

Think Ahead

ACCA

# F8 Audit & Assurance

## F8 exam structure

- Section A – 3 objective test (OT) case scenarios, each 5 2 mark OTs
- Section B – 1 x 30 mark and 2 x 20 mark questions
- Section B mainly feature syllabus areas B,C and D

We will start with a reminder of the F8 exam structure which has been in place since September 2016.

Section A is comprised of 3 **OT cases**, which are mini scenarios, for each scenario there are then 5 related objective test questions each worth 2 marks. The cases are unrelated to each other.

Section B is comprised of 1 x 30 mark and 2 x 20 mark questions. These are all compulsory. Each question is based around a scenario and there are several requirements for each question. The main syllabus areas to feature here are B – planning and risk assessment, C – Internal control and D – audit evidence. However I must stress and will focus on this more in a moment – syllabus areas A – audit framework and regulation and E – review and reporting do also appear in questions each exam session.

## F8 pass rates

MARCH 2017 – 38%

DECEMBER 2016 – 40%

SEPTEMBER 2016 – 44%

Global pass rates for students sitting both CBE and PBE exams

70% of exam expert marked

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The global pass rates for F8 both paper based and CBE students since Sept 16 are presented. I am going to give some insight into how students have performed since September 2016 when the exam format changed.

The OT cases are computer marked and the remaining 70% is expert marked by the F8 marking team

## Section A – OT Cases

- Most students attempting all OTs
- Mixture of knowledge and application to case scenario
- Variety of question types, CBE exams
- Performance variable depending on subject area
- Lack of syllabus knowledge

It is pleasing to see that the vast majority of students are attempting all OT questions in section A

Section A has a mix of knowledge and application type questions. This style of exam has evolved in that rather than having 20 marks of multiple choice questions, as was the case pre Sept 16, we are now able to really use the case scenarios to test application of knowledge. This means that some of the questions can be quite challenging. I think this is something that many students have not fully appreciated. In general for each cases you would expect there to be around 2 knowledge OTs and 3 application OTs. This means students must spend more time reading the case scenario and applying this to the questions asked. Its usually quite clear when the question is applied vs knowledge.

In the paper based exams, the question types are multiples choice questions (MCQs) where there are is a choice of 4 options A-D. In the CBE exams in addition to MCQs, there are also question types such as point and click and drag and drop. For more on CBE question types visit the ACCA website for specimen exams and example questions.

Over the last 3 sessions student performance has been variable. The same patterns are seen whether CBE or PBE. Students are tending to perform better depending on the subject focus of the case scenario. More popular areas such as ethics or corporate governance see strong student results, whereas questions on audit evidence or reporting are disappointing. In the case of audit evidence I think this is because these often tend to be application questions and can be quite challenging. In particular substantive testing questions can require an evaluation of different tests to assess which best addresses a specific assertion such as completeness of trade payables. These questions take time to read and understand – I do wonder if students allow enough time for this as the results seem to demonstrate a lack of knowledge/understanding or time allocation.

For the questions on areas such as reporting – knowledge of the F8 syllabus is essential. Recent changes in ISA 700 series are areas students should have studied in depth, but this does not seem to be the case as questions in this area have been disappointingly answered.

Having 15 OTs allows greater syllabus coverage – students must learn and practice the whole syllabus!

## Section B – constructed response questions (CRs)

- Ethics
- Audit risk and responses
- Internal controls
- Applied substantive procedures
- New/revised syllabus areas

The constructed responses or written questions have produced mixed results from students. I have picked some of the topic areas where students are tending to make similar errors each time the area is tested.

Ethics: Typically questions ask for an identification and explanation of ethical threats which may impact the independence of the firm. Then a safeguard is required as the second part. In order to fully pick up the 1<sup>st</sup> mark students must:

- First ½ mark – state correctly the type of threat i.e. familiarity threat AND ID the fact from the scenario which is causing the threat to arise. Eg *audit partner on listed client for 8 years this gives rise to a familiarity threat* = ½ mark.
- To get the other ½ mark they must then explain why this is an issue – so in my example it would be that the partner is not sufficiently sceptical and challenging of the accounting treatment as involved on the audit for too long.

Students are managing to ID the issue, but unfortunately they are not correctly stating the type of threat. Further quite a number of students do not explain why its an ethical issue – thus not picking up the other ½ mark. These type of questions should be practiced in class to develop the student's question technique.

Audit risks and responses: Core area and one which should have been practiced extensively pre the exam. Students are able to identify the issue from the scenario, but cannot explain how this is a risk. Remember the risk needs to clearly explain the financial statement assertion impacted and the account balance affected. Also the AUDITOR responses need work as many still give responses from management's perspective.

Internal controls: Students are producing mixed responses here. There are some knowledge areas in this syllabus area such as control objectives and internal control components from ISA 315. However many students struggle to answer them – I wonder if they have studied them sufficiently.

In addition common applied questions such as identify and explain deficiencies or strengths, suggest recommendations and test of controls continue to feature heavily in this exam. Generally students can pick up the ½ mark for identifying the strength or deficiency, although they are better at deficiencies rather than strengths. But the second ½ for explaining the implication of the deficiency to the business or how the strength benefits the co is an area where all students need to do more work. They often do not pick up this second half mark.

Recommendations are generally ok – although sometimes too brief. However tests of controls continue to be too vague, in addition sometimes they are worded as to what the client, rather than the auditor, should do.

Substantive procedures: This is a vital part of the syllabus and candidates must be able to produce tailored detailed procedures. Questions are often based on a short scenario and the students have to develop substantive procedures to address the issue in the scenario – such as PPE additions or valuation of WIP. However many students seem to ignore the scenario entirely and gave a standard list of substantive tests. This style of substantive procedures question has been around for years and there are plenty of past exam questions which students should have practiced extensively. Students must be able to tailor their knowledge of standard tests if they wish to pass these type of questions.

New/revised syllabus areas: F8 does not have a large syllabus, hence where there are ISA changes such as IAS 700, 701 and 705 then students should expect these to be tested, and quite quickly. To not know these changes in detail is surprising and not going to help with exam success. Also where new areas have come into the F8 syllabus, such as quality control, again students should focus on these as they are likely to be tested and quite quickly.

## Tuition providers

Help to improve results by

- Examiners reports - website
- Focus understanding vs rote learning
- Practice recent exam questions
- Question banks adequate question types/areas
- CBE continuing to grow – practice
- Specimen exam/CR Workspace
- F8 video 'introduction to CBEs'



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There are a number of areas where tuition providers can help students to succeed at F8:

Use examiners' reports in class/ encourage students to read them at home: After each exam session an 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 actually read them prior to sitting the exam.

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. This particularly true for substantive and controls testing questions. Other areas for tuition providers to focus on would be audit risk and audit reports.

Practice recent questions: As the exam format has changed and



there are no longer the 10 mark written questions then its very important recent questions are practiced in class. This should help with developing good technique for exam time and also to understand what the question actually wants! Thinking about the requirement verbs and what the question wants is so important as many candidates are failing to maximize their marks. I am sure that candidates have the knowledge but 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 each 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.

Question banks: As the format has changed then its important to ensure that there are adequate 20 and 30 mark questions which are in the new exam style for students to practice. With 30 marks being OTs there has been a move towards more application rather than knowledge in the CR questions. More recent questions demonstrate this as opposed to some of the older ones. The Approved Content Providers questions and answer banks have been reviewed to ensure that they contain enough questions in the style of the current exam. If students are not using up to date styles then this can come as a bit of a shock in the exam – perhaps helping to explain why applied substantive testing questions are answered so poorly. However its also to note that some of the older 10 mark questions are still very useful and valid for eg a 30 mark CR question could have 10 marks of ethics in it – hence practicing an old 10 marks ethics or audit report question would be ideal preparation.

CBE: The numbers for CBE are continuing to grow and students who have sat this have commented favorably on it. Its important that they are able to practice computer-based exams in advance of the real one. Also please remind students that there is no spell check facility – markers have commented that some scripts have very poor spelling and this can make the script harder to mark, although markers have said that as the scripts are typed then there is improved readability of the answers.

Specimen exam and CR workspace: On the ACCA website [www.accaglobal.com/ubcs/en/student/exam-support-resources/fundamentals-exams-study-resources/f8/specimen-exams.html](http://www.accaglobal.com/ubcs/en/student/exam-support-resources/fundamentals-exams-study-resources/f8/specimen-exams.html) there is a full CBE specimen exam (OTs and CRs) as well as a CR workspace which is a practice area where students can answer questions from their study materials in answer spaces which replicate those of the real exams. In F8 exams, some answer spaces will contain tables for students to use as answer layouts, again this can all be practiced in the workspace.

F8 video: Also on the web page is a really useful 18 minutes video which is an intro to the F8 computer-based exams. This contains a reminds of the exam structure, how the exam looks as well as giving some tips on how to make best use of the exam functionality in preparing answers and also signposts all of the useful resources available on the ACCA website.



Thoughts and  
Questions

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Thank you for your time and attention. Any thoughts or questions for us?