

Exam Approach Interview: F7 Financial Reporting

Interviewer: Welcome to the F7 Examiner's Approach interview.

The following is an Examiner's Approach interview for Paper F7, *Financial Reporting*.

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. For more detail on the examiner's approach, please see the article produced by the examiner in the 2010 archive edition of *student accountant* and the article published in the September 2010 edition about the amendments to F7 effective from June 2011.

The examiner is Steve Scott. Steve has many years experience in accounting lecturing at a leading UK university. He qualified as an accountant with Stott and Golland and his background is in Audit and Financial Reporting. He has been an ACCA examiner since 1998.

I suppose it would be most appropriate to start off by asking where F7 fits within the overall structure of the ACCA Qualification.

Examiner: The ACCA Qualification is divided into two levels – Fundamentals and Professional. The Fundamentals level is further divided into two modules – Knowledge and Skills.

F7 is one of the six Skills module subjects which comprehensively cover the main technical areas that any accountant, regardless of their future career aspirations, is expected to have mastered. These comprise law, performance management, taxation, financial reporting, auditing and financial management.

All Skills module exams are three-hours long and make use of a range of assessment methods such as short-answer questions, extended computational exercises, essays, scenarios and case studies.

Interviewer: From what you have just said, F7 is connected to other papers within the ACCA Qualification. What are the links with other papers, or with other components of the qualification?

Examiner: F7 develops the knowledge examined in F3 *Financial Accounting*, where the fundamentals of financial accounting are introduced. Candidates should be aware of the changes to the F3 paper from December 2011 onwards. These are reflected in a new exam style and format incorporating some longer-form questions which have

been specifically made to more underpin the F7 paper. The knowledge and skills in F7 are then further developed in P2 *Corporate Reporting*.

All knowledge and capabilities acquired in F7 will be applied, in context, within the practical experience requirements. The performance objectives which are particularly relevant to this paper are optional objectives 10 and 11.

Interviewer: Having mentioned changes to the F3 paper, I understand that there are also changes to the F7 paper.

Examiner: Yes that's right. The changes are relevant to the F7 papers from June 2011 onwards. They mainly affect the UK (and Irish) paper and they are quite dramatic. The UK paper will be based on the International paper using IFRS Standards and terminology including the use of the dollar sign. UK students will also be tested on regulatory requirements and key areas of difference between IFRS and UK GAPP.

Interviewer: Can you give us some idea of what these differences will be?

Examiner: The differences will be included in a revised UK Study Guide, but the UK calculation and amortisation of consolidated goodwill

would be a good example. The 2011 changes for paper F7 are the subject of an article in *student accountant* published in late summer 2010.

Interviewer: What is the overall concept or theme for F7 as a paper?

Examiner: The paper will test candidates' understanding and application of accounting standards and the conceptual and regulatory framework in the preparation of financial statements of entities, including groups. It also covers how to analyse and interpret those financial statements.

Financial reporting is based primarily on the idea that candidates need to understand and apply accounting standards. By this we mean that simply rote learning of a topic will not lead to success.

Financial reporting is, therefore, concerned with questions that will test a candidate's knowledge, understanding and application of the syllabus content.

The following quote sums up this idea: 'The important part of study is not the acquisition of facts but learning how to apply the facts.'

Interviewer: The syllabus for F7 is structured into five main sections. Can you briefly explain the main content of these syllabus sections?

Examiner: The first and second syllabus sections (A and B) examine the understanding of the conceptual and regulatory framework of accounting. Students will need to know, and understand, the main principles of the IASB's Framework (or equivalent for adapted papers) which incorporates many fundamental accounting concepts. These principles will be examined both in their own right and by relating them to practical accounting areas. Students will then need to know how the principles feed through into the standard setting process.

Section C focuses on the preparation of financial statements which conform to accounting standards.

Section D explores the important area of business combinations where candidates will be required to prepare consolidated financial statements. It also covers the concepts and principles relating to the accounting treatment of subsidiaries and associates.

Having demonstrated the ability to prepare financial statements, Section E moves on to test the candidate's ability to interpret and analyse what the financial statements tell us about the performance and financial position of the reporting entity.

Interviewer: Thank you for explaining the main content of the syllabus for us.
What can you tell us about how the exam itself is structured?

Examiner: First of all it is worth noting that as F7 is a Fundamentals paper, all students must sit this exam unless they have an exemption awarded for prior learning in a degree or equivalent.

As with all papers within the Skills module, the writing time for this exam is three hours. All ACCA three hour papers have been allotted an additional 15 minutes reading and planning time, within which students can read the paper and understand the requirements. An article explaining how this time should be productively used has been published in the *student accountant* magazine in the August 2007 edition which can be seen on the website.

Interviewer: What exactly can students do in reading and planning time?

Examiner: They can make notes and plan answers. This may **only** be done on the question paper and **not** on the answer booklet. The answer booklet cannot be used until the exam begins.

Interviewer: So, how many questions are there in the exam and what choice, if any exists?

Examiner: As can be seen here, all questions in the exam are compulsory. The paper contains three 25 mark questions which will form the computational and interpretive parts of the paper. The shorter questions (4 and 5) will often look at conceptual issues and relate them to specific accounting topics.

Questions may be scenario based, and the requirements may be divided into more than one part.

Remember, the student must answer all questions.

Interviewer: What kind of questions will appear in the exam?

Examiner: As F7 is both a computational and discursive paper, students must be prepared to provide numerical answers supported by calculations, referenced workings and written explanations to support computational answers. Discursive questions will require written answers involving analysis and interpretation, perhaps commenting on views expressed in the question and how principles and concepts are applied to specific accounting issues.

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

Examiner: This is because all questions in all papers are compulsory at the Fundamentals level. 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.

For more information about the exam itself and how it is structured refer to the past papers on the ACCA website, or the official publishers' books.

Interviewer: What would you say are the key features of the F7 examination paper?

Examiner: Questions will often ask candidates to demonstrate an understanding of concepts and principles and to apply these to specified topics. For example, an explanation of the principle of substance over form may be followed by applying this to a lease transaction.

Some questions may ask candidates to critique or comment on the appropriateness or acceptability of management's opinion or whether a chosen accounting treatment complies with accounting standards.

However, the main aim of the paper is to test candidates' understanding of key areas across the whole breadth of the syllabus.

An individual question may often involve elements that relate to different subject areas of the syllabus. For example the preparation of an entity's financial statements could include matters relating to several accounting standards, therefore requiring the candidate to synthesise information from several standards to arrive at the appropriate accounting treatment.

Candidates will also be expected to have an appreciation of the need for specified accounting standards and why they have been issued.

Interviewer: What advice would you give about revising effectively for, and passing, F7?

Examiner: I would recommend the best strategy to adopt in the revision phase is to focus on the core topics and pay particular attention to areas where you feel you are weak. Nearer the exam itself it is important to practice past questions. Past papers are available for paper F7 from December 2007 to date.

Candidates must do a real attempt at the past questions, preferably under timed exam conditions. Too many students 'audit' the revision answers which can lead to a false sense of security.

In the exam itself, probably the best single piece of advice I can give is to concentrate on the questions' specific requirements – too many students give answers to questions that the examiner has not asked. No matter how accurate these answers may be, they won't gain any marks if they are not relevant.

Interviewer: What would your three main exam tips be?

Examiner: In question 1 you can expect to be asked to prepare consolidated financial statements. This could be an income statement or a statement of comprehensive income, a statement of financial position or both. Questions will be limited to a single subsidiary and possibly an associate.

Question 2 will be preparing financial statements of a single entity. This may be from a trial balance, with adjustments, incorporating knowledge of several accounting standards or by redrafting (allowing for several adjustments) the financial statements given in the question.

The last of the 25 mark questions is likely to be on some form of performance analysis. This may include the calculation of ratios, preparation of a statement of cash flows and commenting on the performance and financial position of the entity.

Interviewer: What are the main potential pitfalls in preparing for and taking the F7 exam?

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

Some students believe they can get through the paper without doing the correct amount of study. In the worst cases, students seem to be relying on knowledge gained from the previous paper (F3) and do not demonstrate that they have progressed in their studies.

It seems that some students try to pass the paper by learning only what they believe are the core topics. This is often evidenced by answering only three or four of the required five questions. It is very difficult to pass this (or any other paper) if candidates don't attempt all the required questions.

Examination technique. Whilst there is no substitute for knowledge and understanding, there is no denying that exam technique plays an important part in the mark a candidate achieves. Exam

technique covers many aspects from planning answers, referencing workings, keeping answers relevant and good time management to mention but a few.

Interviewer: It is clearly important to follow the above tips and avoid any common pitfalls in exam revision and performance. What further information about student performance would you give which might help students prepare for exams?

Examiner: After each examination session, all ACCA examiners are required to produce an exam report. These reports highlight key issues arising in the last exam and focus on where students performed particularly well or badly. These are published in February and August and can be found under paper resources for each paper which can be accessed through the website.

In addition, after each exam session has been completed, the exam review board meets. This is a board consisting of ACCA internal Education staff and six representative members of the approved learning partner community. Minutes from this board summarise the comments made by tuition provider representatives, report survey results about the exams from student questionnaires and detail the responses. Again, the minutes from the exam review board are available on the website.

Interviewer: And finally, what would be your concluding advice about the F7 examination paper?

Examiner: I would say that the main reason candidates are unsuccessful is that they simply don't do enough preparation.

It is worth repeating that students must **always** read the question, concentrating on the requirement of each question. Candidates should keep their answers relevant to the question asked and use the information given in the question. There are often many 'clues' in the scenario of a question – students should use them.

Finally, I don't believe in wishing candidates luck. This may sound rather unfriendly – not at all – if students put the work in, luck doesn't come into it.

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.