



Think Ahead



F8 Examiner
February 2015

F8
Audit & Assurance

Structure of presentation

- Review of new format and December 2014 exam
- Candidates' performance – what they did well and what they didn't do well
- Tuition providers – how you can help improve candidates technique

The presentation will focus on the following areas:

- Review of the new format and exam performance for December 2014 exam
- Areas where candidates performed well and any common themes that arose
- Areas where candidates did not perform well and what this means to future candidates and tuition providers
- How tuition providers can help candidates' performance

New F8 format

Exam format – 2 sections

- Section A – 12 MCQs of 1-2 marks
Mainly knowledge with some application skills
- Section B – 4 x 10 mark questions and 2 x 20 mark questions
Mixture of knowledge, but mainly application skills

December 2014 global pass rate – 45%

- The new format for F8 had its first exam sitting in December 2014.
- The exam has 2 sections – section A contains 12 MCQs worth 1 to 2 marks. These questions test mainly knowledge but also have some application skills.
- Section B is made up of 6 questions, with 4 being worth 10 marks each and 2 being 20 marks each. These questions are predominantly testing application of knowledge. The 20 mark questions in particular are very similar in style to previous F8 exams.
- December 2014 global pass rate was 45%

Candidates' performance D14

Areas where candidates performed well:

- Section A - MCQs
- All attempted, syllabus coverage
- Corporate governance
- Internal control deficiencies and recommendations
- Planning

There are a number of areas where candidates performed well in December 2014 these include:

Section A –almost all candidates attempted every MCQ, and this shows good exam technique. On the whole candidates scored well on the MCQs. Candidates struggled with some MCQs, especially those which required an understanding of the types of audit procedures and also which assertions substantive procedures were testing. With MCQs, candidates must remember that they enable the whole syllabus to be more easily tested each session – and they must cover all technical areas and not just try to question spot.

Corporate governance (CG) : Question 3 tested the benefits of establishing an audit committee (AC) and also required a comparison of the advantages and disadvantages of two potential non-executive directors (NEDs). Candidates were able to easily identify points from the scenario, although some candidates did not fully understand the advantages and disadvantages and so got them around the wrong way. In addition some candidates did not score as well as they could have on the AC as they focused on the role of the AC rather than the benefits. Candidates are reminded to read the requirement carefully

before starting to write their answer.

Internal control deficiencies and control recommendations: Question 5a required candidates to identify and explain deficiencies from the scenario and provide a control recommendation. Most were able to easily identify deficiencies and to make recommendations, however the explanations of the deficiencies need to be improved. The marks were allocated ½ mark for identification of the deficiency, max of 3.5 marks, ½ mark for explanation of the deficiency, max of 3.5 marks and then 1 mark per well explained control maximum of 7 marks – although some control recommendations were too brief to get 1 mark.

Planning: Question 1a covered the importance of planning and this was clearly a pure knowledge area that many had learnt.

Candidates' performance D14

Areas where candidates did not perform well:

- Audit risk – explain risk and give AUDITOR response
- Audit reports
- Substantive procedures

Unfortunately there are a number of areas where candidates are still not performing well, these include:

Audit risk: This is a core element of the audit and assurance syllabus. Since June 10 every session, other than one, has contained at least 10 marks on audit risk. Although performance has improved slightly in recent sittings candidates are still making the same mistakes,. Students have a wealth of resources in this area including technical articles and detailed commentary in every examiners report. Candidates are able to identify the issue from the scenario, but cannot explain how this is a risk. The risk needs to clearly explain which financial statement assertion is impacted and the account balance affected. The AUDITOR responses provided also continue to need work as many candidates still give responses from management's perspective.

Audit reports: This was tested in question 4a and 6c and in both cases candidates performance was unsatisfactory. Question 4a tested the elements of the audit report – and many lost marks as they simply listed sections of the audit reports rather than DESCRIBING the elements and WHY they were included. Candidates MUST answer all parts of the question. For question 6c

candidates were unable to identify the correct audit report modification, frequently suggesting every possible audit report modification. Audit reports are a core part of the syllabus and candidates should devote more time to understanding and practising this area.

Substantive procedures: This is a vital part of the syllabus and candidates must be able to produce tailored detailed procedures. This session question 6b was an applied substantive procedures question where candidates were asked to produce tests for a specific issue in the scenario. Many candidates seemed to ignore the scenario entirely and gave a standard list of substantive tests. This style of substantive procedures question was first introduced in June 2012, and has been used extensively since. Candidates must be able to tailor their knowledge of standard tests if they wish to pass these type of questions.

Tuition providers

How can you help to improve performance:

- Use Examiners' reports in class
- Time allocation
- Practice questions in class – requirement verbs and what question actually wants
- Review candidates answers
- Understanding rather than rote learning – forget generic lists
- Stop trying to question spot – syllabus coverage!

There are a number of areas where tuition providers can help candidate performance:

Use examiners' reports in class: After each exam a detailed examiners' report is produced which explains the common mistakes made by candidates. However, sitting after sitting these same mistakes are made by significant numbers of candidates. If these are used more in class then candidates might be encouraged to read and learn from them prior to sitting the exam.

Time allocation: Candidates must practise this skill if they wish to pass this exam. Candidates now need to answer 6 questions as well as MCQs so timing is VERY IMPORTANT. Helping candidates with how to use their reading time can help – they should be using this to plan how they will approach the paper, and in breaking down questions requirements clearly so they answer the questions actually asked in the required level of detail. Using this time to answer MCQs is not recommended. Practising questions to time in class will help as the more that this is done properly in class, the better prepared the candidates will be.

Requirement verbs and what the question wants – This is so important as many candidates are failing to maximize their marks. Many candidates have the knowledge but they must answer the question that is set and not the one they wish had come up. They must identify all parts of the question requirements as often there is more than one requirement in a question part. Also candidates must clearly identify all requirement verbs as different requirements need varying levels of detail. If the requirement is “list, identify or state” then the overall level of detail required is significantly less than for “describe, recommend or explain”. The mark allocations will also be different, as a general rule the requirements like “state, identify or list” are normally only ½ mark per valid point whereas “describe or explain” is normally 1 mark. A requirement such as “identify and explain/describe is normally 1 mark. Doing question plans in class can be beneficial as they can be used to help candidates correctly identify what the question requirements are, how the scenario can be used to provide an applied answer, to brainstorm how many points they need to make to pass a question as well as how much detail on each point.

Review written answers in class: Following on from the above points, reading candidates’ answers and giving them specific feedback on their understanding of the requirements and whether they have laid their answers out well (such as columns) will improve the quality of candidates’ answers.

Focus on understanding rather than rote learning: More time needs to be spent on testing candidates understanding of an area rather than just on rote learning. In recent sittings its clear candidates have been advised to learn generic lists of tests – this does not work with applied questions, as many candidates just learn these lists without understanding the tests and their objectives. Other areas for tuition providers to focus on would be audit risk, substantive procedures and audit reports.

Candidates should be reminded that they cannot question spot and as this is not beneficial now that the exam has so many parts.



Thank you
Questions?