



# International Certificate in Financial English

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**Past Examination Paper**

**Writing**

May 2008

# **ICFE Test of Writing May 2008**

## **Past Paper Pack**

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Test of Writing, Question paper

Notes on assessment and sample scripts

Centre Number	Candidate Number

Candidate Name \_\_\_\_\_

**UNIVERSITY OF CAMBRIDGE ESOL EXAMINATIONS**  
**English for Speakers of Other Languages**  
**INTERNATIONAL CERTIFICATE IN FINANCIAL ENGLISH     **D020/2****

Test of Writing  
 Saturday                      **10 MAY 2008**                      Morning                      1 hour 15 minutes

Candidates answer on the question paper.  
 No additional materials are required.



**Time**            1 hour 15 minutes

**INSTRUCTIONS TO CANDIDATES**

- Do not open this question paper until you are told to do so.
- Write your name, Centre number and candidate number in the spaces at the top of this page.
- Read the instructions carefully.
- Answer the Part 1 question and the Part 2 question.
- Write your answers in the spaces provided on the question paper.
- Write clearly in **pen**, not pencil. You may make alterations, but make sure your work is easy to read.

**INFORMATION FOR CANDIDATES**

Part 1 carries 40% of the total marks available and Part 2 carries 60% of the total marks available.

FOR EXAMINER'S USE	
<b>Part 1</b>	
<b>Part 2</b>	

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**This question paper consists of 3 printed pages, 3 lined pages and 2 blank pages.**

## Part 1

### Question 1

You **must** answer this question.

You work for a firm of accountants. One of your clients, EXP, is planning to sell part of its company. You have received the following letter from Renfield Group, a potential buyer.

Read the letter from Gustav Meyer, Financial Director of Renfield Group, on which you have made some notes. Then, **using all the information in your notes**, write a letter to Mr Meyer on behalf of your client, EXP.

As you know, we are interested in purchasing part of EXP. We have looked at the accounts but are concerned about the fall in profits last year. Was there a particular reason for this?

*New competitor*

Secondly, the sales forecast seems to be unrealistically high, especially considering the drop in turnover last year, and we would like to know what these sales projections are based on.

*Explain why figures  
are realistic*

Thirdly, we need to be sure that there will be no monies overdue from credit customers if we decide to purchase.

*Describe new credit  
control system*

We understand that the current management team are part of the package. We would like to have more details of the management team's experience.

Finally, we understand that the buildings are rented. Can you confirm this?

*Give details*

*Yes, 5-year  
lease*

We look forward to hearing from you.

Yours sincerely

Gustav Meyer

Gustav Meyer  
Financial Director  
Renfield Group

Write a **letter** of between **120** and **180** words in an appropriate style on page 3.  
Do not write any postal addresses.



## Part 2

### Question 2

You **must** answer this question.

You work for an accountancy firm. One of your clients, a manufacturer of medical equipment, wants to export its products to various parts of the world and has asked your advice about how to deal with changes in foreign exchange rates.

Write a **report** for your client. Your report should:

- explain the importance of export pricing decisions for the company
- summarise the main risks involved with foreign exchange
- outline ways for the company to limit these risks
- describe how foreign currency transactions may affect the accounts of a business.

Write your answer in **200 – 250** words in an appropriate style on pages 5 and 6.





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You may use this blank page to write notes, or, if necessary, to finish your answers.

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## Writing Sample Scripts

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### Part 1

#### **SCRIPT A**

Dear Mr Meyer

In response to your letter dated 16<sup>th</sup> October concerning the acquisition of the separate division of our customer, EXP, we would like to comment as follows.

Firstly we would like to dispel your doubts regarding decreasing profits figures in the prior year. The reason behind it is that a new company entered the market and what EXP is witnessing now is extremely tough competition. Having received sufficient support from your company it should be able to recover its market share.

Secondly I must disagree that figures in financial statements projections are exorbitant. Please note that the state of the national economy is excellent and prospects for future are even better. We therefore strongly believe EXP should benefit from economic boost and push the sales up.

Thirdly, a new policy concerning awarding credit and granting discounts has just been implemented. According to it customers who default on meeting credit arrangements are only allowed to make cash purchases. This should ascertain debtor trickle to the company in a timely manner.

As far as the management crew is concerned, it consists of highly qualified professionals with a record of experience. A file is enclosed to this letter to allow you to get acquainted with their background.

Finally the company's premises are secured by a 5-year lease agreements and the company is on the best way to extend them to 15 years.

I think I have highlighted all the relevant points. Should you have any questions, please do not hesitate to contact us.

Yours faithfully  
Enc

#### **Script A**

This is a good realisation of the task. All the content points are addressed and developed with relevant information. The ideas are well organised and linked and there is some good and quite ambitious use of vocabulary and structures, although at times errors occur. The letter begins and ends appropriately and the register is generally consistent formal throughout.

#### **Band 5**

## **SCRIPT B**

Dear Mr. Meyer.

I'm writing to reply for inquires of your email.

firstly, from your concern on last year profits falling, the main reason is coming from one new competitor start entering business which lead us to reduce quotation price to customers, as well as profit is lower than previous year.

secondly, you do not worry about our sale forecast, which is significant to be achived. Although new competitor's negative impact, we will get 90% contracts from customers, because of our products' good reputation and quality.

on the third inquire of credit situation, we had invested new credit control system, which will cover all areas of operation. We had strictly monitored on purchase, logistics, and financing, in order to guarentee no overdue from customer.

Our management team is very strong, qualified, well-experinced, including senior managers are all over 10 years working-experiences, Junior managers are over 5 years. so, finally question for the building, which is rented by 5-year lease contract.

If you have further questions, fell free to contact me!

Yours sincerely  
EXP

### **Script B**

This is an inadequate attempt at the task and has a negative effect on the reader. Although the five content points are addressed, there are frequent basic errors in grammar and these make the answer difficult to follow. The vocabulary is minimally adequate for the task but the register is not consistently appropriate. There is an attempt at organisation but the paragraphing and linking of ideas is not wholly successful.

### **Band 2**

## **SCRIPT C**

Dear Mr Meyer

With regard to the acquisition of our client's (EXP) company let me give you a brief summary of some aspects which are of interest for you.

The fall in profits EXP had to face last year was due to a new competitor coming onto the market. In order to cope with that competition EXP launched a new product onto the market which not only boosted sales but also enabled EXP to increase their market share considerably.

You can be sure there will not be outstanding amounts to be paid by credit customers as EXP established a new credit control system which was created and implemented by our accountancy firm earlier this year. Jeff Beck, the founder of EXP, has been in charge of the R & D department for more than 20 years now and the other managers have gained a thorough knowledge of the business as well.

Finally I can confirm that EXP's buildings are rented and the lease contract cover a 5-year period.

If you need any further information, please do not hesitate to contact us.  
yours sincerely

### **Script C**

This is a reasonable realisation of the task. The second content point in the task has been omitted, however, and the answer penalised because of this. The language is C1 level: the ideas are relevant and developed and a good range of structure and vocabulary is used accurately with good control of complex sentence structures. Register is on the whole appropriate. Unfortunately the target reader would not be fully informed.

### **Band 4**

## **SCRIPT D**

Dear Sir,

Thank you for your letter by inquiring us about the recent situation about our client, EXP. We are very honored to explain to you as follows:

To begin with, our client did face a profit fall last year out of a new competitor. At present, the globalization is a general trend and competition in the future is inevitable. However, the board has taken some measures already so you can not worry about it. Secondly, what you can't understand is the high sales forecast. In fact, this is the measure we talked above. A technology which can improve the products has been created. By market analysis, this will make EXP outperform than other competitors in the same sector. So forecast figures are realistic.

Thirdly, new management has taken tight credit control system, decreasing the credit term from 65 days to 30 days, which is shorter than the average level of this industry. Each member of the management team is outstanding. They all have perfect interpersonal skills and have completed many big projects in and out of the nation successfully. They own plenty of experience.

Finally, the building are rented for a 5-year lease.

We look forward to your reply.

Yours faithfully

### **Script D**

This is an adequate realisation of the task set. The content points have all been addressed but lack clarity at times because of errors in grammar. An adequate range of vocabulary is used but the word choice is not always precise. The ideas are generally logically organised although the paragraphing is not wholly successful.

### **Band 3**

## Part 2

### SCRIPT E

#### Report: assessment of risks involved with the international trade and foreign currency operations

This report dwells upon several aspects of foreign exchange rate fluctuations and the implications of these for international businesses.

- Pricing Strategy

Choosing the right pricing of exported products is crucial for any company in that it affects what part of the market share the business is capable of winning in a chosen country. It is obvious as well that the ultimate sales figures will depend on it.

- Foreign exchange rate risks

- When entering the international market or a selected national market, the exporter is exposed to the risks associated with currency fluctuations. The latter can be due to unstable economic conditions, political changes or just speculations so typical of foreign exchanges nowadays.

- Approaches to reduce risks:

The most effective means to hedge against currency rate changes is to carry out transactions in a currency which has shown long term stability, for example, in euro. Another option is to close forward contracts in which the future exchange rate of the local/national currency will be specified. This approach will help at least minimize losses.

- Effects of currency transactions on business accounts:

As a result of more/less favourable currency transactions, the company's turnover can vary to a smaller or greater degree. This effect should be taken into consideration when sales and profit targets are set.

#### **Script E**

This is a full realisation of the task set. The points are developed very effectively with relevant ideas which are organised logically. The formal report format is appropriate. A wide range of vocabulary and complex structures is used. There are only minimal errors which do not impact on communication. There would be a very positive effect on the target reader.

#### **Band 6**

## **SCRIPT F**

We are received your requirement to give you some advice about how to deal with changes in foreign exchange rates since you wants to export products to various parts of the world. Through these days analysis, we come to advise you pay attention to several aspects below.

The initial point is the importance of export pricing decisions. Pricing is very crucial not only in foreign trade, but also in domestic business. A proper price can make you get more customers and gain better profit. Otherwise, it will affect your financial status, even to be harmful to your home business. Therefore, you must specify the supply and demand in every country and decide a wide range of export price.

Foreign exchange market is full of fluctuation so risks are emerging. Foreign exchange rate is how much one currency is another currency. It is appreciating and depreciating. As a result, the payment you get is not as some as that you expected. There may be a fall in profits. The exchange rate is decided on the both impact of the supply and demand of one currency. In addition, government will use foreign exchange reserves to stabilize its own currency from shock. In conclusion, you can hardly know whether the currency you get will be in a rise.

Fortunately, many method can be utilize to prevent your profit from falling. The simplest way is to ask your clients to pay for the money using your domestic currency. Regardless of the rise or fall of their currency against yours, you can get a fixed amount. Other complex instruments can decrease the risk such as forward contract, a stop loss, a limit order. Forward contract is to say "buy now, pay later" If you find the currency of your client is depreciating in future, you fix a rate in contract. Then when they pay, you still get what you should earn.

Foreign currency transactions may affect the accounts of your business to some extent. Company must use domestic currency and foreign currency to record the trade in the account at the same time. This is by law requirement. So there will be some spread which can take an impact on your financial statements.

If you have any question, do not hesitate to contact us.

### **Script F**

This is a reasonable realisation of the task set. The main ideas are relevant but the answer is overlength because the candidate has tried to explain concepts, which is not appropriate for the target audience. The range of vocabulary and structures is reasonable, although there are some non-impeding errors. The ideas are generally logically organised.

### **Band 4**

## **SCRIPT G**

Dear xx:

I am very happy to provide suggestions about export products to various parts of the world.

In export Trade, the most important is price, first your company should do market investigation, your equipment in different countries that your company want to export, the price is higer or lower compair with your sales price based on your company sistim. your equipment qulity is better than most other countries, your sales price can decide higher than other countries, since for medical equipment, people pay more atten on qulity rather than price.

In export trade, there are risks in foreign exchange. the main risks is the country currency whether exist same value. for example, if the country currency rised value, your company will lost profit.

To avoid the foreign currency exchange risk, you can choice export your equipment to the country which currency is stead in a long term. and also you can sign the sale contract use the fixed exchange rate for your export.

Foreign currency transaction should be affect in financial expenses. When export happened, first use same day exchange rate, at the end of the month and year use the last day exchange rate to adjustment. the exchange rate difference should be record in financial expences Debit or credit

If you have quaries please contact me.

Best regards.

### **Script G**

This is an inadequate attempt at the task set. The points are addressed but lack clarity because of the limited range of vocabulary and structures and the frequent errors. The format is inappropriate, although the body of the answer is suitable for a report. There is evidence of organisation but the linking of ideas is poor There would be a negative effect on the target reader.

### **Band 2**

## **SCRIPT H**

Ways of protecting company against foreign exchange rates risk.

Following your request to advise you about the complex nature of operating in an international environment I have produced a report outlining main issues associated with this subject.

Appropriate pricing is essential for the company to achieve success in the foreign market. When establishing prices for your goods you need to take into account that they must be competitive ones. Furthermore you must constantly monitor changing exchange rates as their appreciation or depreciation results in the need to alter your breakeven point.

As far as risks are concerned the greatest of them are of course adverse fluctuations in exchange rate results. This may turn what seemed to be a profitable transaction into loss. Another question is the possibility of the customers non-payment or non-compliance with credit arrangements that may seriously affect your financial condition.

Fortunately there is a number of various tools and techniques an enterprenieur can employ to protect himself against risks listed above. A simple way to eliminate the severe impact of exchange rate swings on your sales revenue figures is natural hedging. This can be effected by trading in only one currency and therefore transferring the risk on your customers and suppliers. A more sophisticated solution involves the use of derivatives that, at a low cost, can seriously mitigate the risk.

I believe you will find this report of interest. Operating on foreign markets brings new opportunities for the companies but also poses som serious threats that one has to be aware of.

### **Script H**

This is a good realisation of the task set. The points are ideas developed well with relevant ideas. A good range of vocabulary and structure is used, including some ver appropriate financial terms and expressions. The report is well organised and the ideas linked effectively. The answer is generally accurate, although there are a number of spelling inaccuracies, but all non-impeding. There would be a positive effect on the target reader.

### **Band 5**