

# **INSTITUTE AND FACULTY OF ACTUARIES**

## **EXAMINERS' REPORT**

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

**Examination 315**  
October 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

November 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 315, October 2015**

Candidates were required to create a spreadsheet model to project pension benefits for an individual in both a final salary and a career average scheme under various different sets of assumptions. Additional guidance was provided for candidates unfamiliar with these types of schemes. This exam primarily required the ability to perform financial projections, including for inflation, and to compare the different schemes.

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**