

## A guide to gapfill and item set questions

Since **1 September 2010**, all IMC exams have contained two new types of question:

- the 'gapfill'
- the 'item set', or case study

Although the majority of questions will still take the form of a 4-option multiple choice question, gapfill questions will require you to enter a number into an open field using the keyboard, and item sets require candidates to answer up to six questions about a short vignette, or 'case'.

### Gapfill questions

These questions will always require a **numerical answer**, and you will be instructed how to enter the number you've calculated by a guideline in **bold**, for example:

*Company ABC plc has a current share price of 495p. Analysts estimate that next year's earnings will be 60p. What is the prospective price-earnings multiple for this firm?*

**Important! You should enter only the answer in numbers (without spaces, letters or symbols) strictly using the following format: 0.00**

The question will appear on the screen like this:

**Item Preview**

A higher rate taxpayer receives a dividend payment of £1,000.

If this is paid with an implied tax credit of 10%, what is the investor's income after payment of all tax due (to the nearest pound)?

**Important! You should enter *only* the answer in numbers (without spaces, letters or symbols) *strictly* using the following format: 000**

### How to answer a gapfill question

Left click the field below the item to activate the cursor and type in your answer, being careful to follow the instructed format. Once you have answered the question, click the 'Next' button in the bottom right of the screen to continue.

### Answer formats

Each question will clearly specify in which format your answer must be entered, and you should pay close attention to this. You must **exactly follow this guideline** to guarantee a mark for a correct answer.

**Importantly**, you will ***not*** be allowed to enter characters (such as: £, p, %, \$, GBP, USD) into the answer field on the screen. Only numbers with decimal points and commas are permitted.

If you calculated the answer to this question to be £1.25 you should type in **1.25** (not: £1.25 or 125p).

**Rounding:** some questions will require rounding the answer to give the correct number of decimal places.

Example: **00.00** - An answer with two whole numbers and two decimal places is required. If you calculated the answer to be £13.5794 you should type in **13.58**

The following answer formats would ***not*** be correct: 13.5794, 13.57, £13.58, £13.58p)

## Sample questions

The examples below should give you a feel of the next question format. They are indicative of the format of the new gapfill questions, *not of the content* of the IMC exam, and will not appear in any IMC exam. Answers are provided below.

1. Company XYZ plc announces a gross dividend of 10 pence. The share price is currently £2.00. What is the gross dividend yield?

**Important! You should enter *only* the answer in numbers (without spaces, letters or symbols) strictly using the following format: 0.00**

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2. Company ABC plc has a current share price of 495p. Analysts estimate that next year's earnings will be 60p. What is the prospective price-earnings multiple for this firm?

**Important! You should enter *only* the answer in numbers (without spaces, letters or symbols) strictly using the following format: 0.00**

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3. The covariance of two securities is 100 and they respectively have standard deviations of 10% and 20%. What is the correlation coefficient between the two?

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4. A fund has a return over the past year of 12% with a beta of 2.0. The risk free rate of interest during this period has been 4%. What is the Treynor measure for this fund?

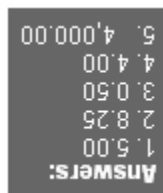
**Important! You should enter *only* the answer in numbers (without spaces, letters or symbols) strictly using the following format: 0.00**

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5. A machine costs £25,000, having a useful life of 5 years with an expected scrap value of £5,000. Assuming it is depreciated using the straight-line method, what is the annual depreciation charge?

**Important! You should enter *only* the answer in numbers (without spaces, letters or symbols) strictly using the following format: 0,000.00**

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## Item set questions

In each IMC exam you will be given two short case studies, or 'item sets'. These require careful reading, so the exams have been lengthened to provide extra time for this.

Each case study will then be followed by up to six questions, which will be a combination of multiple choice or gapfill.

## Sample questions

The examples below should give you a feel of the next question format. They are indicative of the format of the new gapfill questions, *not of the content* of the IMC exam, and will not appear in any IMC exam. Answers are provided below.

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### Unit 1 case study - the next six questions relate to this case.

Jonathan is a 40% taxpayer and his wife Carol is a basic rate taxpayer. They are considering realising some of their investments to finance a UK holiday property purchase. Their investments include:

- o £50,000 nominal of Treasury 8% 2012, currently worth £62,000 against a purchase price of £51,000 paid two years ago by Jonathan
- o 30,000 Tesco shares, which Carol bought for £50,000 in 2008, which are now worth £79,000
- o A property the couple bought for buy-to-let purposes three years ago for £200,000, which is now worth £255,000.
- o 15,000 BT shares, which Jonathan bought four years ago at a cost of £20,000, which are now worth £6,000.

The annual exemption for 2009/10 and 2010/11 is £10,100. Jonathan and Carol have not realised any capital gains or losses since May 2008. Ignore costs of sales in your answers.

1. Which one of their investments is exempt from capital gains tax?
  - a. Treasury 8% 2010
  - b. Tesco shares
  - c. The buy-to-let property
  - d. BT shares
  
2. What is the minimum capital gain that Jonathan can realise in 2010/11 without facing a capital gains charge?
  - a. £1,818
  - b. £5,050
  - c. 10,100
  - d. 20,200
  
3. If Carol sells her Tesco shares and makes no other disposals in 2010/11, what would be her UK capital gains tax liability in £s?

**Important! You should enter only the answer in numbers (without spaces, letters or symbols) strictly using the following format: 0000 \_\_\_\_\_**

4. If Jonathan sells his BT shares in 2010/11 and makes no other disposals, for how long can he carry forward the loss?
  - a. 1 year
  - b. 7 years
  - c. 10 years
  - d. Indefinitely

5. If Jonathan and Carol sell the buy-to-let property and Jonathan also sells his BT shares in 2010/11, how much capital gains tax would he pay in £s?

**Important! You should enter only the answer in numbers (without spaces, letters or symbols) strictly using the following format: 000 \_\_\_\_\_**

6. If the buy-to-let property is sold in 2010/11, what would be the capital gains tax bill for Carol arising from this disposal?
- £3,132
  - £4,872
  - £4,950
  - £7,700

**Unit 2 case study** - the next six questions relate to this case.

Stephen has the following data on two economic variables and two individual shares:

Year	CPI	GDP (£bn)	Share X (pence)	Share Y (pence)
1	115.3	17.2	100	100
2	118.9	17.9	112	108
3	112.6	17.5	124	96
4	121.2	18.2	124	102
5	124.5	19.5	132	110

- Rebase the CPI series so that Year 1 = 100. What is the new CPI index number for Year 4?
  - 105.1
  - 108.2
  - 110.7
  - 116.5
- Using the table above, calculate the percentage change in CPI between Year 2 and Year 5 (to two decimal places),
 

**Important! You should enter only the answer in numbers (without spaces, letters or symbols) strictly using the following format: 0.00 \_\_\_\_\_**
- In the table above, what is the mean value of GDP across the five years (in £bn)?
  - 17.9
  - 18.1
  - 18.3
  - 18.5
- According to the table above, what is the median value of GDP across the five years (in £bn to one decimal place)?
 

**Important! You should enter only the answer in numbers (without spaces, letters or symbols) strictly using the following format: 00.0 \_\_\_\_\_**
- Using the data in the table, create a simple arithmetic index for Shares X and Y with Year 1 = 100. What is the value of the index in Year 3?
  - 107.0
  - 108.0
  - 109.0
  - 110.0

6. Using the data in the table, create a geometric index for Shares X and Y with Year 1 = 100. What is the value of the index in Year 4?
- a. 117.7
  - b. 112.5
  - c. 113.9
  - d. 115.0

Please direct any questions relating to IMC question types to [info@cfauk.org](mailto:info@cfauk.org)

