

Exam Approach Interview: F3/FFA, Financial Accounting

Interviewer: Welcome to the Financial Accounting Examiner's Approach interview.

The following is an Examiner's Approach interview for the Paper F3 or FFA exam, called *Financial Accounting*. The content of this interview has been prepared by the examiner, working with the Qualifications team at ACCA, and is presented by actors representing an interviewer and the examiner in discussion. From now on the examination paper will be referred to as F3.

The F3 examiner is Nicola Ventress. Nicola is a freelance lecturer and author in financial reporting. She qualified with one of the Big Four and has worked in practice and in industry in both the UK and New Zealand, before settling back in the UK.

So, to begin, can you explain how F3 fits within the overall structure of the ACCA Qualification?

Examiner: Certainly. First of all, F3 or FFA is an examination within the new Foundations in Accountancy suite of qualifications, leading towards the Diploma in Accounting and Business. The examination is also one of the three examinations in the Knowledge module of the ACCA Fundamentals level leading towards the ACCA qualification. Those studying towards the new Certified Accounting Technician Qualification will also need to take this examination. To be awarded the Diploma in Accounting and Business or the CAT qualification it is also necessary for those students to complete the Foundations in Professionalism module as part of those qualifications. Those registering directly to the ACCA qualification, who do not wish to obtain the Diploma while studying towards ACCA membership must take the three examinations, but need not take the Foundations in Professionalism module before progressing to the Skills module of the Fundamentals Level or to the Advanced Diploma in Accounting and Business.

Interviewer: From what you have just said, the F3 paper does not sit in isolation, so are there any links with other papers, or with other components of the ACCA qualification?

Examiner: F3 introduces students to financial accounting, explaining its context and purpose and focusing on recording, processing and reporting business transactions and events, including basic group accounting and interpretation of financial statements. This knowledge is then developed and expanded in *F7 Financial Reporting* where more complex accounting is examined. This is developed further in *P2 Corporate Reporting*. Knowledge and capabilities acquired in F3 will also be applied, within the practical experience requirements for CAT or for ACCA, depending on the qualification registered for.

Interviewer: What is the overall concept or theme for F3 as a paper?

Examiner: F3 is a paper which introduces the student – who may have no previous accounting experience – to financial accounting. It develops knowledge and understanding of the underlying principles and concepts relating to financial accounting. It also builds technical proficiency in the use of double entry accounting techniques, including the preparation of basic financial statements. Additionally the preparation of basic group accounting and the interpretation of financial statements provide a good grounding for future studies at paper *F7 Financial Reporting*.

Overall, F3 gives students a broad grounding in the fundamentals of recording transactions and events, and the preparation of financial statements.

Interviewer: Thank you. What are the other broad themes which run through the syllabus?

Examiner: Well, F3 introduces students to the principles of accounting as well as the basic methods of recording and presenting financial information. It provides a good basis for future studies at a more advanced level.

The main themes in F3 are as follows:

Theme 1 – the context and purpose of financial reporting and the usefulness of financial information.

Theme 2 – how transactions are initially recorded using the principle of double entry bookkeeping.

Theme 3 – recording business transactions in various ledger accounts in order to provide financial information that is useful to a business.

Theme 4 - is about how information is summarised and used to prepare basic financial statements.

Finally, theme 5 examines the preparation of basic consolidated financial statements and the interpretation of financial statements.

Interviewer: The syllabus for F3 is structured into eight main sections. What is the main content of each of these sections?

Examiner: The first syllabus section is A. It covers the context and purpose of financial reporting. It focuses on the objectives of financial reporting and looks at the users of financial information as well as the regulatory background to financial reporting.

Section B looks at the characteristics of useful financial information and the different ways items are valued in the financial statements.

Section C covers double entry bookkeeping and methods of recording accounting transactions. It also examines the different business documentation that exists to record these transactions.

Section D is the largest syllabus area and covers a lot of information. It focuses on recording types of transactions such as sales and purchases, inventory and cash. Additionally, topics that are looked at in more detail include depreciation and non current

assets, receivables and payables, accruals and prepayments and provisions. Finally, the capital structure of limited liability companies is reviewed.

Sections E and F cover the checks and reconciliations that are done to ensure the financial information is complete such as the preparation of the trial balance as well as control account and bank reconciliations. Finally, the preparation of the basic financial statements is covered - income statements and statements of comprehensive income, statements of financial position and statements of cash flows.

Section G covers the preparation of basic consolidated financial statements of a parent and subsidiary and requires candidates to understand some of the theory behind group accounting.

Section H covers the interpretation of financial statements including the calculation of ratios and the interpretation of the results.

Interviewer: Thank you for explaining the main content of the syllabus for us.
How is the exam itself structured?

Examiner: As with all papers within the Knowledge module, the completion time for this exam is two hours.

F3 consists of 35 multiple choice questions which cover the whole syllabus and 2 fifteen mark questions which examine group accounting and the preparation of financial statements including interpretation. The CBE version contains the same structure but includes different styles of question such as number entry, multiple response and multiple response matching questions.

Interviewer: Can you tell us how many questions there are in the exam and what choice, if any, exists?

Examiner: As I mentioned above, the paper contains 35 two mark and 2 fifteen mark questions which test knowledge, comprehension and some application where relevant. All questions must be answered and there is no choice available.

Interviewer: Is the exam available on demand?

Examiner: The exam is available as a computer-based exam on demand at designated ACCA CBE centres, or as paper-based examinations held in both June and December sittings.

The pass mark is 50%.

For more information about the exam itself and how it is structured, there is a pilot paper available on the website.

Interviewer: Should students be aware of time allocation per question when doing objective testing exams?

Examiner: Yes, time allocation is important in any exam. A two mark question has an average time allocation of 2.4 minutes and a fifteen mark question has 18 minutes. It is important to remember, however, that not every question will take precisely the same amount of time to answer as another of the same value.

Interviewer: So, why is there no choice of questions offered at the Fundamentals level?

Examiner: This is because, as the name of the level implies, all subject areas and main capabilities within these papers are 'fundamental' to having a sound grasp and technical proficiency in all these topics.

Interviewer: Should students guess the answers to questions?

Examiner: Normally I would say no, in a conventional paper-based exam where calculations or workings are visible and given credit for. However, in an objective test, nothing is gained by leaving any

question unanswered. Therefore, if the student does not know the answer, or they find themselves running out of time, I would recommend strongly that they guess and select one option rather than skip any question.

Interviewer: What advice would you give about revising effectively for and passing F3?

Examiner: First, there are the main exam strategies focusing on key areas, and then there are some specific tips for F3 candidates during their revision and for the examination itself.

I would recommend the best strategy to adopt in the revision phase is to complete lots of practice questions from the official study text and revision kit for F3 and from the samples available on the ACCA website.

Students must ensure that they pay attention to the particular areas of the syllabus which they have found difficult so that they are able to deal with questions on these topics.

The two mark questions will cover the whole syllabus and key areas here include double entry bookkeeping and the recording of transactions in sections C, D and E. These deal with recording

basic transactions through to more complex items such as revaluation of non current assets, recording provisions or valuing inventory. As these are the largest syllabus areas it stands to reason that there will be more questions on these topics. That is not to say that the other syllabus areas aren't just as important! Candidates must also ensure that they are well prepared for the fifteen mark questions and have thoroughly revised group accounting, interpretation and the preparation of financial statements.

Interviewer: What would your three main revision and exam tips be?

Examiner: My first tip is that the student needs to gain an understanding of the background to, and reasons for, financial accounting. The recording of different types of transactions which makes up the key part of the syllabus makes sense within that context.

Secondly, students need to make sure they don't learn any one section or subject area of the syllabus to the exclusion of other areas. The philosophy in the Fundamentals knowledge module is about breadth. This means that it is important to be familiar with all the sections and subject areas of the syllabus as the exam will cover the whole syllabus.

My final tip is to practice questions as much as possible. This includes short multiple choice questions as well as longer accounts preparation questions. There is no substitute for actually attempting exam style questions – from the official texts or on the website – or for experiencing the computerised exam simulation if taking the computer based version. This is also available on the ACCA website.

Interviewer: What do you believe to be the main pitfalls in preparing for, and taking, the F3 exam?

Examiner: The main pitfalls I have seen students fall into are the following:

Students who come into the exam unprepared; without a sufficient knowledge or understanding of certain areas of the syllabus or of the syllabus as a whole and how it links together. Students need to ensure that they cover the whole syllabus to avoid this problem and ensure that links between sections of the syllabus are understood.

The second main pitfall is rushing through questions through fear of not completing them all in the allotted time. This can be a temptation for nervous students that are fearful of the sheer number of questions to complete. In practice most students will

have plenty of time to complete the exam, so students should take care to read and fully understand the question, including the question statement where relevant, to give themselves the best chance of answering questions correctly.

The final pitfall is leaving questions unanswered through lack of time or knowledge. As I have mentioned before, effective time management is important. If, however, lack of time – or knowledge – becomes a factor, students should always make a reasonable guess and ensure that they have answered all the questions.

Interviewer: Is there a way that students can find out what common errors have been made in the past?

Examiner: Yes, there is. After each exam session an examiner's report is produced which highlights three questions which many students answered incorrectly, outlining the common problems and suggesting an approach to dealing with such questions.

Interviewer: And finally, what would be your concluding advice about the F3 examination paper?

Examiner: First, students must always read the question and, where relevant, the accompanying statement as carefully as possible, and make sure they have understood them.

Where there are statements included in an objective test question, a student is usually expected to think about and apply some knowledge to a specific situation in a particular context.

Students must also remember not to dwell for too long on any question that they are not sure about, don't understand or simply don't know the answer to. There are a large number of questions to get through, so think about each question carefully, but briefly, and if the answer isn't sufficiently clear, move on and return to it later.

As I mentioned earlier it is important to ensure that by the end of the examination all questions have been answered even if some are just guesses!

Time allocation is important, so that there is enough time allocated to deal with the multiple-choice questions as well as the two fifteen mark questions

Interviewer: Thank you very much for sharing your insight into this exam paper. I'm sure it has given students and tutors lots of useful information.

Examiner: Thank you.