

APPROACH TO ANSWERING MULTIPLE-CHOICE QUESTIONS

Since the change in format of the exam paper in June 2009 for CAT Paper 9 (UK), *Preparing Taxation Computations*, the pass rate has fallen in each sitting. This is no doubt partly due to the increase in the pass mark to 50%, but also to the introduction of multiple-choice questions (MCQs).

MCQs now represent 20% of the marks available in this paper and, in each of the sittings since their introduction, candidates have not performed very well on these questions.

For the June 2010 sitting, in only one of the 10 MCQs did more than half the candidates select the correct answer. The majority of the other questions resulted in approximately one in three correct selections, and one question where only one in six correctly identified the right answer.

These poor attempts had a direct impact on the overall marks awarded to candidates. Unless candidates learn how to approach these questions, and to treat them as importantly as the four main questions in Section B, they will not perform well in this paper.

The problem

There are 10 MCQs in Section A of the paper, each carrying equal marks of two, giving a total of 20% of the paper.

Given that each question is worth two marks, candidates should spend approximately 3.6 minutes on each question and, therefore, a total of 36 minutes on the whole section.

Performance in past exam sessions seems to point to candidates either rushing to do the MCQs at the beginning of the exam so that they leave themselves more time on Section B, or leaving them to the end of the exam and, again, having to rush their answers because they have spent too much time on Section B.

Candidates do not appear to read the questions thoroughly. Often one word in the scenario can change the whole meaning of the question and, therefore, the selection of the correct answer.

There is a choice of four answers, only one of which is, of course, correct. The remaining three incorrect answers, called distracters, are usually very similar to the correct answer. These distracters are often the answers, which candidates would select with the use of incorrect

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rules, or the answers are dates, which apply to situations other than the one being examined.

Distracters are carefully selected to distract the candidate away from the correct answer and, therefore, the candidate must have faith in his/her own knowledge and select an answer, which they believe is correct, prior to looking at the suggested answers.

The solution

The MCQs should be treated like any other area of the syllabus and, prior to the exam candidates should revise and practise under timed conditions. This will enable candidates to not only get used to the time pressure of doing these questions, but also to familiarise themselves with the examiner's techniques and common themes. Often a MCQ asked previously is tested again in the same or similar fashion.

During the exam, candidates should consider the following points:

- Quickly read all 10 MCQs before attempting any. This will enable the easiest questions to be identified and these should be attempted first.
- Each question must then be read in detail. In most situations the candidate should re-read the question to ensure that they have fully understood the requirement.
- Decide or calculate your answer first **WITHOUT** looking at the four options given. This will allow you not to be distracted by an answer, which appears correct but, actually, is not.
- Write your workings for calculations down to ensure that you remember all the relevant steps in a calculation rather than doing them quickly on a calculator. This should help to avoid missing a step such as an exemption at the end of the calculation.
- Look for key words in the question. Words such as 'never' or 'always' rule out answers, which imply an exception or occasional possibilities.
- Check the requirement is what you thought it was, eg was it the 'least' likely or the 'most' likely?
- Where a question requires a true or false answer think carefully about the answers shown to see if the statements are subject to conditions, which will imply that they are not always true or false.
- Look for answers that contain the same words as those in the question – these are often clues to the correct answer.
- Generally, but not always, there will be an answer that is obviously wrong – disregard this and think about the others.
- Select your answer on the question paper first, before putting it on the answer sheet. This will allow you to double check without having to alter the answer sheet.

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- Check the range of your answers. There will be a mix of correct answers of As, Bs, Cs and Ds – it is unlikely there will, for instance, be several B and no C answers.
- Finally, if all else fails, guess! You should never leave a question unanswered.

Examples

The following examples illustrate some of the points mentioned above.

In relation to adjusting accounting profits for tax purposes, which of the following statements is true?

- A** Legal fees on renewing leases is always an allowable expense
- B** Gifts to charities are never an allowable expense
- C** Depreciation on plant and machinery is not an allowable expense
- D** The profit on the sale of a machine is taxable trading profit

First, the requirement asks for a statement, which is TRUE – it may have said not true – this must be checked carefully.

Answer A. Includes the word ‘always’. This implies there is never an alternative. However, think, is there more than one type of lease? Yes – long and short. Only legal fees on renewing short leases are allowable, thus this answer cannot be correct.

Answer B. Includes the word ‘never’. This should make you think – are there different types of charitable payments? Of course there are – gift aid payments are not deductible but small gifts to local charities would be allowable.

Answer C. Depreciation is the wear and tear of capital items used in a business. HM Revenue & Customs allows businesses a deduction called ‘capital allowances’ to represent this wear and tear. Therefore, depreciation is not an allowable expense – it is added back to the accounting profit.

Answer D. A machine is a capital asset. Sales of capital assets, whether used for business or personal use, would result in capital gains or losses, not trading income. Therefore, the gain would not be taxable income.

The correct answer is, therefore, C.

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Which of the following is not business travel for the purposes of an income tax expenses claim? (Taken from the June 2010 paper)

- A** Travel to visit a client
- B** Travel from home to a temporary place of work
- C** Travel to and from a permanent place of work
- D** Travel to visit a trade fair relevant to the employer's trade

First, the requirement says 'IS NOT' – it may have said 'is'. This must be checked carefully.

Try to disregard any obvious answers. Remember, you are looking for 'is not **business** travel' – therefore, anything which includes a business link is almost certainly business travel.

Answers A (visiting clients), and D (visiting trade fairs relevant to trade) are obviously for business purposes and, therefore, must be business travel.

Answers B and C must be considered more carefully. Logic tells us that getting to and from a permanent place of work is normal and is regarded as everyday commuting, whereas, going to and from a temporary place of work is not normal and would only be undertaken if the business specifically required it.

On balance, therefore, answer B is business related and answer C is not.

The correct answer is C.

These two examples illustrate how carefully you must read the question to ensure you have the correct requirement and show how, by logical thought, you can arrive at the correct answer.

Conclusion

It cannot be emphasised enough, candidates must regard the MCQs as important as the Section B long-form questions. Practice is essential. The above pointers will not guarantee success, but will certainly help those candidates who struggle to get more than two or three correct answers for Section A questions.

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