

## **Business Planning: Banking**

### **Key takeaways from Business Planning: Banking Tutor Conference February 2024**

There have not been any changes in the style of the exam, the exam setting process and the examining team.

### **Changes to the syllabus and learning materials**

Syllabus changes include:

- Clarifying that ESG and sustainability more broadly are included in the learning materials (LO 1c, 2d)
- Cryptocurrency as an alternative market (LO 1c)
- Making model risk a specific learning outcome (LO) under ISA 540 (LO 4c) and skills grid level A.
- Reducing the emphasis on client money and client assets (LO 4f, 4h) and the skills grid level has been reduced from A to C. The reference to ICAEW guidance (TECH01/18FSF) has been deleted from the syllabus.
- The skills grid level for s.166 reports has been reduced from B to C.

ISSB S1 and S2 are briefly mentioned in the 2024 learning materials but are not included in detail because they were issued in June 2023 which is after the learning materials were authored. The new ISSB standards will be included in 2025 learning materials. However, S2 in particular is drafted from the TCFD recommendations which are already in the learning materials. The skills grid level for TCFD has been increased from C to B.

Partners in Learning commented that sustainability is a 'read at home' area so that more 'technical' topics can be covered in the classroom. The December 2023 exam contained a sustainability requirement which may encourage students to study this material thoroughly. The skills needed to address this part of the syllabus could be emphasised to students.

### **2023 exams**

The 2023 exams were attempted by changeable cohorts of students. The exams represent the types of questions that candidates may see but the question styles vary to ensure coverage of the syllabus and to test skills in different ways.

In the December 2023 exam, students did not achieve high average marks in requirement 1.3 which asked how derivatives could be used to reduce interest rate risk and foreign currency risk. This led to a discussion about the advantages of studying Financial Management (FM) before Business Planning: Banking, although it is not a requirement. Some partners in learning provide students with self-study material to cover the required FM knowledge and it was confirmed that all knowledge and skills needed to attempt BPB is provided in the learning materials.

In the December 2023 exam, requirement 2.1 asked for quantitative and qualitative analysis of a loan application and a minority of candidates discussed the recommendation of asset-based finance such as a lease, being a better option for the bank. The best answers to this question discussed the reasons why the financials supported the bank offering the loan, or not, and what the implications are rather than simply commenting on the numbers.

Requirement 2.2 asked for sustainability risks for the bank and applied TCFD disclosures. Some answers to this requirement were very brief which was surprising given the ICAEW's increased focus on this area and flagged content for the last year or so.

Overall, the candidates in 2023 provided fewer answers that were simply copied from the Question Bank or based on a template. There was some lack of application in weaker answers.

### **Key messages for 2024**

Sustainability continues to form part of the 2024 syllabus.

Technology continues to grow in important to reflect the real world eg, AI, FinTech, cloud computing.

Candidates are encouraged to read the whole question before attempting the requirements to ensure they understand the context of the scenario. Candidates are also encouraged to read the verbs in the requirements carefully as they indicate the expected level of detail or analysis required in the answers.

### **Marking**

We looked at two scripts together and outlined how answers can vary in their application skills and how this is reflected in the marks awarded.

Candidates are encouraged to leave white space between paragraphs in their answers and at the end of the answer to a question to make marking easier.

### **Questions**

1. Should this be an advanced level paper – due to the difficulty of the exam?

The difficulty of the BPB exam is comparable to BPT and BPI which are alternative exams in the Business Planning suite of exams. They are designed to be attempted towards the end of Professional Level.

2. Regarding ESG and sustainability topics, how many marks do you expect to give?

The December 2023 requirement carried 14 marks which provides some guidance. The marks are part of the risks, audit or financial reporting parts of the syllabus.

3. How are candidates getting on with technology?

Candidates are attempting questions with embedded technology well. However, their application needs to be improved in some areas. For example, the September 2023 exam included a scenario where blockchain could be used to assist trade finance transactions. Some candidates read blockchain as meaning cryptocurrency which was incorrect in this scenario.

4. How are student generally with controls, for example in December 2023 question 1?

Strong candidates did well and outlined appropriate internal controls. Some candidates misread the requirement and provided external audit procedures. Some candidates attempted to identify internal controls but did not provide sufficient details. The internal

controls provided in these cases included 'train staff', 'require management approval', and 'get a more experienced colleague to perform the task'.

5. Can you explain how the headroom works?

If a requirement has a maximum of 5 marks and the possible (headroom) marks are 8, this means that a 100% correct answer would be worth 8 marks if all points were covered. Therefore, a candidate can score 5 marks out of the maximum 5 marks without addressing all of the possible points that could be made.

### **Slides from the conference**

Partners in learning are advised that further details about the BPB workshop can be obtained the slides used in the workshop.