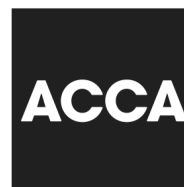


Examiner's approach

Paper P7



This article outlines the approach that will be used to examine Paper P7, *Advanced Audit and Assurance*. The article should be read in conjunction with the *Study Guide* and *Syllabus* for the paper. On first glance, it may appear that there is little difference between the syllabuses for Paper 3.1, *Audit and Assurance Services* and Paper P7. However, with a new examiner comes a new approach to testing the syllabus.

Format of the exam

Section A will consist of two compulsory 'case study' style questions, worth a total of between 50 and 70 marks. The *Pilot Paper* contains two 30-mark questions, but it should be noted that this is not intended to set a strict precedent. The case study questions will provide detailed information, including extracts from financial statements and audit working papers, and strategic and operational details, for a client business. A range of requirements will be set for each case study, covering different syllabus areas. For example, a case study question could contain requirements on planning, evidence, and ethics. The aim is to mix up requirements and place candidates in a 'real world' situation where they would be faced with several very different issues in relation to the same client.

Section B will contain three questions from which two should be attempted. This section will be worth a total of between 30 and 50 marks. Short scenarios will be provided as a basis for the Section B requirements.

The *Pilot Paper* includes three 20-mark questions covering (broadly) quality control, audit reports, and ethical and professional issues. It is imperative that candidates do not consider the *Pilot Paper* as indicative of the syllabus areas that will automatically be tested in this section of the paper. All of the above mentioned syllabus areas could be tested in Section A or Section B.

In contrast with Paper 3.1, there is no distinct 'discussion' or 'current issues' question in Paper P7. This is partly in response to the unwillingness of candidates in past Paper 3.1 sittings to choose the discussion question from the optional questions in Section B. Candidates must appreciate, however, that discussion and current issues requirements have not been removed from the exam - see below for more on current issues.

One of the features of the Professional level exam papers is the awarding of 'professional marks'. These are marks allocated not for the content of an answer, but for the degree of professionalism with which certain parts of the answer are presented. They will usually be awarded in Section A (the compulsory part of the exam paper) and will total between four and six marks. It may be, for example, that one requirement asks you to present your answer in the form of, say, a letter, a presentation, a memo, a report, briefing notes, or similar. Some marks may be awarded for the form of the answer in addition to the content of the answer. This might be for the structure, content, style and layout, or the logical flow of arguments in your answer. You should assume that if the question asks for a specific format of answer that some marks may be awarded for an effective presentation of that format.

Key objectives of the syllabus

The building blocks of a successful audit or assurance engagement are thorough planning and risk assessment. Therefore, these areas will continue to be examined in every sitting, and are likely to form part of at least one of the compulsory questions. Candidates should be aware that 'planning' covers a wide variety of topics, and does not just mean 'risk assessment'. For more clarity in this area it is essential to read the *Syllabus* and *Study Guide* in order to appreciate the breadth of the syllabus in relation to 'planning'. Also bear in mind that 'planning' is not restricted to the planning of an audit, but could relate to the planning of an assurance or non-audit engagement. It has become apparent that candidates learn a topic, such as planning, within the context of an audit engagement but are then often unable to apply their knowledge of that same topic to a different type of assignment. The paper is called *Advanced Audit and Assurance* for a reason, and an inability to tackle scenarios involving assurance or non-audit work will adversely affect exam performance.

At each sitting, candidates should also expect to see - in the compulsory section of the paper - requirements relating to evidence gathering. Requirements are likely to focus on specific assertions, and specific financial statement balances or transactions, and could be set in the context of an audit or an assurance engagement. For an example of the type of wording that is likely to be used, see Question 2(c) of the *Pilot Paper*. When asked to explain 'matters to consider' for an audit of financial statements, candidates should be aware that one of the key matters to consider is whether the relevant accounting standard has been adhered to. Candidates often display a lack of financial reporting knowledge when answering questions of this type. Be warned - the *Study Guide* contains a list of 32 financial reporting areas that fall within the syllabus, and any of these areas could be part of a compulsory evidence question.

Reporting is another important area, likely to feature in every sitting, either in Section A or Section B. This is the second area where candidates should understand the crucial relationship between financial reporting and auditing. Candidates often attempt to justify an audit opinion without any apparent knowledge, or - even worse - incorrect knowledge, of the relevant financial reporting standards. How can one reach an opinion as to whether financial statements have been properly prepared if one doesn't know the financial reporting rules that must be used in their preparation?

Ethics and professional issues are also important areas within the syllabus, likely to feature in every sitting, either in Section A or Section B. In today's climate, auditors are often called upon to justify their ethical status and it is important that candidates are regularly tested in this area. Candidates may see the ethics question as an 'easy pick', but it is important to appreciate that ethics is not just about independence but also covers ethical issues such as conflicts of interest and confidentiality, as well as fraud and error, and professional liability.

More peripheral areas of the syllabus include the regulatory framework, money laundering, obtaining professional work, corporate governance, and transnational audit. These topics are best suited to be tested in Section B of the paper.

A note on current issues - there is likely to be at least one requirement per exam dealing with a current issues topic. It will not, however, be tested in isolation, and students should therefore be ready to discuss a current issues topic in the context of the client scenario provided. This is exactly what 'real world' auditors have to deal with on a day to day basis, and it is essential that a high-level audit and assurance exam regularly tests the ability to discuss new developments in the profession. As current issues have an impact on the planning and execution of an audit or assurance engagement, a current issues requirement could feature as part of the case study scenario in Section A.

Candidates should appreciate that they are expected to read around current issues and not rely on manuals from tuition providers. Good quality newspapers, professional journals, as well as ACCA's website, provide sources of information on current developments in audit and assurance. Candidates must not rote learn a provided piece of information on a current issue and then proceed to regurgitate this information verbatim as an answer to an exam requirement. By the time candidates have reached this stage in their professional studies they should take responsibility for developing their own opinion on a current issue, and be able to reach their own conclusion.

Finally, candidates are reminded that forensic auditing is a new syllabus area, and an indication of how this syllabus area could be tested can be found in Question 2 in the *Pilot Paper*. However, it should be appreciated that forensic auditing is not considered a core competency, and is just one of many non-audit assignments included in the syllabus.

Specific competencies

Paper P7 is one of the Professional level Options papers. Candidates must consider carefully whether they have the required competencies when deciding whether to take Paper P7. The competencies I would expect to see in a candidate achieving a clear pass in Paper P7 include:

- a thorough understanding of the relevant audit, assurance and financial reporting regulations that fall within the syllabus
- the ability to apply knowledge to specific client scenarios
- the ability to have an independent opinion, backed up by reasoned argument
- an appreciation of commercial factors which influence practice management
- an appreciation of the fast-moving developments in audit and assurance practices.

Candidates would be ill-advised to choose Paper P7 as an Options paper if they:

- have little or no practical audit experience
- struggled with preceding audit exams
- are unwilling to take responsibility for their own opinions by reading around current issues
- are uncomfortable discussing arguments or reaching opinions.

Information sources

Candidates should ensure they are familiar with the wide range of materials available to help them with their studies. In addition to material provided by tuition providers, and ACCA's website, students are encouraged, as discussed above, to regularly read up on current issues.

Despite the fact that the exam format and approach has changed with the introduction of the new syllabus, candidates are encouraged to practise past questions from Paper 3.1. Much of the syllabus content is unchanged and therefore past questions will provide a good basis for exam preparation. Articles relevant to Paper P7 will be published in *student accountant* from time to time. Such articles should be considered essential reading, and will cover both exam approach and technical issues from the syllabus.

Conclusion

I want candidates to pass this paper. I want candidates who choose to attempt this paper to base their decision on an understanding of the core components of the syllabus and how they will be tested. Candidates who have practised plenty of past exam questions, who have taken time to read around the syllabus, and who use sensible exam technique on the day of the exam are very likely to secure a pass. This exam should not be approached as a rote learning exercise, but as a chance to show the ability to think logically and practically, reach an opinion, and demonstrate the application of technical issues to a real-world scenario.

Lisa Weaver is examiner for Paper P7