



Think Ahead



F3 Examiner  
February 2015

F3

Financial  
Accounting

## Overview

- Exam format
- Exam pass rates
- Review of candidate performance

## Overview continued

- Specific issues: CBE/paper-based
- Resources
- Looking forward

This presentation will cover some of the specific problems that candidates appear to have with F3. Some relate to the CBE version, others to the paper-based exams, some relate to both.

It will also highlight the range of resources that the examining team produce to help candidates preparing for the exams, and will look ahead to the annual syllabus update for September 2015.

## Exam format

- 35 OTs (70 marks)
  - whole syllabus
- 2 MTQs (15 marks each)
  - Accounts preparation
  - Groups

The most important recent change for F3 has been the new exam format introduced from June 2014. To date the reaction to this change has been positive. The OT style of question should now be familiar. A range of OT item types appear in the CBE version of F3, the paper-based version uses only multiple choice (MCQs).

Multi-task questions (MTQs) involve a number of requirements based on one comprehensive scenario/ set of information. MTQS are used in both CBE and paper versions. These will cover two areas:

(1) Accounts preparation: Could be sole traders or company accounts. Could include preparation of statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows or extracts from these. These will typically will include a number of adjustments eg depreciation or tax.

(2) Groups: Aim is to test basic principles which are then developed in F7. NB there may be a small element of interpretation in the group accounting questions.

## Exam pass rates

Combined paper based and CBE

|        |         |        |
|--------|---------|--------|
| Dec 13 | June 14 | Dec 14 |
| 57%    | 63%     | 59%    |

We have not identified any major problems with the introduction of the new style of exam. In fact we have seen an improved pass rate in the two sittings to date.(Dec 13 pass rate under the old style of exam has been given to serve as a comparison.) Candidates seem to have coped well with the change. Good results are being achieved on both sections of the paper.

## Review of candidate performance: OTs

- Strengths
- Knowledge
- Double entry

## Review of candidate performance: OTs

### Knowledge

- Concepts/ Conceptual Framework
- IAS 2 Inventory
- IAS 10 Events After the Reporting Period

Exception: DISCLOSURE

Candidates are showing strength in a number of areas, particularly in questions where they can demonstrate their knowledge. The one exception to this is in the area of disclosure. Tuition providers should draw candidates' attention to this. There may be a tendency to skim over these areas but they are examined regularly.

## Review of candidate performance: OTs

### Double entry

- Preparation of ledger accounts
- Identifying journals for a transaction

There is evidence of sound knowledge of basic double entry which is encouraging.

Questions requiring preparation of a ledger or revision of a ledger prepared by an inexperienced book keeper generally have a good success rate.

Candidates are also able to identify the appropriate journal for a given transaction eg the disposal of a non-current asset. As we will see in a moment candidates are less successful where their knowledge of double entry is examined in a more complex scenario.



## Review of candidate performance: OTs

### Weaknesses

- Understanding
- Connections

Candidates seem to perform less well in questions which require a higher level of understanding. In particular it seems that many struggle to understand the relationships between balances in the financial statements and connections between books and records which make up the accounting system. We can see this by looking at the specific topics where candidates struggle.

## Review of candidate performance: OTs

- Bank reconciliations
- Control account reconciliations
- Suspense accounts
- Accruals and prepayments

Bank reconciliations: Tuition providers should stress the importance of understanding the relationships between the figures in a bank reconciliation, rather than simply being able to work through the process of preparing one. Candidates are still confused by the way information is given on a bank statement (eg credit = money in the bank)

Control account reconciliations: Many candidates fail to understand how information is recorded, and flows through an accounting system eg total sales per sales day book posted to receivables control account (part of double entry), individual sales invoices posted to receivables ledger (memorandum account). Candidates need this fundamental understanding in order to identify whether corrections affect the control accounts or the individual ledgers.

Suspense accounts: students should be taught to adopt a methodical approach

Which entry has been made? (including the suspense account entry)

What should it have been?

What is the adjusting entry?

Accrual and prepayments: Candidates are more successful with questions which test the basic double entry for a year end adjustment but they must also understand the impact on the financial statements. For example, a question could ask candidates to consider the impact of the adjustment on profit and/or

net assets.

## Review of candidate performance: MTQs

- Accounts preparation
- Groups

These are the 'new' feature of the revised format. As we have already seen the overall response seems to have been positive. It is difficult to make generalised comments about accounts preparation questions as these can take a variety of forms eg company accounts, sole traders, statements of cash flows etc.

Group accounts: Typical errors – including share capital of subsidiary, failure to eliminate intra-group trading from sales and cost of sales, incorrect calculation of unrealised profit.

## Specific issues: CBE

- No minus figures
- \$ or \$000

So far we have been considering issues which affect both the CBE and paper-based exams. There are some issues which relate to each of these specifically.

CBE: No minus figures will need to be entered in F3 CBEs. All number entry should be 'positive' ie there will be no need to insert figures with brackets.

Example: Cost of sales – the proforma provided will say 'Less: cost of sales'. The costs of sales figure should be entered as a positive balance.

Example: Statement of cash flows - drop down boxes will be used to allow candidates to show whether an adjustment in the operating profit reconciliation is added or subtracted, and whether a cash flow is an inflow or an outflow.

Candidates should take notice of the terms in which numerical information is expressed. The proforma/ data entry box will clearly indicate whether the information is in \$ or \$000. Answers must be provided in the same terms.

## Specific issues: Paper based

- Proformas
- Workings

Candidates should be reminded of the importance of knowing the basic proformas for both single entity accounts preparation and groups questions. Candidates who show a sound knowledge of these generally score higher marks as the proforma provides a framework for their answer, and assists them in working through and using the information in the question.

Clear workings are essential. Where these are provided candidates can gain partial credit even if the final answer is incorrect. Clear workings also encourage a methodical approach and increase the likelihood of the correct answer being derived.

## Resources

- Specimen exams
- Practice tests
- Examiner's reports

Specimen exams: Available for both CBE and paper versions. (The CBE version includes a full exam and an extra set of MTQs).

Practice tests: There is a charge for these but they do have additional features to assist with revision, giving students feedback screens identifying how they performed on the various syllabus areas, and on individual questions. This helps them target their final revision more effectively.

Examiner's report – prepared after each exam session to give constructive feedback on students performance. In particular, these include examples of question-types and how to approach them.

## Looking forwards

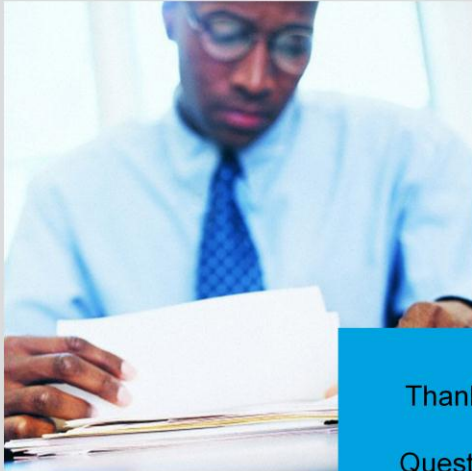
- Syllabus
- Examinable documents

The next annual update of the syllabus take effect from September 2015 – only very minor wording changes ie no changes of substance

Examinable documents: Key point to note is that IFRS 15 is not examinable, despite being issued before the cut-off date for this update. It will be examinable in F7 and P2 from September 2015, but will be introduced later into F3.

Reason for this decision: We need evidence of how the standard will be implemented. The standard talks in terms of broad principles (ie it doesn't tell you what to debit or credit). In particular for F3 it is unclear how IFRS 15 will affect the treatment of discounts. So for now, the existing treatment of discounts will continue to be tested in F3.





Thank you  
Questions?