September 2018

Dear Candidate

Chartered Institute for Securities & Investment
Chartered Wealth Management Qualification
Financial Markets Edition 6 Addendum Letter

There have been some changes to your Financial Markets Edition 6 workbook, which may impact your study preparation for your forthcoming exam.

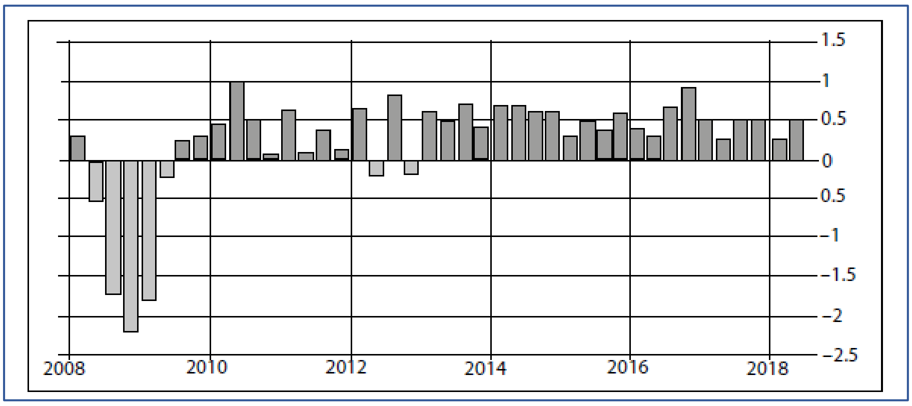
Detailed below are the changes you need to incorporate into your study programme for this CWM subject title.

Chapter 1, Section 5.1.5

The following chart displays the average quarter-on-quarter changes in GDP from 2008 to the end of Q2 2018.

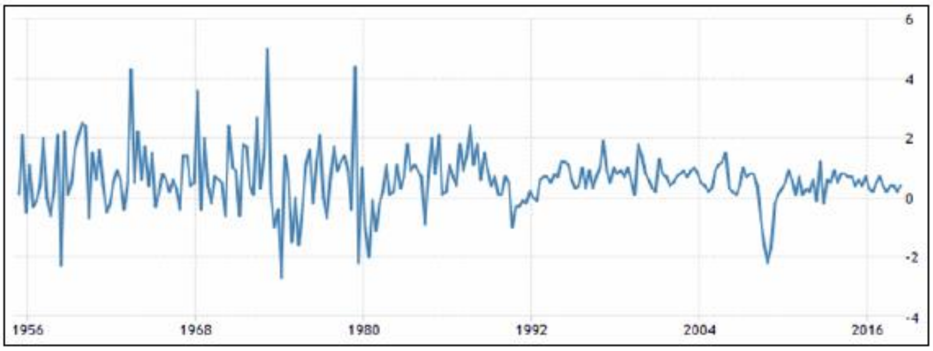
Most clearly visible in the chart below are the striking columns for 2009, which reveal three quarterly declines below –1%. The subsequent figures since 2014 show positive growth, albeit at a minimal level.

UK GDP Quarterly Growth Rate (2008-18)



Source: TradingEconomics.com, UK Office for National Statistics

UK GDP Annual Growth Rate (1956–2018)



Source: TradingEconomics.com, UK Office for National Statistics

Chapter 1, Section 5.1.6

5.1.6 Industrial Production
Another time series published by the ONS relates to the industrial production levels of the UK and measures the output from the non-service sector of the economy which is primarily manufacturing activities.

Since 1969 industrial production has averaged 0.86% year-on-year, within a range of 22.6% (1973) and –11.9% (1980).

The following chart shows the year-on-year percentage changes in industrial production, as determined by the ONS; however, as the UK economy is less of an industrial economy today than it was 30 years ago, this data series is of less importance than it used to be.

UK Industrial Production Year-on-Year (Monthly 2008–18)

Source: TradingEconomics.com, UK Office for National Statistics

Chapter 3, Section 4.1 Debt to Equity

Equation has been amended to read:

$$\text{Debt to Equity \%} = \frac{\text{Interest-Bearing Loans + Preference Share Capital}}{\text{Shareholders' Equity}} \times 100$$

Chapter 3, 4.4 Asset (or Loan) Cover

Equation has been amended to read:

For XYZ plc, the loans are relatively simple but the order of priority for repayment is as follows:

Debenture	6,500
Unsecured loans and bank overdraft (2,500 + 3,201)	5,701
The cumulative value of the loans is	12,201

For XYZ plc, the total assets less current liabilities excluding any current instalments due on loans (such as bank overdraft) is:

$$£24{,}429 – (£7{,}116 – £3{,}201) = £20{,}514$$

Hence, the asset cover for each of the above is:

- Debenture = £20,514 ÷ £6,500 = 3.16x
- Bank overdraft and unsecured loans = (£20,514 – £6,500) ÷ £5,701 = 2.46x

Chapter 3, Example Exam Questions on Principal Accounting Ratios – Section C Question

The tables relating to past exam papers have been adjusted for clarity.

Zvestya plc Consolidated Income Statement for the year ended 30 June 20X1 and 20X2

	20X1		20X2	
	£'000		£'000	
Sales		200		220
Less costs of sales		(90)		(103)
Gross profit		110		117
Less expenses				
Rent and rates	5		6	
Lighting and heating	3		4	
Wages	35		40	
Depreciation of shop equipment	6		8	
Net profit before taxation		61		59
Less interest on loans		(4)		(1)
Profit before taxation		57		58
Taxation		(20)		(20)
Net profit after taxation		37		38
Dividends				
Ordinary (proposed)	3		5	
Retained profit		34		33

Zvestya plc balance sheet as at 30 June 20X1 and 20X2

	30/6/20X1		30/6/20X2	
	£'000	**£'000**	**£'000**	**£'000**
Non-current assets				
Store equipment at cost		60		90
Accumulated Depreciation		12		20
Net book value		**48**		**70**
Current assets				
Stock (inventory)	60		80	
Debtors (trade receivables)	10		21	
Cash	2		1	
	72		**102**	
Current liabilities				
Trade creditors (payables)	32		26	
Working capital		40		76
Total assets less current liabilities		**88**		**146**
Owners capital				
Shares	54		88	
Retained profit for year	34	88	33	121
Long term liability	0	0		25
Shareholders' funds		88		146

Question C

To assist candidates with answering the Question C, we have added some directional text. Please note the additional text was not included in the original exam question and has been included to assist you with your exam preparation. The text reads as follows:

Calculate the Return on Capital Employed for both years (using both trading and financing side methods) commenting upon what these are telling you about the performance of the company. Assume the number of shares in issue is 100,000. (6 marks)

Question G

This question has been amended to read as follows:

Using your answer to part f) calculate the Price Earnings ratio for 20X2 and comment thereon (The industry average in the FT is 11:1). (4 marks)

Chapter 4, Factors Influencing the Discount Rate Applied to an Investment Project

Formulae has been amended to read:

Simple interest FV = PV x (1+(i x n))
£10,000 x (1+(0.10 x 5))
£10,000 x 1.5
£15,000

Compound interest FV = PV x $(1+i)^n$
£10,000 x $(1+0.10)^5$
£10,000 x 1.6105
£16,105

Chapter 9, Section 6.5

The table has been amended to read as follows:

UK Long Gilt Future (ICE Futures Contract Specification)	
Contract size	£100,000 nominal value
Bond characteristic	Notional 4% coupon
Deliverable months	March, June, September, December
Tick size and value	0.01 (1 basis point) and £10
Last trading day	11am – two days prior to the last business day in the month
Delivery day	Any business day in delivery month (seller's choice)
Settlement	List of deliverable gilts published by the exchange with maturities of between eight years and nine months to 13 years