can be used to develop and test your understanding of the material.

The X Assignments come with full marking schedules, and are available with or without marking (see below).

Combined Materials Pack (CMP)

The Combined Materials Pack (CMP) comprises the Course Notes and the Series X Assignments.

CMP Upgrade

The purpose of the CMP Upgrade is to enable you to amend last year’s study material to make it suitable for study for this year.

Wherever possible, it lists the changes to the syllabus objectives, Core Reading and the ActEd material since last year that might realistically affect your chance of success in the exam. It is produced so that you can manually amend your notes. The upgrade includes replacement pages and additional pages where appropriate.

However, if a large number of changes have been made to the Course Notes and X Assignments, it is not practical to produce a full upgrade, and the upgrade will only *outline* the most significant changes. In this case, we recommend that you purchase a replacement CMP (printed copy or eBook) or Course Notes at a significantly reduced price.

The CMP Upgrade can be downloaded free of charge on our website at **ActEd.co.uk**.

A separate upgrade for eBooks is not produced but a significant discount is available for retakers wishing to re-purchase the latest eBook.

X Assignment Marking

We are happy to mark your attempts at the X assignments. Marking is not included with the Assignments or the CMP and you need to order it separately.

IMPORTANT NOTE: You must submit your script on our virtual learning environment, 'The Hub', in the format detailed in your assignment instructions. You will also be able to download your marked script, including marker feedback, from The Hub, as well as being given the opportunity to provide comments on the quality of the marking.

Don't underestimate the benefits of attempting and submitting assignments for marking:

- Question practice during this phase of your study gives an early focus on the end goal of answering exam-style questions.
- You're incentivised to keep up with your study plan and get a regular, realistic assessment of your progress.
- Objective, personalised feedback from a high quality marker will highlight areas on which to work and help with exam technique.

In a recent study, we found that students who attempt more than half the assignments and get them marked have significantly higher pass rates.

There are two different types of marking product: Series Marking and Marking Vouchers.

Series Marking

Series Marking applies to a specified subject, session and student. If you purchase Series Marking, you will **not** be able to defer the marking to a future exam sitting or transfer it to a different subject or student.

We typically provide full solutions with the Series X Assignments. However, if you order Series Marking at the same time as you order the Series X Assignments, you can choose whether or not to receive a copy of the solutions in advance. If you choose not to receive them with the study material, you will be able to download the solutions from The Hub when your marked script is returned (or following the final deadline date if you do not submit a script).

If you are having your attempts at the assignments marked by ActEd, you should submit your scripts regularly throughout the session, in accordance with the schedule of recommended dates set out on our website at **ActEd.co.uk**. This will help you to pace your study throughout the session and leave an adequate amount of time for revision and question practice.

The recommended submission dates are realistic targets for the majority of students. Your scripts will be returned more quickly if you submit them well before the final deadline dates.

Any script submitted *after* the relevant final deadline date will not be marked. It is your responsibility to ensure that we receive scripts in good time.

Marking Vouchers

Marking Vouchers give the holder the right to submit a script for marking at any time, irrespective of the individual assignment deadlines, study session, subject or person.

Marking Vouchers can be used for any assignment. They are valid for four years from the date of purchase and can be refunded at any time up to the expiry date.

Although you may submit your script with a Marking Voucher at any time, you will need to adhere to the explicit Marking Voucher deadline dates to ensure that your script is returned before the date of the exam. The deadline dates are provided on our website at **ActEd.co.uk**.

Tutorials

Our tutorials are specifically designed to develop the knowledge that you will acquire from the course material into the higher-level understanding that is needed to pass the exam.

We run a range of different tutorials including face-to-face tutorials at various locations, and Live Online tutorials. Full details are set out in our *Tuition Bulletin*, which is available on our website at **ActEd.co.uk**.

Regular and Block Tutorials

In preparation for these tutorials, we expect you to have read the relevant part(s) of the Course Notes before attending the tutorial so that the group can spend time on exam questions and discussion to develop understanding rather than basic bookwork.

You can choose *one* of the following types of tutorial:

- **Regular Tutorials** spread over the session
- a **Block Tutorial** held two to eight weeks before the exam.

Online Classroom

The Online Classroom acts as either a valuable add-on or a great alternative to a face-to-face or Live Online tutorial.

At the heart of the Online Classroom in each subject is a comprehensive, easily-searched collection of tutorial units. These are a mix of:

- teaching units, helping you to really get to grips with the course material, and
- guided questions, enabling you to learn the most efficient ways to answer questions and avoid common exam pitfalls.

The best way to discover the Online Classroom is to see it in action. You can watch a sample of the Online Classroom tutorial units on our website at **ActEd.co.uk**.

'Revision' products

For most subjects, there is **a lot of material** to revise. Finding a way to fit revision into your routine as painlessly as possible has got to be a good strategy. Flashcards and Sound Revision are inexpensive options that can provide a massive boost. They can also provide a variation in activities during a study day, and so help you to maintain concentration and effectiveness.

Flashcards

Flashcards are a set of A6-sized cards that cover the key points of the subject that most students want to commit to memory. Each flashcard has questions on one side and the answers on the reverse. We recommend that you use the cards actively and test yourself as you go.

Sound Revision

It is reported that only 30% of information that is read is retained but this rises to 50% if the information is also heard. Sound Revision is a set of audio files, designed to help you remember the most important aspects of the Core Reading.

The files cover the majority of the course, split into a number of manageable topics based on the chapters in the Course Notes. Each section lasts no longer than a few minutes.

Choice of revision product

Different students will have preferences for different revision products.

So, what might influence your choice between these study aids? The following questions and comments might help you to choose the revision products that are most suitable for you:

- Do you have a regular train or bus journey?
Flashcards are ideal for regular bursts of revision on the move.
- Do you want to fit more study into your routine?
Flashcards are a good option for 'dead time', eg using flashcards on your phone or sticking them on the wall in your study.
- Do you find yourself cramming for exams (even if that's not your original plan)?
Flashcards are an extremely efficient way to do your pre-exam preparation.
- Do you have some regular time where carrying other materials isn't practical, eg commuting, at the gym, walking the dog?
Sound Revision is an ideal 'hands-free' revision tool.
- Do you have a preference for auditory learning, eg do you remember conversations more easily than emails?
Sound Revision will suit your preferred style and be especially effective for you.

Choosing more than one revision product

As there is some degree of overlap between revision products, we do not necessarily recommend using them simultaneously. However, if you are retaking a subject, then you might consider using a different product than on a previous attempt to keep your revision fresh and effective.

‘Revision & rehearsal’ products

Revision Notes

Our Revision Notes have been designed with input from students to help you revise efficiently. They are suitable for first-time sitters who have worked through the ActEd Course Notes or for retakers (who should find them much more useful and challenging than simply reading through the course again).

The Revision Notes are a set of A5 booklets – perfect for revising in places where taking large amounts of study material with you is not practical. Each booklet covers one main theme or a set of related topics from the course and includes:

- Core Reading with a set of integrated short questions to develop your bookwork knowledge
- relevant past exam questions with concise solutions from ten recent years
- other useful revision aids.

ActEd Solutions with Exam Technique (ASET)

The ActEd Solutions with Exam Technique (ASET) contains our solutions to a number of past exam papers, plus comment and explanation. In particular, it highlights how questions might have been analysed and interpreted so as to produce a good solution with a wide range of relevant points. This will be valuable in approaching questions in subsequent examinations.

Choice of revision & rehearsal product

Different students will have preferences for different revision & rehearsal products, and there is some overlap in that both the Revision Notes and ASET contain past exam paper questions from recent years. However:

- ASET is designed to be educational. It aims to allow you to fully understand the solution points, and to assist you in improving your own answers through focussed explanations and tips on tackling the questions.

It is likely to be most appropriate if you are attempting the questions by producing answers in full, eg under exam conditions.

- The past exam question and solution sections of the Revision Notes are designed to give you a greater volume of question practice. They allow you to focus on specific topic areas one at a time.

They are likely to be most appropriate if you are using the questions to develop and practise your idea generation techniques, enabling you to work quickly through more questions than if you were producing full, detailed answers.

‘Rehearsal’ products

Mock Exam

The Mock Exam is a 100-mark mock exam paper that provides a realistic test of your exam readiness.

It is based on the Mock Exam from last year but it has been updated to reflect any changes to the Syllabus, Core Reading and examination format.

The Mock Exam comes with a full marking schedule, and is available with or without marking (see below).

Additional Mock Pack (AMP)

The Additional Mock Pack (AMP) consists of two further 100-mark mock exam papers – Mock Exam 2 and Mock Exam 3. This is ideal if you are retaking and have already sat the Mock Exam, or if you just want some extra question practice.

Mock Exam 2 and Mock Exam 3 come with full marking schedules, and are available with or without marking (see below).

Mock Marking

We are happy to mark your attempts at the mock exams. The same general principles apply as for the X Assignment Marking. In particular:

- Mock Exam Marking applies to a specified subject, session and student
- Marking Vouchers can be used for each mock exam paper. Marking vouchers have to be used for marking the AMP exam papers and can be used for marking the Mock Exam.

Recall that:

- marking is not included with the products themselves and you need to order it separately
- you should submit your script via The Hub in the format detailed in the mock exam instructions
- you will be able to download the feedback on your marked script, the solutions if you have Mock Exam Marking, and provide comments on the quality of the marking via The Hub.

2.4 Study skills and assessment

Technical skills

The Core Reading and exam papers for these subjects tend to be very technical. The exams themselves typically have a range of questions, including calculations, along with more 'wordy' questions. The emphasis in the exam will therefore be on *knowing* and *understanding* the main concepts, and being able to *apply* them to various, frequently unfamiliar, situations. Where there are calculations involved, it is important to have a feel for what the numerical answer should be by having a deep understanding of the material and by doing reasonableness checks.

The aim of the exams is to test your ability to apply your knowledge and understanding of the key principles described in the Core Reading to specific situations presented to you in the form of exam questions. Therefore your aim should be to identify and understand the key principles, and then to practise applying them. You will also need to be thoroughly familiar with the Core Reading to score well and quickly on any knowledge-based questions.

Study skills

Overall study plan

We suggest that you develop a realistic study plan, building in time for relaxation and allowing some time for contingencies. Be aware of busy times at work, when you may not be able to take as much study leave as you would like. Once you have set your plan, be determined to stick to it. You don't have to be too prescriptive at this stage about what precisely you do on each study day. The main thing is to be clear that you will cover all the important activities in an appropriate manner and leave plenty of time for revision and question practice.

Aim to manage your study so as to allow plenty of time for the concepts you meet in these courses to 'bed down' in your mind. Most successful students will probably aim to complete the courses at least a month before the exam, thereby leaving a sufficient amount of time for revision. By finishing the courses as quickly as possible, you will have a much clearer view of the big picture. It will also allow you to structure your revision so that you can concentrate on the important and difficult areas.

You can also try looking at our discussion forum, which can be accessed at [ActEd.co.uk/forums](https://www.acted.co.uk/forums) (or use the link from our home page at [ActEd.co.uk](https://www.acted.co.uk)). There are some good suggestions from students on how to study.

Study sessions

Only do activities that will increase your chance of passing. Try to avoid including activities for the sake of it and don't spend time reviewing material that you already understand. You will only improve your chances of passing the exam by getting on top of the material that you currently find difficult.

Ideally, each study session should have a specific purpose and be based on a specific task, eg *'Finish reading Chapter 3 and attempt Practice Questions 3.4, 3.7 and 3.12'*, as opposed to a specific amount of time, eg *'Three hours studying the material in Chapter 3'*.

Try to study somewhere quiet and free from distractions (*eg* an area at home dedicated to study). Find out when you operate at your peak, and endeavour to study at those times of the day. This might be between 8am and 10am or could be in the evening. Take short breaks during your study to remain focused – it's definitely time for a short break if you find that your brain is tired and that your concentration has started to drift from the information in front of you.

Order of study

We suggest that you work through each of the chapters in turn. To get the maximum benefit from each chapter you should proceed in the following order:

1. Read the syllabus objectives. These are set out in the box at the start of each chapter.
2. Read the Chapter Summary at the end of each chapter. This will give you a useful overview of the material that you are about to study and help you to appreciate the context of the ideas that you meet.
3. Study the Course Notes in detail, annotating them and possibly making your own notes. Try the self-assessment questions as you come to them. As you study, pay particular attention to the listing of the syllabus objectives and to the Core Reading.
4. Read the Chapter Summary again carefully. If there are any ideas that you can't remember covering in the Course Notes, read the relevant section of the notes again to refresh your memory.
5. Attempt (at least some of) the Practice Questions that appear at the end of the chapter.
6. Think about what specifically you might want to include from that chapter in the reference materials that you choose to have to hand during the exam. For example, you might want to put together some easy-reference lists of key concepts or formulae that can be referred to quickly and conveniently.

It's a fact that people are more likely to absorb something if they review it several times. So, do look over the chapters you have studied so far from time to time. It is useful to re-read the Chapter Summaries or to try the Practice Questions again a few days after reading the chapter itself. It's a good idea to annotate the questions with details of when you attempted each one. This makes it easier to ensure that you try all of the questions as part of your revision without repeating any that you got right first time.

Once you've read the relevant part of the notes and tried a selection of questions from the Practice Questions (and attended a tutorial, if appropriate) you should attempt the corresponding assignment. If you submit your assignment for marking, spend some time looking through it carefully when it is returned. It can seem a bit depressing to analyse the errors you made, but you will increase your chances of passing the exam by learning from your mistakes. The markers will try their best to provide practical comments to help you to improve.

To be really prepared for the exam, you should not only know and understand the Core Reading but also be aware of what the examiners will expect. Your revision programme should include plenty of question practice so that you are aware of the typical style, content and marking structure of exam questions. You should attempt as many past exam questions as you can.

Active study

Here are some techniques that may help you to study actively.

1. Don't believe everything you read. Good students tend to question everything that they read. They will ask 'why, how, what for, when?' when confronted with a new concept, and they will apply their own judgement. This contrasts with those who unquestioningly believe what they are told, learn it thoroughly, and reproduce it (unquestioningly?) in response to exam questions.
2. Another useful technique as you read the Course Notes is to think of possible questions that the examiners could ask. This will help you to understand the examiners' point of view and should mean that there are fewer nasty surprises in the exam. Use the Syllabus to help you make up questions.
3. Annotate your notes with your own ideas and questions. This will make you study more actively and will help when you come to review and revise the material. These notes may also be useful to refer to in the exam. Do not simply copy out the notes without thinking about the issues.
4. Attempt the questions in the notes as you work through the course. Produce your answer before you refer to the solution.
5. Attempt other questions and assignments on a similar basis, *ie* produce your answer before looking at the solution provided. Attempting the assignments under timed conditions has some particular benefits:
 - It forces you to think and act in a way that is similar to how you will behave in the exam.
 - When you have your assignments marked it is *much* more useful if the marker's comments can show you how to improve your performance under timed conditions than your performance when you are under no time pressure.
 - The knowledge that you are going to do an assignment under timed conditions and then submit it (however good or bad) for marking can act as a powerful incentive to make you study each part as well as possible.
 - It is also quicker than trying to produce perfect answers.
6. Sit a mock exam four to six weeks before the real exam to identify your weaknesses and work to improve them. You could use a mock exam written by ActEd or a past exam paper. Ensure that you have your reference materials handy, as you plan to in the actual exam, so that you can practise finding what you need in them quickly and efficiently. (You might even be able to add to / modify your reference materials to increase their usefulness.)

You can find further information on how to study in the Institute and Faculty of Actuaries' Qualification Handbook, which you can download from their website at:

[actuaries.org.uk/qualify](https://www.actuaries.org.uk/qualify)

Revision and exam skills

Revision skills

You will have sat many exams before and will have mastered the exam and revision techniques that suit you. However it is important to note that due to the high volume of work involved in the Core Principles subjects it is not possible to leave all your revision to the last minute. Students who prepare well in advance have a better chance of passing their exams on the first sitting.

Unprepared students find that they are under time pressure in the exam. Therefore it is important to find ways of maximising your score in the shortest possible time. Part of your preparation should be to practise a large number of exam-style questions under timed conditions as soon as possible. This will:

- help you to develop the necessary understanding of the techniques required
- highlight the key topics, which crop up regularly in many different contexts and questions
- help you to practise the specific skills that you will need to pass the exam.

There are many sources of exam-style questions. You can use past exam papers, the Practice Questions at the end of each chapter (which include many past exam questions), assignments, mock exams, the Revision Notes and ASET.

Exam question skill levels

Exam questions are not designed to be of similar difficulty. The Institute and Faculty of Actuaries specifies different skill levels at which questions may be set.

Questions may be set at any skill level:

- Knowledge – demonstration of a detailed knowledge and understanding of the topic
- Application – demonstration of an ability to apply the principles underlying the topic within a given context
- Higher Order – demonstration of an ability to perform deeper analysis and assessment of situations, including forming judgements, taking into account different points of view, comparing and contrasting situations, suggesting possible solutions and actions, and making recommendations.

Command verbs

The Institute and Faculty of Actuaries use command verbs (such as 'Define', 'Discuss' and 'Explain') to help students to identify what the question requires. The Institute and Faculty of Actuaries has produced guidance on 'Command verbs used in the Associate and Fellowship examinations', to help students to understand what each command verb is asking them to do.

The Institute and Faculty of Actuaries also gives the following advice:

- The use of a specific command verb within a syllabus objective does not indicate that this is the only form of question which can be asked on the topic covered by that objective.
- The examiners may ask a question on any syllabus topic using any of the agreed command verbs, as are defined in the document.

You can find the relevant document on the Institute and Faculty of Actuaries' website at:

[actuaries.org.uk/qualify/prepare-for-your-exams](https://www.actuaries.org.uk/qualify/prepare-for-your-exams)

Past exam papers

You can download past exam papers and Examiners' Reports from the Institute and Faculty of Actuaries' website at **[actuaries.org.uk](https://www.actuaries.org.uk)**.

The examination

The Institute and Faculty of Actuaries has produced an:

- Examinations Handbook, which includes guidance around notation, suggesting possible standard keyboard notation that students could use when typing solutions in Word during the Institute and Faculty of Actuaries' examinations
- Assessment Regulations document, which includes rules on eligibility, entry and conduct during an online assessment.

The Examinations Handbook and Assessment Regulations document, along with additional information about preparing for, booking and sitting the Institute and Faculty of Actuaries' exams can be found at:

[actuaries.org.uk/qualify/my-exams/ifo-exams](https://www.actuaries.org.uk/qualify/my-exams/ifo-exams)

IMPORTANT NOTE: For the 2023 examinations, these documents will be updated and published in the weeks leading up to each exam session. It is important that you keep up-to-date with any changes and developments.

For the exam, ensure you have ready:

- your reference materials, with helpful bookmarks
- rough paper and a pen / pencil
- a calculator / Excel (or equivalent)
- a copy of the *Tables*.

2.5 Queries and feedback

Questions and queries

From time to time you may come across something in the study material that is unclear to you. The easiest way to solve such problems is often through discussion with friends, colleagues and peers – they will probably have had similar experiences whilst studying. If there's no-one at work to talk to then use our discussion forum at **ActEd.co.uk/forums** (or use the link from our home page at **ActEd.co.uk**).

Our online forum is dedicated to actuarial students so that you can get help from fellow students on any aspect of your studies from technical issues to study advice. You could also use it to get ideas for revision or for further reading around the subject that you are studying. ActEd tutors will visit the site from time to time to ensure that you are not being led astray and we also post other frequently asked questions from students on the forum as they arise.

If you are still stuck, then you can send queries by email to the relevant subject email address (see Section 1.5), but we recommend that you try the forum first. We will endeavour to contact you as soon as possible after receiving your query but you should be aware that it may take some time to reply to queries, particularly when tutors are away from the office running tutorials. At the busiest teaching times of year, it may take us more than a week to get back to you.

If you have many queries on the course material, you should raise them at a tutorial or book a personal tuition session with an ActEd tutor. Information about personal tuition is set out in our current brochure. Please email **ActEd@bpp.com** for more details.

Feedback

If you find an error in the course, please check the corrections page of our website (**ActEd.co.uk/paper_corrections.html**) to see if the correction has already been dealt with. Otherwise please send details via email to the relevant subject email address (see Section 1.5).

Each year our tutors work hard to improve the quality of the study material and to ensure that the courses are as clear as possible and free from errors. We are always happy to receive feedback from students, particularly details concerning any errors, contradictions or unclear statements in the courses. If you have any comments on this course, please email them to the relevant subject email address (see Section 1.5).

Our tutors also work with the Institute and Faculty of Actuaries to suggest developments and improvements to the Syllabus and Core Reading. If you have any comments or concerns about the Syllabus or Core Reading, these can be passed on via ActEd. Alternatively, you can send them directly to the Institute and Faculty of Actuaries' Examination Team by email to **education.services@actuaries.org.uk**.