Student Guidance for Practice Tests

March 2023
Before you can access CIPFA’s Practice Test Platform you need to make sure the following system requirements are met:

<table>
<thead>
<tr>
<th>Standard use (for example undertaking CIPFA Practice Tests)</th>
</tr>
</thead>
</table>
| **Operating System** | Windows: Windows 7 or later  
| | Mac: OS X Mavericks 10.9 or later* |
| **Supported Browsers** | Most recent version recommended. 
| | Chrome 
| | Edge |
| **Screen Resolution** | 1024 x 768 or higher |
| **JavaScript** | Must be enabled |
| **Cookies** | Enabled |
| **Internet connection** | Stable connection required.  
| | Recommended: 1Mbps |

*Mac users would have to allow Chrome to share their screen: System Preferences > Security & Privacy > Privacy > Screen Recording - add Chrome

Login to the Rogo system to use CIPFA’s new Practice Test Platform.

Click the link provided in the email you will have received providing your login instructions and password to access the system.

You will notice that the screen is in pink font – this confirms that you are in the practice test site of Rogo and not the live eAssessment Platform.

Enter your email and password and click Login.

Your welcome screen will show the courses you have active and the practice tests to which you have access.
You should have **Practice Tests** available for your course(s) as shown below:

!

**Welcome Sherlock**

**Courses**

- **Active**
- **Expired**

<table>
<thead>
<tr>
<th>Course</th>
<th>Progress</th>
<th>Status</th>
<th>View</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Planning and Financial Management Practice Tests</td>
<td>0% Complete</td>
<td>Not Started</td>
<td></td>
</tr>
</tbody>
</table>

Beneath this you will have either **Progress and Mock Tests (Web/F2F)** or **Progress and Mock Tests (SS/SS+)** depending on the learning course you have selected – *please note you will not have both available and the screen below is for illustrative purposes only.*

**Welcome Sherlock**

**Courses**

- **Active**
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<td>0% Complete</td>
<td>Not Started</td>
<td></td>
</tr>
</tbody>
</table>

If you are using the Practice Test site for the first time you will have no expired courses when you click on the **Expired** button.

**Welcome Sherlock**

**Courses**

- **Active**
- **Expired**

You have no expired Courses

If you have completed a course module already you will see previous Practice Tests by clicking on the **Expired** button.

To access your Practice Tests click **View**.
The following screen will appear:

Business Planning and Financial Management Practice Tests

Select the Practice Test – linked to your Learning Outcome – that you would like to complete by clicking on Take Now.

The next screen will show you your Candidate Instructions:

Beneath these, you will find an explanation of the Icons and their Functions within the Practice Test platform.

These functions are designed to assist you in your practice test and will be available for use when you take your live eAssessment.
For some Practice Tests additional materials may be provided – instructions are provided on where these can be found on your screen.

Final instructions are provided to ensure you include all your workings and relevant information in your answer for tests that are being marked.

Click Start to commence your test.
Each question will contain the requirement, specify the total marks available, which question (out of a total) you are answering and the time remaining for your test.

Please note the toolbar at the bottom of the screen containing icons and functions available for your test.

Before showing you some of the features available, please note that some questions have a text box to type your short or long form answer in the right-hand side, whilst giving you access to the question requirement on the left.
Question 1

The following is an extract from OdinCo's statement of financial position as at 30 June 20X6.

<table>
<thead>
<tr>
<th></th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>£1 ordinary shares</td>
<td>300</td>
</tr>
<tr>
<td>7% debentures</td>
<td>550</td>
</tr>
</tbody>
</table>

The ordinary shares are trading on the stock exchange at £5.50. A dividend payment of 32.0 pence per share is expected on 30 June 20X7. The dividend was 25.35 pence per share three years ago. The dividend is expected to grow indefinitely at the same rate.

The debentures are irredeemable £100 debentures which are trading on the stock exchange at £75.00.

Tax is paid at 20% of taxable profits.

The directors of OdinCo have decided to reduce the company's gearing by repaying some of its debt.

OdinCo is planning on investing in a new business activity. It has no experience of this new activity but it has identified another (proxy) organisation which does. The proxy organisation is funded by 60% equity and 40% debt as measured in market values. It has an equity beta of 1.25 and also pays tax at 20%.

The market rate of return is 12% and the risk-free rate of return is 3%.

Refer to the Formulae and Statistical Tables pdf (button, below left) to support you in answering the question.

Question Requirements:

a) Calculate OdinCo's weighted average cost of capital. (8 marks)

b) Explain briefly, with reference to the traditional theory of gearing, what the effect of a reduction in OdinCo's gearing will have on its cost of equity. (2 marks)

c) Calculate a risk-adjusted cost of equity appropriate to the new business. Assume that OdinCo's gearing remains unchanged for this part of the requirement. (5 marks)

(Total: 15 marks)

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For these questions, please note that the divider line in the middle can be moved to the left or right or increase or decrease the question requirement or answer text box.
Some questions may contain supporting material which are termed as Exhibits.

These can be accessed from your toolbar at the bottom of your question.

Specifically for some modules, such as the BPFM example here, you may find a **Formulae and Statistical Tables** tab in the left hand corner of your toolbar.

When you click the tab a scrollable screen will appear with additional material and information pertinent to your test.
You can close the tab by clicking on the X in the right hand corner of the pop up

If you wish to flag a question with a view to returning to it later, you can use the **Flag** button on the toolbar.

You will know if you have flagged a question correctly as the toolbar should change to **Un Flag**

If you wish to navigate from one question to another you can use the **Navigate** button on the toolbar.
This will allow you to navigate to the next question or another question in your test and return to any flagged questions.

Some question requirements may be expressed in two or more parts.

To assist in answering your question and ensuring that the marker knows which part you are answering in the text box you may wish to copy and paste the question stem directly into your answer.

You can do this by highlighting the question requirement text:
Requirement part (a)

Calculate the following:

i. Payback period (years)
ii. Average annual accounting profits (£m)
iii. Average investment (£m)
iv. Accounting rate of return (ARR) (%)

(1 mark for each correct calculation)

Right clicking your mouse and selecting **Copy** or pressing **Ctrl + C** together:

Move your mouse into the answer text box and click your right mouse and select **Paste** or pressing **Ctrl + V** together:
A new project is being evaluated by Forroby Ltd. It is a five-year project with an initial investment in plant and machinery of £250,000.

It is assumed that the plant and machinery will have a residual value at the end of the fifth year of zero and cash flows and profits arise evenly over the year.

Projected profits are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash profits</td>
<td>14000</td>
<td>28000</td>
<td>31000</td>
<td>78000</td>
</tr>
<tr>
<td>Depreciation</td>
<td>50000</td>
<td>50000</td>
<td>50000</td>
<td>50000</td>
</tr>
</tbody>
</table>

Requirement part (a)

Calculate the following:

1. Payback period (years)
2. Average annual accounting profits (£m)
3. Average investment (£m)
4. Accounting rate of return (ARR)(%)

(1 mark for each correct calculation)

You can now start answering the first part.

And can repeat these steps for other parts of the question requirement.
If you wish to use a spreadsheet for making any calculations click on the **Spreadsheet Working** tab on the toolbar.

An excel spreadsheet will appear that can be used in the same way as Microsoft Excel.

Please note that the spreadsheet working function maintains data from question to question within your test.

You can copy and paste this into your answer text box to provide the marker with additional information to support your conclusion.

Please note: You will have read in the Instructions to Candidates screen at the start of your test (see below), that any question workings will only be taken into account for marking, if these are included in the answer window.
When you have answered a practice test question click **Next**.

Repeat these steps until you have completed your test.

When you get to the end of your test click **Finish**.

You will be prompted to check through your answers before submitting your test.

Click **Finish** to submit your test.

If your test is being auto-marked you will be able to see your results immediately.
The Question Analysis will show correct answers in a green background, incorrect answers in a red background and answers scoring some but not full points in an amber background.

By clicking on the question you will see:

What you scored correctly.

Incorrect or partially correct answers.

If you scroll down further, you will also see a Feedback section with the correct answers and supporting explanations.
You can also view your test results by clicking on the **My Results** tab in the top right-hand corner of your screen.

Click on **Report** for the test results you wish to see:

### Mr Sherlock Holmes

**Results**

<table>
<thead>
<tr>
<th>Date</th>
<th>Course</th>
<th>Test</th>
<th>Result</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>28-Feb-2023</td>
<td>Business Planning and Financial Management Progress and Mock Tests (Web/F2F)</td>
<td>Business Planning and Financial Management Progress Test (Web/F2F)</td>
<td>18% (7/40)</td>
<td>Fail</td>
</tr>
</tbody>
</table>

You will see your test scores in the same format as previously shown.

If you wish to print a copy of your test results click on the three dots in the top right hand corner of your browser and select **Print**.
You can either print to your printer or select **Save as PDF** in the **Destination** field.

You can also use the **Scale** drop down menu to Customise your report into a desired print format.

Click **Save**.

You can now print your results report.