



# ***Business Planning: Banking***

ICAEW PARTNER IN LEARNING CONFERENCE

2 FEBRUARY 2024

# ***Overview of BPB slides***

- Introduction to Business Planning: Banking
- 2024 syllabus changes
- 2024 learning materials
- Recent exams
- December 2023 paper – candidate performance
- Key messages for 2024
- Marking

# ***Business Planning: Banking (BPB)***

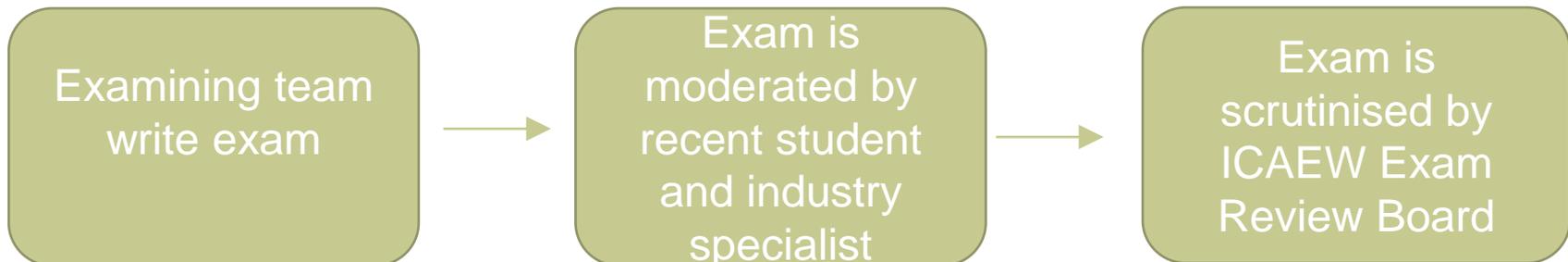
- Professional Level module
- 2.5 hour computer-based exam
- 3 written test questions (question 1 is approximately 40 marks)
- 55% pass mark
- Open book
- Students are strongly advised to complete FAR and AA before attempting BPB. FM would be helpful but is not required.

# ***Business Planning: Banking (BPB) (cont)***

- Not a banking exam per se
- Focus on the role of an ICAEW Chartered Accountant in the banking industry
- Role may be external (eg audit or assurance) or working within a bank (eg risk management, credit analyst, financial accounting role or internal audit)
- Key areas in the syllabus provide focus for questions (ie financial and regulatory reporting, audit & assurance, risk management, financial services products, ethics)
- Scenario based questions
- Banking industry, markets and products set the context for questions
- Need to know key industry terminology, operations and procedures.

# ***Exam setting process***

- Examining team consists of question writers, moderators, reviewers
- Questions in an exam paper may be written by different members of the team
- Background of examining team includes:
  - Industry practitioners
  - Trainers
  - Academics
  - Members of regulatory bodies (Bank of England, PRA)
- Question setting process:



# ***2024 syllabus changes***

- Financial services: institutions, markets and products LO 1c:
  - explain the responsibilities that banks have to their stakeholders and the public interest (eg, environmental, social and governance (ESG) and sustainability responsibilities)
- Financial services: institutions, markets and products LO 1c:
  - explain and evaluate alternative financial assets and the markets in which they operate (eg, property, commodities, cryptocurrency)

# ***2024 syllabus changes (cont)***

- Risk management LO 2d:
  - identify and explain the key operational risks experienced by a bank in a given scenario, for example IT failure, cybercrime, ESG and sustainability risks and fraud, and provide advice in the context of uncertainty;
- Financial and regulatory reporting LO 3e:
  - show, explain and appraise hedge accounting principles and procedures in accordance with IFRS 9 and IAS 39, including appropriate calculations

# ***2024 syllabus changes (cont)***

- Audit and Assurance LO 4c

- appraise and apply appropriate audit procedures to the assumptions underlying banking models eg, impairment, fair value in accordance with ISA 540

- Audit and Assurance LO 4c

- demonstrate an understanding of the circumstances in which a bank may hold client money and a basic understanding of the consequences for the bank and the auditor of holding client money

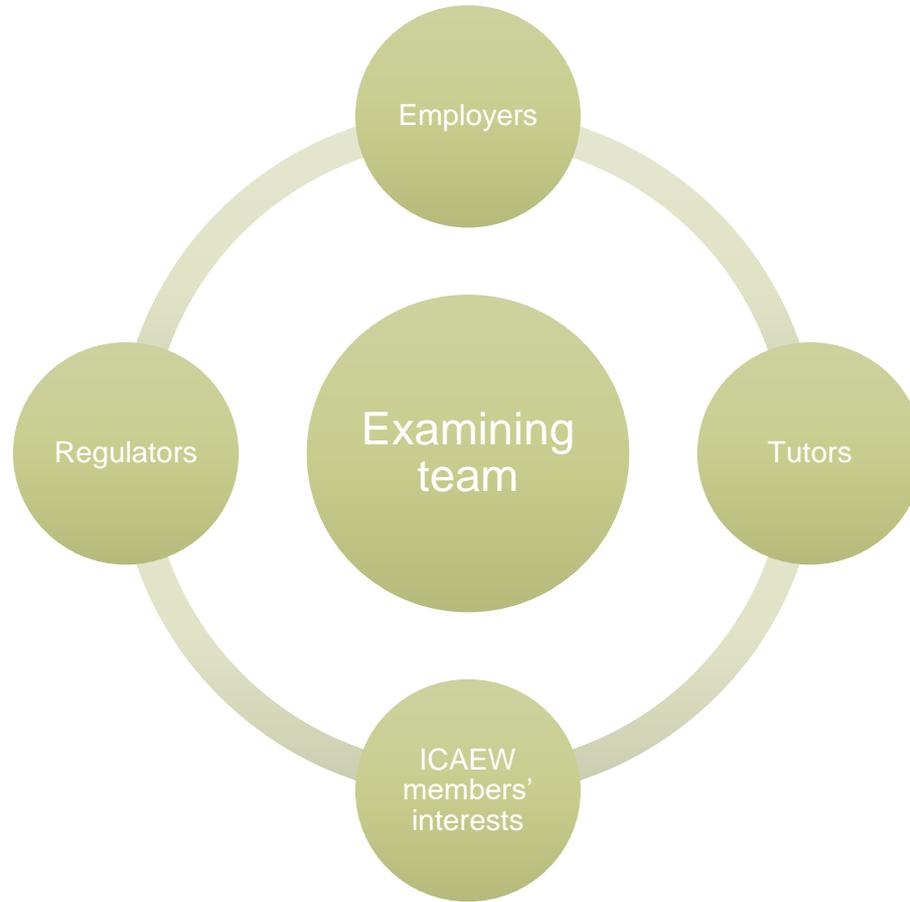
# ***2024 Skills grid***

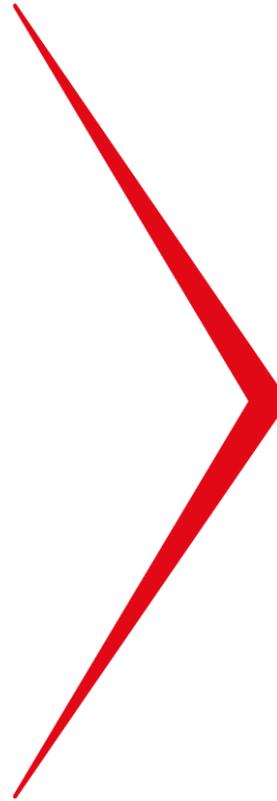
- TCFD has increased from C to B
- ISA 540 Audit of accounting estimates introduced in the skills grid at level A
- Client money downgraded from A to C
- s.166 reports downgraded from B to C

# ***2024 learning materials***

- The 2024 question bank contains 15 past exams, the sample exam and 28 exam-standard questions (76 in total).
- New content on internal controls in relation to ISA 315 has been added to the Workbook chapter 13.
- Please continue to feedback any comments about the learning materials.

# ***Responding to feedback***

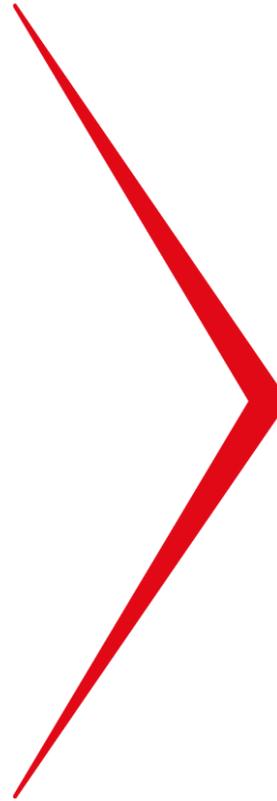




***2023 exams***

# ***2023 exam summary***

- June 2023 (162 candidates)
  - Pass rate of 71.6%. Mean average 58.0%
  - Q1 external audit focusing on impairments, Q2 analysis of risks and controls over secured lending, Q3 operational risks and governance
- September 2023 (67 candidates)
  - Pass rate of 62.7%. Mean average 53.4%.
  - Q1 external audit focusing on financial assets, Q2 internal audit on trade finance and blockchain, Q3 liquidity risks
- December 2023 (166 candidates)
  - Pass rate of 67.5%. Mean average 57.7%.
  - Q1 internal audit focus on internal controls over lending, Q2 credit assessment re loan and sustainability, Q3 external audit risks of material misstatement



***December  
2023 exam***

# ***December 2023 – Question 1***

- Candidate works in internal audit at Neobank looking at internal controls over lending
- Requirements included:
  - FR treatment related to classification, impairment and interest income
  - Risks and internal controls over these items
  - Derivatives that could be used to reduce FC and interest rate risk
  - Ethical issues and actions, FCA conduct regulations regarding CalmPay, a new high interest rate consumer credit product

# ***1.1 Financial reporting treatment***

## Strengths

- Generally answered well.
- The internal audit assistant's concerns were addressed as requested.
- In issue (1) a 10% penalty was correctly discussed in terms of SPPI.

## Weaknesses

- Some misunderstanding of the classification rules and conflation of the business model rule and SPPI rule.
- A general answer about impairments was provided by weaker candidates to address issue (2).

# ***1.2 – Risks and internal controls for the three issues in Ex. 1***

## Strengths

- Many candidates identified a number of relevant business risks.
- Strong candidates also described appropriate internal controls.

## Weaknesses

- Some candidates provided audit procedures rather than internal controls.
- Insufficient internal controls included ‘sufficient staff training’, ‘management approval’, transactions undertaken by ‘someone more senior’.

# 1.3 – *Use of derivatives*

## Strengths

- A number of relevant strategies were identified and explained

## Weaknesses

- Some answers purely mentioned hedge accounting rather than risk management strategies.

# 1.4 – *FCA conduct and ethics*

## Strengths

- Relevant high-level principles were identified and discussed.
- Strong candidates also mentioned SM&CR.
- Self-interest threats were covered extensively.
- Whistleblowing was also mentioned frequently.

## Weaknesses

- The FCA high-level principles were not applied to the scenario in all cases.
- Mel was not an ICAEW Chartered Accountant so is not caught by the Code.
- Appropriate lines of authority and actions should be considered.

# ***December 2023 – Question 2***

- Candidate works as a credit analyst at Bemsha Bank (BB)
- The candidate is performing credit assessment of a loan to Monk
- Existing loans are in place, security for the loan is questionable
- The second requirement asks for BB's sustainability risks from its lending to the coal mining sector and required TCFD disclosures

# ***2.1 – Quantitative and qualitative analysis and recommendation***

## Strengths

- The question was generally answered well
- A recommendation was provided and supported by the most important elements of the candidate's discussion

## Weaknesses

- Weaker candidates did not identify the important of other lending and its repayment
- Weaker candidates used a formulaic approach and did not focus on the key areas for *this* business

## ***2.2 – Sustainability risks and TCFD disclosures***

### Strengths

- Some candidates scored very high marks for discussing reputation, credit risk and regulatory risk.
- TCFD disclosures were generally well answered and the best candidates applied them to the coal industry.

### Weaknesses

- Very brief answers.
- No attempt at application.

# ***December 2023 – Question 3***

- Candidate is in the role of external auditor planning the audit of Potts Bank
- There is a new equity derivatives markets division (EDMD) and background information about Potts is provided
- Requirements are:
  - Identify significant risks of material misstatement and how this should influence audit planning
  - Equity derivative financial reporting and disclosures
  - Impact of the new EDMD on regulatory capital requirements

# ***3.1 – Risks of material misstatement and impact on audit planning***

## Strengths

- A range of risks were identified and explained by using the information provided.
- Candidates generated relevant impacts on audit planning and did not veer into audit procedures too often.

## Weaknesses

- Weak internal controls and potential for fraud was not identified regularly (trader clearing their own suspense account).

## ***3.2 – Derivative FR treatment and disclosure***

### Strengths

- FR treatment was done well, including relevant IFRS 13 comments
- Open books were used appropriately for the disclosures if needed and then applied regarding what information was missing

### Weaknesses

- No specific weaknesses.

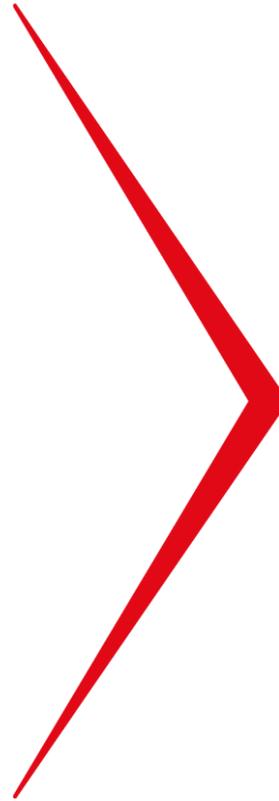
# ***3.3 – Impact of new EDMD on regulatory capital requirements***

## Strengths

- Commonly, candidates included operational risk and Pillar 2A.
- Counterparty risk was relevant and a minority discussed it.

## Weaknesses

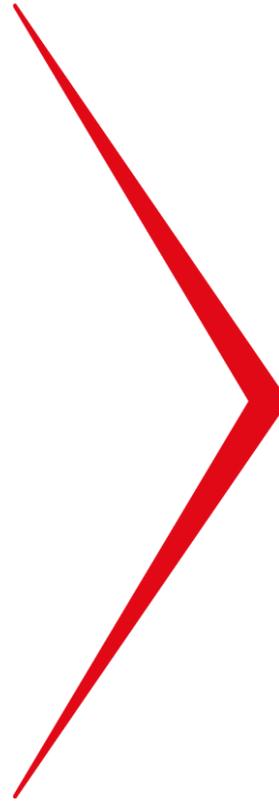
- LCR and NSFR were not required as they are liquidity requirements rather than capital requirements.
- Market risk does not necessarily increase because this is in the trading book rather than the banking book.



# ***Candidate performance in 2023***

# ***Overall candidate performance in 2023***

- There appear to be fewer 'boiler-plate' answers taken from a different scenario in the QB.
- Spending too long on audit risks and procedures can generate time pressure for weaker candidates.
- Stronger candidates complete the exam within the time.
- Some lack of application of the rules.
- Strong candidates continue to perform well (one candidate gained 95% in December 2023).



***Key  
messages  
for 2024***

# ***Key messages for 2024***

- Sustainability and ESG were added to the LMs in 2023 and were examined in 2023. They will continue to form part of the 2024 syllabus and beyond.
- [The Taskforce on Nature-related Financial Disclosures (TNFD) will be added to 2025 LMs.]
- Technology continues to increase in importance to reflect the real world eg, AI, FinTech, cloud computing

# ***Key messages for 2024 (cont)***

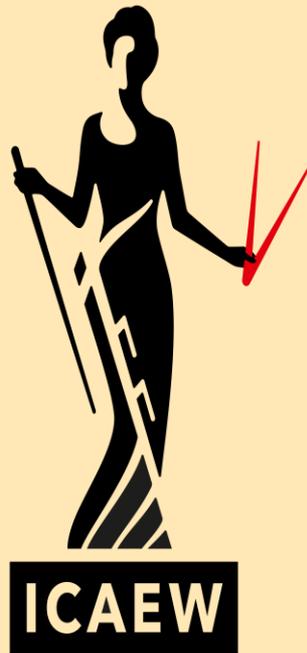
- Professional skills:
  - Multiple information sources
  - Techniques inferred rather than specified
  - Question styles and content will vary to ensure syllabus coverage
- Business Planning papers develop skills used at Advanced Level:
  - Understand the situation and requirements
  - Identify and use key information
  - Read the requirement and **verbs used** very carefully

# ***Key messages for 2024 (cont)***

- Read the whole scenario to understand the context of the scenario
- No questions styles are mandatory but the whole syllabus will be examined over a number of sessions
- Please continue to encourage candidates to apply their technical knowledge to the scenario provided in the exam

# ***Marking***

- Markers' meeting is held a few days after the exam date – the mark plan is scrutinised and refined using practice scripts
- Standardisation scripts are completed by markers before live marking starts
- Seeding scripts are completed throughout the marking process
- Second marking of 53%, 54%, 55% scripts
- Tutor mark plan (not for distribution to students) indicates how marks are allocated for each question
- In the next session we will look at extracts from students' scripts



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