

Important update for September 2024 exam

The 2024 exams for Subjects CB1 and CB2 were originally due to be in Objective-Based Assessment (OBA) format. However, in Autumn 2023, the IFoA deferred the introduction of OBA exams and announced that the April 2024 exams would be in the usual, established format. At the time of writing (mid-April 2024) it is our assumption that the September 2024 exams will also be in the usual, established format.

If anything about the September exams changes, impacting on the support we will offer and our other products, we will post it on the CB1 and CB2 ActEd discussion forums here:

<https://www.acted.co.uk/forums/index.php?categories/cb-subjects.102/>

We encourage you to start studying the Course Notes / CMP, book tutorials and to check the discussion forum regularly for more information.

Given our assumption that the September 2024 exam will take the same format as the April 2024 exam, *ie* the usual, established format rather than OBA, please be aware of the following in relation to the Study Guide, Course Notes and X Assignments:

- the Study Guide reflects the IFoA's original OBA intentions for 2024 and so, while the syllabus objectives remain the same, the descriptions of the exam format and various ActEd products and services have now been superseded. ActEd's products and services are now as described on the Acted website.
- within the Course Notes, the practice questions at the end of each chapter reflect an OBA exam format. Therefore, while these will provide useful practice, please do not use the absence or presence of an 'exam style' icon as a reliable indicator.
- X assignments are available via the Hub. There are three 100-mark non-OBA assignments in the usual, established format. (OBA style assignments are also available to you in the same place as a source of additional practice questions should you wish to use them.)
- Marking is available for the non-OBA X assignments.

If you have any queries, please email CB1@BPP.com.

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

Subject CB1

2024 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 2024 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 Principles 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 specific to this course.

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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 2024, 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 an exemption in Subject CB1, you will need 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/qualify/exam-exemptions

Links to other subjects

Associateship Qualification

Business Finance (Subject CB1) is considered a fundamental subject contributing to the foundations of the Associateship Qualification. Knowledge gained from this subject is implicitly assumed and applied across many other subjects, in particular:

- Business Economics (Subject CB2)
- Business Management (Subject CB3)
- Actuarial Mathematics for Modelling (Subject CM1)
- Actuarial Practice (Subject CP1).

Fellowship Qualification

An understanding of Business Finance may be required for any of the Specialist Advanced (SA) examinations, particularly as these examinations tend to focus on 'real world' scenarios, and the subject is particularly relevant for the potential scenarios presented in Investment & Finance Specialist Principles (Subject SP5), Pensions & Other Benefits (Subject SA4) and Investment & Finance (Subject SA7) examinations. Economic judgement should be applied and considered across all Specialist Principles (SP) and Specialist Advanced (SA) subjects.

Contents

There are six 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	Tutorial 3 days
1	1	Key principles of finance	26	X1	1
	2	Key principles of corporate governance and ethics	15		
	3	Business ownership	20		
	4	Taxation	22		
2	5	Long-term finance	38	X2	1
	6	Issue of shares	28		
	7	Short- and medium-term finance	19		
	8	Alternative sources of finance	18		
3	9	Introduction to accounts	37	X3	2
	10	The main accounts	34		
	11	Constructing accounts	34		
4	12	Accounts for groups, insurance companies and banks	27	X4	2
	13	Interpreting accounts (1)	27		
	14	Interpreting accounts (2)	31		
5	15	Derivatives	21	X5	3
	16	Growth and restructuring of companies	17		
	17	Weighted average cost of capital	37		
6	18	Capital structure and dividend policy	34	X6	3
	19	Capital project appraisal (1)	31		
	20	Capital project appraisal (2)	26		

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

Develop an understanding of the key principles underpinning corporate finance and governance, including a knowledge of the instruments used by companies to raise finance and manage financial risk. The understanding and interpreting of the accounts and financial statements of companies as well as financial institutions is also developed.

Topics and topic weightings

This subject covers the following topics:

- | | | |
|----|--|-------|
| 1. | Corporate governance and organisation | (18%) |
| 2. | How corporates are financed | (35%) |
| 3. | Evaluating projects | (15%) |
| 4. | Constructing and interpreting company accounts | (32%) |

The topic weighting percentage noted alongside the topics is indicative of the volume of content of a topic within the subject and therefore broadly aligned to the volume of marks allocated to this topic in the examination. For example, if a topic is 20% of the subject then you can expect that approximately 20% of the total marks available in the examination paper will be available on that topic.

Candidates for assessment should ensure that they are well prepared across the entire syllabus.

Objectives

- | | | |
|-----------|---|--------------|
| 1. | Corporate governance and organisation | (18%) |
| | Understand corporate governance and regulation and the different objectives and stakeholders that companies might try to satisfy. | |
| 1.1 | The regulation of financial reporting of incorporated entities. | (Chapter 2) |
| 1.2 | Key principles of corporate governance and the regulation of companies. | (Chapter 2) |
| 1.3 | Key principles of finance. | (Chapter 1) |
| 1.3.1 | Relationship between finance, real resources and objectives of an organisation. | |
| 1.3.2 | Relationship between the stakeholders in an organisation (including lenders and investors). | |

- 1.3.3 Role and effects of the capital markets.
- 1.3.4 Maximisation of shareholder wealth and the strategies designed to achieve it.
- 1.3.5 Problems relating to the maximisation of shareholder wealth in practice: social responsibility concerns, agency problems and divergent objectives.
- 1.3.6 Determinants of value and the actions managers can take to influence value.
- 1.4 Ethical responsibilities of the owners and managers of businesses. (Chapter 2)

2. How corporates are financed (35%)

Know the different types of corporations, how they are structured and financed and factors which should be considered when deciding on their structure.

- 2.1 Structure and methods of financing a company.
 - 2.1.1 Characteristics of sole traders, partnerships, limited companies and social enterprises as business entities. (Chapter 3)
 - 2.1.2. Different types of loan and share capital. (Chapter 5)
 - 2.1.3 Authorised and issued share capital. (Chapter 5)
 - 2.1.4 The main differences between a private and public company. (Chapter 3)
 - 2.1.5 Advantages to a company of limited liability. (Chapter 3)
 - 2.1.6 Different types of medium-term company finance: (Chapter 7)
 - credit sale
 - leasing
 - bank loans.
 - 2.1.7 Different types of short-term company finance: (Chapter 7)
 - bank overdrafts
 - trade credit
 - factoring
 - bills of exchange
 - commercial paper.
 - 2.1.8 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 8)
- 2.2 Principles of personal and corporate taxation. (Chapter 4)
 - 2.2.1 Taxation of personal income and capital gains.
 - 2.2.2 Company taxation, including for the individual shareholder.

- 2.2.3 Different systems of company taxation from the points of view of an individual shareholder and the company.
- 2.2.4 The principles of double taxation relief in the international corporate tax system.
- 2.2.5 Taxation and the use of offshore investment funds.
- 2.3 Principal forms of financial instrument issued or used by private companies and the ways in which they may be issued.
- 2.3.1 Reasons for seeking a quotation on a stock exchange. (Chapter 6)
- 2.3.2 How shares are issued and traded. (Chapter 6)
- 2.3.3 The advantages and disadvantages of remaining as a private company versus becoming a publicly quoted company. (Chapter 6)
- 2.3.4 Characteristics of the following: (Chapter 5)
- 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.
- 2.3.5 Characteristics and possible uses by a non-financial company of: (Chapter 15)
- financial futures
 - options
 - interest rate and currency swaps.
- 2.3.6 Methods of obtaining a quotation for securities: (Chapter 6)
- offer for sale
 - offer for sale by tender
 - offer for subscription
 - placing
 - introduction.

- 2.3.7 Rights issue to existing shareholders. (Chapter 6)
- 2.3.8 Role of underwriting in the issue of securities. (Chapter 6)
- 2.4 Factors a company should consider when deciding on its capital structure and dividend policy. (Chapter 18)
 - 2.4.1 Impact of chosen capital structure on the market valuation of the company.
 - 2.4.2 Impact of taxation on the capital structure chosen by a company.
 - 2.4.3 Principal factors a company should consider in setting dividend policy and the impact on the market valuation.
 - 2.4.4 Alternative ways of distributing profits, such as buybacks.
- 2.5 Corporate growth, restructuring and divestment. (Chapter 16)
 - 2.5.1 Why companies want to grow larger, how companies achieve internal growth and the relationship between growth and profitability.
 - 2.5.2 Constraints on a company's growth.
 - 2.5.3 Why a company may wish to divest subsidiaries or business units.

3. Evaluating projects (15%)

Understand the evaluation of investment projects in a corporate setting.

- 3.1 Interaction of the cost of capital of a company with the nature of the investment projects it undertakes. (Chapters 17, 19 and 20)
 - 3.1.1 A company's cost of capital.
 - 3.1.2 The calculation a company's weighted average cost of capital.
 - 3.1.3 Principal methods used to determine the viability of a capital project.
 - 3.1.4 Cashflow projections and the application of techniques to estimate cashflows.
 - 3.1.5 Methods used to evaluate risky investments including simulation, scenario planning and certainty equivalents.
 - 3.1.6 Determination of the required rate of return for a capital project.
 - 3.1.7 Factors underlying the choice of discount rate within project assessment, including:
 - assumptions underlying the limitations of the use of the weighted average cost of capital
 - allowance for leverage
 - allowance for risk.
 - 3.1.8 Methods to identify risks present for different types of project.

- 3.1.9 Techniques to identify the probability and financial impact of different risks occurring over varying timescales.
- 3.1.10 Techniques to ascertain the distribution of possible financial outcomes of a capital project.

4. Constructing and interpreting company accounts (32%)

Understand the construction and interpretation of company accounts.

- 4.1 Basic construction and principal features of the different types of company accounts and reports. (Chapters 9 to 12)
- 4.1.1 Reasons why companies are required to produce annual reports and accounts.
- 4.1.2 Value of financial reporting on environmental, social and economic sustainability.
- 4.1.3 Alternatives to traditional financial reporting.
- 4.1.4 Relevant accounting concepts in the drawing up of company accounts.
- 4.1.5 The purpose of:
- a statement of financial position
 - a statement of comprehensive income
 - a cashflow statement
 - the notes to the accounts.
- 4.1.6 The construction of simple statement of financial position and statement of profit or loss.
- 4.1.7 Interpretation of cashflow statements.
- 4.1.8 The basic structure and content of insurance company accounts.
- 4.1.9 The basic structure and content of banking company accounts.
- 4.1.10 Difference between a subsidiary company and associate company.
- 4.1.11 Purpose of consolidated accounts.
- 4.1.12 Treatment of depreciation in company accounts.
- 4.1.13 Meaning of share capital, other reserves and retained earnings.
- 4.2 Interpreting company accounting information. (Chapters 13 and 14)
- 4.2.1 Priority percentages and gearing.
- 4.2.2 Interest cover and asset cover for loan capital.
- 4.2.3 The impact of interest rate movements on a highly geared company.

4.2.4 The price earnings ratio, dividend yield, dividend cover and Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA).

4.2.5 The calculation of accounting ratios that indicate:

- profitability
- liquidity
- efficiency.

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 and this continues to be the situation. This version of the Core Reading reflects the situation as of 31 May 2023.

The longer-term effects of the coronavirus pandemic are still uncertain. Where relevant, Core Reading has been updated to include short-term impacts, however this version of the Core Reading does not attempt to address all areas impacted by the coronavirus pandemic or any anticipated longer-term impacts.

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 www.frc.org.uk**.

Further reading

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

However, some students may find it useful to obtain a different viewpoint on a particular topic covered in Subject CB1. A list of optional suggested further reading for Subject CB1 has been prepared by the Institute and Faculty of Actuaries and can be found on their website. This list is not exhaustive and other useful material may be available.

1.3 Subject CB1 – summary of ActEd products

The following products are available for Subject CB1:

- Course Notes
- X Assignments – six 30-mark tests
- Flashcards
- Mock Exam – one 60-mark test
- Additional Mock Pack (AMP) – two additional 60-mark tests.

Course Notes and Flashcards are available in both paper and eBook format. The eBook version might be particularly convenient for checking details during the exam and is available at a significant discount if you also have the same version of the paper product. Visit **ActEd.co.uk** for full details about available eBooks, software requirements and restrictions.

X Assignments and mock exams are delivered through our virtual learning environment, The Hub. Given the online, objective-based assessment of Subject CB1, marking is not available although feedback is provided, including explanations of the correct answer choices. You can attempt each assignment or mock as many times as you would like.

ActEd might release additional products throughout the year so please keep an eye on our website at ActEd.co.uk for the latest news on products.

The following tutorials are typically available for Subject CB1:

- Regular Tutorials (three full days / six half 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 Subject CB1 involves in-depth understanding of business and accounting principles.

Exam skills

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

- Knowledge – 30%
- Application – 50%
- Higher Order skills – 20%.

These skill types are described in Section 2.4.

Assessment

Assessment is in the form of a 1 hour 40 minute timed, online objective-based assessment (OBA) examination. This is likely to consist of 60 questions of varying styles. Sample questions illustrating the form of the question types are available on the IFoA website.

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: *How relevant are past exam papers to the new objective-based assessment questions?*

A: Although past exam questions are often in a different format to those that will be used for the 2024 examinations, the material, and so the theories / concepts / methods / ideas being tested are largely the same. Therefore some of the past exam questions will still be useful. The past exam multiple choice questions are the most directly relevant, although it is worth noting that some material tended to be examined in the other types of exam questions. If attempting past exam questions that are not in the format that will be used from 2024, try to focus on the material being tested rather than the presentation of your answers.

Q: *I have previously studied Subject CB1. What's the best way to adapt my learning for the new objective-based assessment format?*

A: The syllabus has changed for Subject CB1 for 2024 so make sure that you have the 2024 materials as certain topics are no longer included. For the topics that remain, the material that you have studied previously will still be relevant under the new format, so any notes or aids you have should still be useful. Spend some time familiarising yourself with the different possible question formats and think about how different parts of the course might be assessed through these. Then you may wish to attempt as many objective-based questions as you can. X assignments and the mock exams should be useful here.

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 them 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 **memberservices@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**.

Institute and Faculty of Actuaries

The Institute and Faculty of Actuaries has produced a Qualification Handbook containing important information and guidance on:

- requirements for qualifying as an Associate or Fellow
- preparing for the exams, including how to book them
- the regulations, policies and procedures to be aware of while studying
- the range of support and resources available to students when they join the Institute and Faculty of Actuaries.

The Institute and Faculty of Actuaries advises students to ensure they read through the Qualification Handbook.

The Qualification Handbook can be found at:

actuaries.org.uk/qualify/student-and-associate-exam-news/qualification-handbook

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/student-wellbeing-and-protection/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 Associateship 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 2024 will be based on the Syllabus and Core Reading as at 31 May 2023. 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 examinations. 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 become

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

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 .

This is
ActEd
text

This is Core
Reading

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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.

IMPORTANT NOTE: For Subject CB1, due to the new objective-based assessment methods, some of the standard ActEd products described below are not available or are available in a format that differs from the standard description here. See Section 1.3 for details of the products available for this subject. ActEd might release additional products throughout the year, so please keep an eye on our website at ActEd.co.uk for the latest news on products.

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

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.

For objective-based assessment (OBA) subjects, the X Assignments are delivered online through our virtual learning environment, The Hub, and include explanations of the correct answer choices. Each assignment can be attempted as many times as you would like.

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 from 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.

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-style 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 and/or have handy for reference during the examination. 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 absorb 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

Past Exam Questions with ActEd Solutions (PEQAS)

The Past Exam Questions with ActEd Solutions has been designed to give you as much question practice as possible, with detailed solutions to aid your understanding. This product is available in both paper and eBook format.

PEQAS covers relevant MCQ past exam questions since 2005, and the past exam questions are arranged by topic, allowing you to break your study into bite-sized chunks and focus on each area of the course in turn.

For subjects that use the objective-based assessment (OBA) format, this product replaces the Revision Notes and ASET products.

‘Rehearsal’ products

Mock Exam

The Mock Exam is a 60-mark online assessment 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.

For objective-based assessment (OBA) subjects, the Mock Exam is delivered online through our virtual learning environment, The Hub, and include explanations of the correct answer choices. The Mock Exam can be attempted as many times as you would like.

Additional Mock Pack (AMP)

The Additional Mock Pack (AMP) consists of two further 60-mark online assessments, 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.

For objective-based assessment (OBA) subjects, Mock Exam 2 and Mock Exam 3 are delivered online through our virtual learning environment, The Hub, and include explanations of the correct answer choices. Each Mock Exam can be attempted as many times as you would like.

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 have a range of objective-based assessment questions, including multiple-choice, multiple-response, matching, reasoning and calculations. The emphasis in the exam will therefore be on *knowing* and *understanding* the main concepts, and being able to *apply* them to various, sometimes 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. Ensure you take the time to review your answers and in particular that you understand any answers that you got wrong. 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.

To be really prepared for the exam, you should not only be fully familiar with 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 and content of exam questions. You should attempt as many exam-style 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. 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. Come up with your answer before you refer to the solution.
5. Attempt other questions and assignments on a similar basis, *ie* decide on your answer and the reasoning given for it. 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 review the answers in your assignment attempts it is *much* more useful if you have a realistic assessment of your performance under timed conditions than your performance when you are under no time pressure.
6. Revisit the assignment questions as you get closer to the exam. Attempting the assignment questions again will help to consolidate your knowledge and understanding, and allow you to review questions that you have struggled with previously. There is no limit on the number of times that you can attempt the online tests.
7. Sit a mock exam four to six weeks before the real exam to identify your weaknesses and work to improve them. 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/student-and-associate-exam-news/qualification-handbook

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.

The main sources of exam-style questions are the Practice Questions at the end of each chapter, assignments and mock exams.

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.

In each examination, students will be expected to demonstrate, through their answers, that they have knowledge of, can apply and use higher order skills in this subject:

- Knowledge will be demonstrated through answering questions that assess understanding of that knowledge as well as through questions that ask for the application of relevant knowledge to scenarios.
- Application will be demonstrated through answering questions that assess the ability to identify and apply relevant concepts and skills to solve problems (both numerical and non-numerical).
- Higher order skills will be demonstrated through questions that will assess the ability to use relevant knowledge, concepts and skills to solve problems, draw appropriate conclusions, and make meaningful and appropriate comments on those conclusions.

Past exam papers

You can download past exam papers and Examiners' Reports for exam sittings up to and including September 2023 from the Institute and Faculty of Actuaries' website at:

actuaries.org.uk/qualify/prepare-for-your-exams

While not all of the past exam questions will be in the objective-based assessment style:

- some of the questions – in particular the multiple-choice questions – should be of the required style
- some of the questions – in particular those involving calculations and elements of the accounts construction process – could potentially be converted into an objective-based format
- some of the remaining questions may still be useful for developing your understanding.

The examination

The Institute and Faculty of Actuaries has produced an:

- Examinations Handbook, which contains practical assistance on how to sit an Institute and Faculty of Actuaries' examination
- Assessment Regulations document, which includes rules on eligibility, entry and conduct during an online assessment.

The Institute and Faculty of Actuaries advises students to ensure they read and have understood the Assessment Regulations ahead of their exam(s).

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

IMPORTANT NOTE: These documents may 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](https://www.acted.co.uk/forums) (or use the link from our home page at [ActEd.co.uk](https://www.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 regularly 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](https://www.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 memberservices@actuaries.org.uk.

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