Basic Approach for Core 1

It is easier to get to your ultimate destination if you know where you are going. You need to get control and focus early to control the case. That’s what Basic Approach will do for you!

Basic Approach
Know it cold
Every case, every time, no matter what

Why?
Control, focus and solid decision-making
Basic Approach for Core 1

Important to stick to simple plan, and adjust if required

Does not require same skill level as Core 2 or Electives

Basic Approach

1. Find the required

2. Read the short text in detail

3. Read the appendices in detail

4. Think and plan your response

5. Write your response and keep thinking

Basic Approach
The Required

What is it?
– The deliverables (what you need to do)

Why is it important?
– Gives context to the case
– Provides structure and focus during reading, analysis and writing phases

Examples
1. Provide an audit planning memo that identifies the overall audit planning considerations and the audit strategy for the specific areas of significant risks.
2. Discuss the accounting issues pertaining to this year’s financial statements and any adjustments that are required.
3. Assess the company’s controls and recommend how to address any of the weaknesses identified.

How to Find the Required

Read the short text at the start of the case
If required is not there, scan to find it in the exhibits that follow
Start Your Plan

Write down the required leaving space below each for additional information
- Don't paraphrase

Required forms the skeleton of your plan
- Issues fill in the detail on your plan

Your Plan

It's a personal thing, but **NOT** optional

**Purpose**
- Focus analysis and structure response
- Used to make critical decisions if needed (time allocation, ranking)
- Helps identify quantitative traps and level of depth needed

Core 1 cases may have a very basic plan

Basic Approach

3. Read the short text in detail
The Short Text

Read the short text in detail to determine:

- Your role
- Who the users are and what do they care about
- If this is not clarified in the short text, continue to read until you understand your role

Role is Critical

Who are you?
Auditor, consultant, accounting manager, controller, CRA auditor, treasurer, internal auditor, etc.

Understand your role
If the role is unique, slow down and adapt

Basic Approach

3. Read the appendices in detail
Appendices in Detail

Critically read the appendices
- Need to think about the required in order to analyze

Think SEARCH not solve
- Find issues related to each required
- Don’t get bogged down in the details

Pace yourself so you see the issues
- Read at speed can comprehend
- Could be adequate time to read a second time through if needed

Must track case facts for each issue
- Underlining and margin notes in case
- Page references in plan as required

Tracking Quant Info

Think as you critically read the appendices
- Why are you given this info? How can you use it?
- Based on the short text, what quant(s) are you asked to perform?
- Based on the Appendix heading, is this a “self-contained” quant that only requires margin notes?
Tracking Quant Info

Examples

– Cash flow: cf +, cf -
– Capital cf, etc.
– Contribution margin: price, variable costs (VC), fixed costs (FC)
– NPV: upfront costs, discount rate, tax shield inputs
– Personal taxes payable: total income, net income, taxable income, non-refundable credits
– Accounting adjustments - I/S , + I/S

Your Plan

Issues organized under each required

– Issues NOT CASE FACTS
– Key words/phrases
– NOT FULL SENTENCES
– $ value if given
– Page references

Example – Simple Plan

Note components

Calculate the value of XYZ

- Selling 50% Now May 5
- Earnings multiplier range 4 - 6
- Bonus p3
- Adjustments p5

Consider tax impact of sale

- LEGE not deed
- CCPC - ACB $100 p3

Acquisitions issues re. valuation to ASPE earnings

- Multiple deliverables rev rec p2
- Goodwill value $100K p2

Paul and Keith Black 100% CCPC
Basic Approach

4. Think and plan your response

Now What?

Think and plan...
- Rank the issues
- Allocate writing time
- Attack strategy

A solid plan should highlight each of these

For Core 1, able to complete all required and likely able to address all of the related issues in time allocated.

Writing Time Allocation

Must address all of the required
- But might not be able to address all of the issues
- Must decide what to leave behind based on your ranking

Balance is critical
- Quantitative and qualitative analysis

Allocate based on ranking
- Each required
- Each issue
**Attack Strategy**

Determine order of analysis/response

Take the time to see the path

– Possible integration of issues

– Consider necessary calculations and possible implications

– Any “big picture” issues (unlikely in Core 1 type cases)

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**Basic Approach**

1. Read the short text in detail
2. Read the exhibits in detail
3. Think and plan your response
4. Write your response and keep thinking

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**Response Structure**

Memo to / Report to

Heading – required #1

– Sub-heading for issue a
  • Analysis

– Sub-heading for issue b
  • Analysis

Heading – required #2

– Sub-heading for issue a
  • Analysis

– Sub-heading for issue b
  • Analysis
Exhibit Structure

Note components
Exhibit X
Purpose
  – State what exhibit is for (be concise)
Analysis
  – Clearly label each step
  – Show your calculations/formulas
Conclusion
  – Conclude on what the exhibit tells you
Notes
  – Explain adjustments/assumptions supported by case facts

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What Now?

Practice, learn from it...

Practice, learn from it...

Practice, learn from it...

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