

# **INSTITUTE AND FACULTY OF ACTUARIES**

## **EXAMINERS' REPORT**

### **CAA Module 5 Models and Audit Trails**

#### **Examination 115 March 2015**

#### **Introduction**

The attached report has been written by the Principal Examiner with the aim of helping candidates, both those who are sitting the examination for the first time and using past papers as a revision aid and also those who have previously failed the subject.

The specimen solutions are based on one possible approach to modelling the scenario set but the examiners gave credit for any alternative approach which they considered to be reasonable.

F Layton  
Chair of the Board of Examiners

May 2015

## **General comments on Module 5**

Module 5 aims to ensure that successful candidates can model data and develop an audit trail to document the work done.

Part 1 of this examination tests the ability to produce a complete and accurate model using sound and simple techniques, and the ability to perform reasonableness checks and automated checks throughout. Candidates are therefore expected to have a working knowledge of spreadsheets.

Candidates are expected to include checks within their models and specific marks are awarded for these. The number of marks available for checks gives a guide as to how many distinct checks are required.

Part 2 of this examination tests the ability to produce an audit trail that documents all the work done, including the methods, the parameters, the checks performed and the results of those checks. This can be done in a separate sheet within the spreadsheet model or in a separate Word document.

It should be noted that there will generally be more marks available for Part II than for Part I to reflect the importance of good communication and documentation when producing models.

## **General comments on Examination 115, March 2015**

As this was the first ever sitting of Module 5, a relatively straightforward scenario was set. There was no evidence of time pressure for candidates.

Candidates were required to create a spreadsheet model to project values for a prize account and determine the ability of the account to cover all the prizes under various different sets of assumptions. This exam primarily required knowledge of compound interest and inflation adjustments.

A possible model with an audit trail is posted on the website. It should be noted that these include more detail than would ordinarily be possible within the time allowed for the examination.

**END OF EXAMINERS' REPORT**