Examiner's report

P7 Advanced Audit and Assurance
December 2014

ACCA

General Comments

Many candidates performed well at this sitting, and a small improvement in the pass rate was noted. Some candidates demonstrated sound knowledge of audit principles and could apply that knowledge to the question scenarios provided and scored high marks as a result. However, the majority of scripts failed to demonstrate that candidates had the necessary knowledge, understanding and application skills to succeed in this challenging examination. Overall the pass rate continues to be disappointing.

In many of the weaker scripts it was apparent that time management was an issue and for many too long had been spent on the first two questions attempted, leaving the final two answers rushed and very brief.

The examination consisted of two sections, and candidates were required to answer four questions. Section A contained Question One for 35 marks and Question Two for 25 marks, both of which were compulsory. Section B comprised three further questions of 20 marks each, two of which should have been attempted.

In Section B, Question Four proved most popular, and was often well attempted. Of the remaining Section B questions, there was not a noticeable difference in terms of whether Question Three or Question Five was more popular.

A number of common issues arose in candidates' answers that contributed to the disappointing pass rate:

- Writing too little for the marks available – this was especially the case for Q2(c), Q3(bii) and Q5(bi) and (bii).
- Failing to develop points beyond simple identification of facts given in the question. Answers often lacked the detailed evaluation and assessment of the issues identified that is required at this level.
- Illegible handwriting and poor presentation.
- Lack of knowledge of certain fundamental syllabus areas such as audit reports.
- Lack of basic accounting knowledge – for example not understanding how transactions are recorded and whether accounting errors would lead to the overstatement or understatement of balances and transactions.

The rest of this report looks at each question in turn, discussing candidates' performance on each requirement, highlighting those areas that were answered well, and those where there is room for improvement. Where there are comments worth making in respect of the adapted papers, these have been included at the end of the general commentary on the performance of the majority of candidates who attempt the INT paper.

Specific Comments

Question One

This 35 mark question centred on planning the audit of a listed company operating in the pharmaceutical industry. Candidates were provided with background information about the company's products and the environment in which the company, Connolly Co, operated. In addition, information was provided in the form of minutes from a meeting with Connolly's Finance Director, covering several issues relevant to the audit. These included details of requests made to the company's bank for further finance, a successful diversification into a new market, the acquisition of a new brand during the year, an on-going court case against the company following problems during a medical trial of its products, and an out of date management information system. Key financial information in the form of extracts from projected financial statements along with comparative information was also provided in the scenario.

The first requirement, for 11 marks, asked candidates to evaluate the business risks faced by Connolly Co. This requirement was generally well attempted, and in fact for many candidates this was the best attempted out of all of the question requirements. Most candidates proved able to identify and discuss many of the relevant business risks within their briefing notes and the risks surrounding non-compliance with stringent regulations, the risk of losing the licenses necessary to produce pharmaceutical products, the lack of cash to support on-going product development, the risks attached to diversifying into a new market, and reputational risks associated with the court case against the company were generally well discussed.

The best answers made full use of the information provided and performed analysis of the financial information, allowing for identification of the less obvious but often pertinent risks, such as that without the revenue derived from the new market entered into during the year the company's total revenue would have fallen by a significant amount. Furthermore strong candidates, as well as providing detailed analysis and explanation of the risks, also attempted to prioritise the various risks identified thus demonstrating appropriate judgment and an understanding that the audit partner would want to know about the most significant risks first.

The key weakness present in many answers continues to be the poor quality of explanations. Weaker answers tended to just repeat facts given in the scenario with little attempt to discuss or evaluate them. Some answers began with a lengthy discussion of the definition of business risk and its components which was not necessary and demonstrates a lack of judgment when the briefing notes are being requested by an audit partner. Further many answers were very repetitive and did not consider the number of distinct business risks that would be required for the marks available. Many candidates discussed at length risks over going concern that were tenuous or lacked appropriate explanation. Many candidates also confused business risk and audit risk and therefore provided responses that were not relevant to the question.

Requirement (b) for eight marks asked candidates to identify and explain four risks of material misstatement to be considered in planning the audit and performance in this area was very mixed. There were some excellent answers to this requirement, with many candidates achieving close to full marks. Most candidates were able to identify the risks surrounding inappropriate accounting treatment which could lead to material misstatements, and were also able to quantify the materiality of the matters discussed. The risks that were most commonly discussed related to provisions, recognition of research and development costs, the valuation of potentially obsolete inventory, and the segmental reporting that would be likely required in relation to the new market entered into during the year.

The best answers were well structured in how they explained the potential misstatement and included in their evaluation of each risk an identification of the risk factor from the scenario (e.g. the court case ongoing against the company), a determination of materiality where possible given the information in the question, a clear comment on the appropriateness of the accounting treatment where relevant, and the impact on the financial statements (e.g. non-recognition of a provision in relation to the court case could lead to an understatement of liabilities and an overstatement of operating profit). Only the better candidates identified that requesting additional finance from the bank to cover the damages from the court case implied that the outcome was probable rather than possible and should be provided for.

Weaker answers failed to observe the number of risks of material misstatement that had been asked for, with a significant minority wasting valuable time and providing five or more risks even though credit could only be awarded for four risks. Many candidates discussed a risk of material misstatement relating to accounting for the loan that had been applied for, but given that this had not yet been received it would not give rise to a risk of this nature in this reporting period. Other candidates discussed at length the issue of going concern and that the company's financial statements should be prepared on a break-up basis but there was certainly not enough evidence in the scenario to justify this as a risk of material misstatement.

Other weaknesses in relation to this requirement included:

- Incorrect materiality calculations or stating that a balance was material with no justification;
- Lack of understanding of some accounting treatments, e.g. saying that intangible assets must be measured at fair value;
- Vague attempts to explain the risk of material misstatement along the lines of “there is a risk it is not accounted for properly” or “there is a risk the relevant IFRS is not followed” – these points are too vague to score marks.

Requirement (c) asked candidates to recommend the principal audit procedures to be performed in respect of a brand name that had been acquired during the year. Answers to this requirement were very mixed, as is typical for requirements relating to audit procedures. The best answers provided well explained procedures that clearly set out how the test would be performed and where appropriate the documentation that would be used. Weaker answers contained vague or very brief lists that were not specific enough to constitute an audit procedure and therefore did not earn marks. Examples of weaker answer points include “assess value of the brand” (this is not an audit procedure – how should the assessment take place?), “discuss accounting treatment with management” (what specifically should be discussed?), “look at the purchase contract” (what information should the auditor be looking for within the contract?). Candidates should ensure that procedures contain an actual instruction describing an action to be performed to satisfy a specific objective.

A minority of candidates thought that rather than acquiring a specific asset i.e. the brand, as stated in the question, a company had been purchased. This led to candidates providing irrelevant audit procedures and wrongly discussing the accounting treatment for goodwill. Candidates are reminded to read the question extremely carefully.

The final requirement, for seven marks asked candidates to discuss the ethical issues arising from the engagement and to recommend appropriate actions. There were two matters present in the scenario that were appropriate to discuss – the fact that Connolly Co’s bank had asked the audit firm to guarantee the loan extension that had been requested, and that the audit firm had been asked to give advice on the new management information system planned to be introduced the following year.

This requirement was generally well attempted with the majority of candidates correctly identifying the two issues and providing some relevant discussion for each. Most candidates were able to explain the ethical threats associated with the issues and recognised that the significance of the threats would need to be determined. Many candidates appreciated that due to Connolly Co’s listed status it qualified as a public interest entity, and therefore the threats to objectivity were heightened. Many candidates demonstrated sound judgment by concluding that the services should not be provided to the audit client as it would be unlikely that safeguards could reduce the threats to an acceptable level. However, credit was awarded where candidates mentioned the types of safeguards that could be considered.

Weaker answers for this requirement identified the wrong ethical threats or failed to identify the significance of the company’s listed status, concluding that it would be acceptable to provide the services. Other answers digressed into discussions on the general ethical issues surrounding the testing of medicines on animals or humans, which was not relevant to the question requirement.

There were four professional marks available, and most candidates secured most of these marks by providing an introduction and using headings and well-structured paragraphs to create an appropriate structure for their answer.

The UK and Ireland (IRL) adapted papers had a slightly different style in that the question requirements were not separated out and some extra information had been included in the question. The candidates attempting these adapted papers dealt well with the style of question requirements, and on the whole devoted an appropriate amount of time to the discussion of each of the requirements. It was pleasing to see that candidates attempting these papers were often able to directly link business risks to risks of material misstatement, providing focussed answers.

Question Two

This question was for 25 marks and contained information relevant to the audit completion of the Francis Group. Specifically, three issues had been highlighted by the audit senior, and candidates were asked in respect of each issue to comment on the matters to be considered and explain the audit evidence they should expect to find during a review of the audit working papers. This type of requirement is common in paper P7, and it was encouraging to see that many candidates had obviously practised past exam questions containing similar requirements. Most candidates approached each of the issues in a sensible manner by firstly determining the materiality of the matters involved, considering the appropriate financial reporting treatment and risk of misstatement, and then providing some examples of appropriate audit evidence relevant to the matters discussed. However, the question was not well attempted by all, and it was usually a lack of knowledge of financial reporting requirements, and / or an inability to explain the relevant audit evidence that let some candidates down.

Requirement (a) was for 12 marks and related to an acquisition of a subsidiary that had taken place during the year. A goodwill calculation had been provided, along with information regarding a fair value adjustment relevant to the net assets of the subsidiary at acquisition. In addition, a loan had been taken out to finance the acquisition and information relating to the interest rate and loan premium was given in the scenario.

Candidates were able to achieve a good mark here if they tackled each component of the information provided in turn and used that approach to deliver a structured answer. In relation to the goodwill calculation, many candidates identified that no impairment had been recognised, and therefore that the goodwill balance may be overvalued. Only the strongest candidates mentioned that a significant drop in the Group's profit for the year meant that it would be very likely that an impairment loss should be recognised. It was worrying to see how many candidates referred to the need for goodwill to be amortised over a useful life – a practice that has not been allowed under IFRS 3 *Business Combinations* for many years. Fewer candidates touched on the measurement issues in relation to the non-controlling interest component of goodwill, which was usually ignored in answers. Looking at the fair value adjustment to net assets, most candidates recognised that this would be a subjective issue and that ideally an independent valuer's report or due diligence report would be required as audit evidence to justify the adjustment. Weaker candidates thought that the accounting treatment of goodwill was incorrect and set about correcting the perceived errors.

The loan element tended to be well dealt with – most candidates seemed to be aware of the principles of IFRS 9 *Financial Instruments* in discussing the financial reporting implications of the loan taken out to finance the acquisition, and the need to measure the loan at amortised cost including the premium was frequently identified. It was encouraging to see many candidates also refer to the extensive disclosure requirements that would be necessary in relation to the acquisition itself, as well as the loan, and that a significant risk would be insufficient disclosure in the notes to the financial statements.

Some incorrect accounting treatments frequently discussed included:

- Goodwill should be amortised over an estimated useful life (discussed above)
- Goodwill only needs to be tested for impairment when indicators of impairment exist
- Non-controlling interest should not be part of the goodwill calculation
- Borrowing costs should be capitalised into the cost of investment / goodwill figures
- Fair value adjustments are not required and are an indication of fraudulent financial reporting

The evidence points provided by candidates for this requirement tended to revolve around recalculations of the various balances, and confirming figures to supporting documentation such as the loan agreement, purchase documentation and due diligence reports. These were all valid evidence points but it would benefit candidates to consider a wider range of evidence that may be available especially in relation to the more subjective and therefore higher risk elements, for example a discussion with management regarding the need for an impairment review of goodwill or a review and assessment of the methods used to determine the fair value of the non-controlling interest.

Requirement (b) for seven marks related to a natural disaster that had taken place two months after the year end, resulting in the demolition of the Group's head office and main manufacturing site. The Group had claimed under its insurance an amount in excess of the value of the demolished property, and the whole amount of the claim was recognised in the statement of financial position as a current asset and deferred income. This requirement was generally well answered, with almost all candidates correctly determining the materiality of the property complex and the contingent asset. Most candidates also appreciated that the auditor should consider the event to be a non-adjusting event after the reporting date, requiring disclosure in the notes to the financial statements, in line with the requirements of IAS 10 *Events after the Reporting Period*. The audit evidence suggested was usually relevant and sensible, tending to focus on the insurance claim, discussing the need for demolition with management, and evidence from documents such as health and safety reports on the necessity for the demolition. Many answers identified that a key part of the audit evidence would be in the form of a review of the sufficiency of the required notes to the financial statements describing and quantifying the financial implications of the non-adjusting event. In a minority of scripts candidates suggested that the event was actually an adjusting event and that impairment of the property complex should be recognised in this financial year.

Weaker answers to this requirement suggested that the event should be recognised by impairing the property complex and recognising the contingent asset. However, encouragingly even where candidates had discussed the incorrect accounting treatment, the evidence points provided were generally appropriate to the scenario.

Requirement (c) for six marks briefly described the details of intercompany trading that had taken place between components of the Group resulting in intercompany receivables and payables in the individual financial statements of the components, and inventory within the recipient company including a profit element. Most candidates correctly determined that at Group level the intercompany transactions should be eliminated and that a provision for unrealised profit would be necessary to remove the profit element of the transaction. Most candidates also correctly calculated the relevant materiality figures and could provide a couple of evidence points. The main concern with responses to this requirement was that they were often brief, with the audit evidence described usually amounting to little more than recalculations and "check the elimination has happened".

In summary Question Two was well attempted by many candidates, with the matters to consider element of the requirements usually better attempted than the audit evidence points. As in Question One, it was clear that many candidates had practised past questions of this type and were well prepared for the style of question requirement.

The UK and IRL adapted papers were slightly different in that the requirements were not broken down and therefore marks were not allocated to each separate issue. This did not seem to affect how candidates approached the question, and again it was generally well attempted. It was however much more common to see references to incorrect financial reporting requirements, specifically that goodwill must be amortised over an estimated useful life. Candidates are reminded that if they choose to attempt the UK or IRL adapted paper, the financial reporting requirements are still based on IFRS, as in the INT paper, and therefore discussing financial reporting requirements of UK and Irish GAAP will not score credit.

Question Three

This 20-mark question featured Faster Jets Co, an airline company, and focussed on two separate areas; planning the audit of land and verifying social and environmental performance information.

The first part of the question, which was for ten marks spilt evenly over two requirements, focussed on planning the audit work relating to several large plots of land that had been purchased by the company during the year and were being accounted for as investment property in the company's financial statements. The first requirement asked candidates to explain the additional information that would be required to plan the audit of the land. This type of requirement is often seen in audit planning questions and again, as in previous sittings, disappointingly candidates tended to provide specific audit procedures rather than considering information that would be helpful in determining the type of procedures that would be relevant. Candidates for future examinations should bear in mind that answer points for this type of requirement can be phrased as questions, e.g. "what is management's future plans for the land?", as this helps to determine its classification as investment property. Many candidates may find this type of requirement difficult if they have limited practical audit experience, in which case it is especially important to use past questions to practise how to answer these questions.

The second requirement asked candidates to explain the matters to be considered in assessing the reliance to be placed on the work of an auditor's expert being used in the audit of the land. This was much better answered than the first requirement, with almost all answers identifying that the auditor's expert must be independent and competent. However most answers went little further than explaining those two matters, indicating little knowledge of the requirements of ISA 620 *Using the Work of an Auditor's Expert* in relation to agreeing the scope of the expert's work, and evaluating the relevance of their conclusions. The answers to this requirement were also often very brief, amounting to little more than a few sentences or bullet points. Candidates are reminded that the number of marks available should be used as a guide for the number of points and depth required. A couple of bullet points or brief sentences are unlikely to be sufficient to score the five marks that were available here.

The second part of the question focussed on measuring and reporting on social and environmental information. The audit firm in the scenario had been asked to perform an assurance engagement on Faster Jets Co's corporate social responsibility (CSR) report, and a number of CSR objectives and targets were provided along with the performance indicators for 2014 to be included in the CSR report. The first requirement asked for a discussion of the difficulties in measuring and reporting on social and environmental performance for which there was four marks available. This short requirement was well attempted by many candidates, with most identifying that it can be difficult to define and quantify CSR measures, that systems are often not in place to capture the relevant information and that comparisons are difficult due to the lack of a regulatory framework. This again indicates that many candidates had practised past exam questions, as this type of requirement has featured in paper P7 paper on several previous occasions.

Candidates found the final requirement of this question more difficult, as they were asked for recommendations of procedures that could be used to gain assurance on the validity of the performance information included in the CSR report for six marks. The main weakness in responses was that candidates simply repeated the same procedures for each of the performance measures given, even if they weren't appropriate. For example, one of the performance measures related to free flights that had been donated to charities, and many candidates recommended that this should be agreed to bank statements or cash book even though it is not a cash transaction. Candidates are encouraged to think about whether the procedures they are recommending are sensible in the context of the scenario. As is often the case when presented with a requirement to detail procedures, many candidates provided procedures that were not well explained, and in many cases weren't procedures at all, e.g. "review the free flights", "inspect the education days", "confirm the vehicle fuel". This type of comment cannot be given credit as it is too vague and does not answer the question requirement.

Question Four

This question was by far the most popular of the Section B questions and in the most part was well attempted. The first part of the question focussed on practice management and client acceptance issues. The scenario described a potential new audit client, Jones Co, a small but rapidly growing company with ambitions to expand internationally. The audit firm had been approached to tender for the audit of Jones Co, and this would be the first year that the company required an audit. The company had previously had limited assurance reviews performed on its financial statements, and had one accountant using an off-the shelf accounting package.

Requirement (ai) for eight marks asked candidates to explain the specific matters to be included in the audit proposal document, other than those relating to the audit fee. This was quite well attempted by many, with almost all candidates understanding the main components of an audit proposal document such as a background of the audit firm, discussion of audit methodology, an outline of the firm's resources and timings and deadlines. Where candidates did not score well on this requirement was where the answer provided was very generic and was not made specific to the requirements of Jones Co. For example, some candidates ignored the fact that Jones Co had never previously been audited which would mean that management may have little appreciation of the audit process and as such the audit proposal should explain in some detail the responsibilities of management and the audit firm, and provide a detailed explanation of the audit process including key outputs.

Requirement (aii) for six marks went on to ask candidates to discuss the issues relating to determining the audit fee to be considered by the audit firm, assuming its appointment as auditor of Jones Co. Unfortunately many answers to this requirement did not identify the relevant matters in the question scenario, including the issue of contingent fees, intimidation on fees and lowballing that were implied by the comments made by the owner-manager of Jones Co. Better candidates were able to make the very valid point that the potential client needed a better understanding of the purpose of an audit and why it needs to be seen to be independent and tied this back to the content of the proposal document.

Where these matters were not discussed, answers tended to be generic, and simply focussed on the fact that audit fees should be determined by time, resources and charge-out rates. Many of the weaker answers did not focus on the specific nature of the question requirement, and instead discussed matters that had little to do with the audit fee, such as self-review threats and other irrelevant acceptance procedures such as customer due diligence.

The final requirement moved to focus on a different audit client – Ordway Co, a listed company. The scenario briefly described that the current audit partner, having acted in that capacity for seven years was to be replaced by another partner, but wanted to stay in contact with the client and act as engagement quality control reviewer. Candidates were asked, for six marks, to explain the ethical threats raised by the long association of senior audit personnel with an audit client and the relevant safeguards to be applied. Candidates were also asked to determine whether the partner could in fact act as engagement quality control reviewer. This section was well attempted and most candidates correctly identified the familiarity threat and loss of professional scepticism that arises on a long association with an audit client, especially when dealing with senior audit personnel. Most candidates could also explain the relevant safeguards and demonstrated knowledge of the relevant requirements for listed entities from the IESBA *Code of Ethics for Professional Accountants*. It was pleasing to see this syllabus area well understood by most candidates given its topical nature.

The issue of whether the audit partner could remain in contact with the client by acting as engagement quality control reviewer was less well understood. While many candidates correctly suggested that this could not happen for ethical reasons, many others thought that it would be appropriate as long as further quality control reviews took place. Other candidates misinterpreted the question and thought that the partner was leaving the audit firm to work at the client.

The information in the question was amended slightly for the UK and IRL adapted papers to make them relevant to the Financial Reporting Council's Ethical Codes, which the majority of candidates referred to in their answers.

Question Five

This question scenario was set at the completion stage of the audit of Bradley Co, a significant new audit client, with the audit report due to be issued in the next week.

Requirement (a) provided some information in the form of a comment made by the audit senior, who indicated that there may have been some problems with the performance of the audit. The concerns raised included the lack of a detailed review of the final version of the financial statements and the chairman's statement had been discussed with the finance director but no further work had been conducted. The justification for not carrying out these tasks was the conclusion by the audit manager that the audit was relatively low risk. The requirement was for seven marks, and asked candidates to explain the quality control and other professional issues raised by the audit senior's comments.

Candidates did not perform well on this requirement, which was somewhat surprising as in the past questions on quality control issues have been well attempted. Only a minority of candidates were able to identify that the audit of a significant new client could not be classified as low risk, and that a final review would be needed on the financial statements at the completion stage of the audit. Very few candidates however mentioned that final analytical review is a requirement of ISA 520 *Analytical Procedures* and even fewer could explain why the final review is so important prior to the issuance of the audit report. In respect of the work performed on the chairman's statement, few candidates identified that there was a lack of documentation of the work performed, but most at least understood the auditor's responsibilities in relation to the chairman's statement.

Generally the answers to this requirement were not made relevant to the information given in the scenario and instead mentioned general features of quality control such as the need for supervision and review. This will earn minimal credit, as marks are severely limited when answer points are not related to the scenario. Many answers discussed at length the audit report implications of uncorrected inconsistencies in the chairman's statement, but discussing this in a lot of detail was not answering the question requirement.

Requirements (bi) and (bii) dealt with the evaluation of misstatements and their potential implications for the audit opinion and audit report. The information was presented as a schedule of proposed adjustments to uncorrected misstatements in relation to three issues – a share-based payment scheme, a restructuring provision, and slow-moving inventory. In each case the auditor's proposed correcting journal was presented, along with an explanation of the audit findings and audit conclusion on the matter.

Requirement (bi) asked for an explanation of the matters to be discussed with management in relation to each of the uncorrected misstatements, for nine marks, and requirement (bii) for four marks, asked candidates to justify an appropriate audit opinion assuming that management does not make the proposed adjustments.

Both requirement (bi) and (bii) were not well attempted. Answers were much too brief for the marks available and unfortunately many candidates could not competently demonstrate that they understand the topic of audit reports. Firstly in relation to the share-based payment, the required financial reporting requirements were not well understood, with most candidates suggesting that a provision should be created rather than an adjustment made to equity, which was disappointing as this detail was actually given in the question. In relation to the restructuring provision, many candidates did not consider the specific requirements of IAS 37 *Provisions,* *Contingent Liabilities and Contingent Assets* in relation to restructuring provisions, and instead applied the general recognition criteria for provisions to the scenario. The slow-moving inventory was better dealt with, as most candidates could explain that inventory should be measured at lower of cost and net realisable value. On the whole, the only marks that many candidates were awarded in this requirement were for materiality calculations. There seems to be very little knowledge or understanding of ISA 450 *Evaluation of Misstatements Identified during the Audit* with almost no candidates differentiating between judgmental misstatements and misstatements caused by a breach of IFRS requirement.

The answers in relation to the impact on the audit report were also disappointing. Only the very best candidates considered the aggregate effect of the misstatements in discussing the audit opinion. Many attempted to aggregate the misstatements themselves, coming to the wrong total, even though this had been given in the question. Weaker candidates simply stated that each of the material misstatements would result in a qualified 'except for' opinion. Some candidates suggested that the inventory adjustment should be discussed in an Emphasis of Matter or Other Matter paragraph because it was immaterial, clearly demonstrating a complete misunderstanding of when it is appropriate to use these paragraphs. Candidates must learn when an Emphasis of Matter paragraph should be used; it is not a substitute to be used when the candidate cannot decide between a modified and an unmodified audit opinion.

Candidates must appreciate that the process of justifying an audit opinion and explaining the implication for the audit report is a core area of the syllabus. It is regularly examined and it should not come as a surprise to see this topic in the exam. The presentation of information in this question was in a new style, but this should not have made the question more difficult, in fact having information presented in the form of journals with totals given should make understanding the question easier. Further the structure of the requirement into two distinct sections should have helped candidates understand that they were being asked to consider the issues first and then to aggregate the effect of the misstatements before assessing the impact on the audit report. Candidates are encouraged to practise as many questions as possible on the topic of audit reporting to prepare themselves for this exam.

Conclusion

Candidates seemed quite well prepared for some of the requirements contained in this paper. As stated in the conclusion to the previous examiner's report, almost all candidates are able to identify the relevant issues to a particular requirement from the scenario, but not all can adequately explain, discuss or describe their points in sufficient depth or detail. This is often what makes the difference between a pass and a fail – with the candidates that are unsuccessful simply not providing enough appropriate explanation for the points that they identify.

Candidates are encouraged, as always, to practise past exam questions and to carefully review the model answers and the examiner's reports that accompany the past exam papers. This is important to gauge the style of question requirement that regularly appear in this paper, and to gain an appreciation of what it means to explain an answer point rather than just identify an answer point.