

Exam Approach Interview: P7 Advanced Audit and Assurance

Interviewer: Welcome to the P7 Examiner's Approach interview.

The following is an Examiner's Approach interview for Paper P7, *Advanced Audit and Assurance*.

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 June/July 2007 edition of *student accountant* and refer to the examiner's article on changes to section A of the P7 examination which took effect from June 2010.

The examiner is Lisa Weaver, and she was appointed as an ACCA examiner in July 2006. Lisa is a senior lecturer with a UK based training company, and has been teaching audit and assurance and financial reporting topics since 1995. Lisa also lectures qualified accountants to help them meet their continuing professional development requirements.

I suppose it would be most appropriate to start off by asking where P7 fits within the overall structure of the ACCA Qualification.

Examiner: The Professional Level of the ACCA qualification syllabus is divided into two modules – Essentials and Options, with Essentials coming before Options. Both these modules have been set at an intellectual level equivalent to that expected of a student taking a Masters degree.

The focus of the syllabus at the Professional level is to build upon the technical skills already acquired, and to explore more advanced professional techniques, skills and values which are required by the expert accountant acting in an advisory or consultancy role at a senior level.

Studying P7 as an Options paper will allow the student to specialise their expertise in this area – drawing upon knowledge obtained from studying the underpinning paper, F8, in the Skills module, and from the P1, *Professional Accountant*.

Interviewer: From what you have just said, P7 is connected to other papers within the ACCA Qualification. What are the links with other papers, or with other components?

Examiner: P7 develops the knowledge examined in F8, *Audit and Assurance*.

In P7 candidates are also expected to retain knowledge of the financial reporting standards studied in P2, *Corporate Reporting*.

Finally, all knowledge and capabilities acquired in P7 will be applied, in context, within the Practical Experience Requirements. The relevant Performance Objectives for trainees which relate to P7 are Essentials Performance Objectives 1, 2 and 3 and Options Performance Objectives 17 and 18.

Interviewer: What is the overall concept or theme for P7 as a paper?

Examiner: P7 is a paper which explores the role of a senior person working in a firm of Chartered Certified Accountants, which provides audit and assurance services to clients.

P7 is based primarily on the idea that in exam questions, the candidate will be placed in a 'real life' scenario, in which they will take the role of a senior member of the audit firm.

P7 is therefore concerned with exploring the **application** of the technical and ethical regulations surrounding the provision of such services. It is also about the practical and commercial decisions which audit and assurance providers must make.

Interviewer: The syllabus for P7 is structured into seven main sections. Can you briefly explain the main content of these syllabus sections please?

Examiner: The first syllabus section, A, covers the regulatory environment. This section of the syllabus contains issues such as money laundering, laws and regulations. This part of the syllabus places the provision of audit and assurance services within a regulatory framework. It is important that candidates understand these sources of regulation, and their potential impact on the provision of such services.

Section B is primarily about the ethical issues applicable to audit and assurance providers. This is an important part of the syllabus, and candidates must be able to apply the ethical regulations to a specific scenario given in the exam. The issues of fraud and liability are also included in this part of the syllabus.

Section C covers practice management. It explores how a firm of Chartered Certified Accountants runs a commercial, client focused business. Candidates need to understand how firms tender for work, how firms advertise their services, the client and engagement acceptance procedures which firms should conduct, and finally, how firms monitor and manage the quality of the work performed.

Section D is the largest section of the syllabus, and is concerned with the audit of historical financial information for single entities and for groups of companies. It is imperative that candidates are familiar with the audit process for single entities and for groups, and it is likely that this syllabus area will be tested in every exam. This part of the syllabus looks at the whole process of the assignment, from planning the work, gathering evidence, through to reviewing the work once completed.

Section E covers other assignments – this includes audit-related and assurance services, the review of prospective financial information, forensic audits, internal audit and outsourcing. This part of the syllabus looks at the different types of engagements that an audit and accountancy firm may be asked to provide for a client, and the impact of these assignments on the external audit. The UK and Ireland syllabus also includes a section on auditing aspects of insolvency.

Section F covers reporting – another important syllabus area. Candidates must be able to conclude on work performed, to reach an opinion, and consider how to communicate the opinion.

Finally Section G examines current issues and developments relevant to the audit and assurance profession. Candidates should

read widely to be able to appreciate the topics being debated in the profession at the current time. Current issues are unlikely to be tested in isolation, as in the real world, providers of audit and assurance services must be able to consider the impact of a particular current issue to an assignment that they are working on.

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: As with all papers at the Professional level, the writing time for this exam is three hours. All ACCA three hour papers have been allocated an additional 15 minutes reading and planning time, within which students can read the paper, understand the requirements and choose which questions to answer. 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: What kind of questions will appear in the exam?

Examiner: As the P7 paper is a wholly discursive paper, candidates must provide written answers to all questions. Specific calculations will not be asked for; however, candidates will be awarded marks for calculations relevant to the specific question scenario, for example, the calculation of materiality, and the calculation of trends.

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

Examiner: Yes of course. As can be seen here, the exam is divided into two sections, A and B.

Section A contains two case study questions totalling 50-70 marks, with requirements given in a number of parts, which can potentially assess any area across the syllabus, and may typically assess capabilities from several sections.

Section B contains three 15-25 mark questions which are usually much shorter scenarios. Each Section B question will tend to be more focused on specific topics.

The student must answer two from the three questions from Section B.

For more information about the exam itself and how it is structured there are past papers available on the ACCA website.

Interviewer: Thanks for explaining that. What would you say are the key features of the P7 examination paper?

Examiner: The most important thing regarding the style of the paper is that it is scenario based. This means that the majority of the marks available will be for the application of knowledge to scenarios. There will be few marks available for stating facts which have not been made specific to the scenario. In Section A, the scenarios will be detailed and candidates should expect to see several syllabus areas tested within that scenario. For example, a Section A question could cover syllabus areas; D audit of historical financial information, C practice management, and G current issues.

Interviewer: How should students deal with a requirement that asks the candidate to do something AND something else?

Examiner: Because some questions may ask the candidate to do something 'and' something else, the candidate may have to use judgement to decide how much effort to devote to each aspect. This will be based on the difficulty of different cognitive levels, for example 'describe' is usually easier than 'assess'. However, markers will be

asked to exercise quite a lot of flexibility in awarding marks in this situation.

Interviewer: There are professional marks available in this paper. What are professional marks?

Examiner: Between 4 and 6 professional marks will be awarded within Section A for the form and tone of an answer, for its structure and for the strength and persuasiveness of arguments put forward. There is an article which was published in the October 2007 edition of *student accountant* explaining what professional marks are awarded for. This article will give more information on the awarding of these marks.

Interviewer: And are Ethics examined in this paper?

Examiner: As ethics is included in the P7 syllabus it may be examined either in section A or section B. There is also an article on how this is assessed in the September 2007 edition of *student accountant*.

Interviewer: What advice would you give about revising effectively for, and passing, P7?

Examiner: I would recommend the best strategy to adopt in the revision phase is two fold. Firstly, it is imperative that candidates have thoroughly studied the syllabus, and understand the various rules and regulations which make up the factual part of the syllabus. It is also essential that underpinning knowledge from previous papers, especially F8 and P2, is retained. Secondly, because most of the marks in P7 will be application based, it is essential that candidates practice as many exam standard questions as possible, in order to build the ability to understand question scenarios and use their factual knowledge in a specific way as determined by the scenario.

In the exam, candidates should use the 15 minutes reading time wisely. This time is invaluable for understanding the facts of the scenario provided. It may help students if they highlight key pieces of information and annotate the question paper in a way which makes the information provided easy to refer back to when answering the question. It is important to take the time to read the **whole** question scenario and **all** of the requirements. All too often candidates seem to rush through their reading of the information provided, leading to answers which do not take account of key pieces of information, or which do not answer the question requirements.

Key areas to focus upon are:

1. Planning an audit or other assignment and risk assessment
2. Gathering evidence in the context of either an audit or an other assignment
3. Reporting at the end of the assignment
4. Ethical considerations
5. Commercial and practice management issues

Interviewer: What would be your three main exam tips?

Examiner: Firstly, candidates must prepare themselves for P7 by practicing as many exam standard questions as possible. This is the only way to learn how to apply knowledge and to experience the wide variety of client – based scenarios on which questions could be based. Questions should be practiced covering all syllabus areas. Candidates should practice questions using the actual time allocation in the exam, in order to develop time management skills, and to consider that it is the quality, and not the quantity of the answer which is important. Looking at the answers and the marking guide for past exam questions will provide an understanding of where marks are allocated, and will also enable candidates to pick up on the formats and communication styles which lead to professional marks being awarded.

Secondly, candidates must make sure they understand the wording of question requirements. It is important in the exam to think about what the examiner is asking for before putting pen to paper. For example, a requirement may be to 'explain' or to 'evaluate' or to 'recommend' or to 'discuss'. All of these requirements are different; an appreciation of their meaning is crucial to writing a focused, relevant answer. Because P7 is a Professional level paper, the requirements are likely to be advanced, requiring a high level of application, judgement and reasoning skills. Merely stating facts or repeating points made in the question are unlikely to attract many marks, if any.

Finally, I think that one of the most important things that candidates can do to prepare themselves for the exam is to read articles written by the examiner. The articles could include topics such as, an explanation as to how different syllabus areas could be tested, an outline of current issues within the profession, a description of how questions should be approached, and a technical review of audit and assurance regulations. All of this knowledge is invaluable in preparing for the exam.

Interviewer: What do you believe to be the main pitfalls in preparing for and taking the P7 exam?

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

Firstly, it is crucial that candidates appreciate that their answers must be specific to the question scenario provided. Many candidates simply state facts without any application to the scenario, and do not demonstrate any of the higher skills expected at this level of examination.

Secondly, candidates often do not write enough points for the marks available, or write the same amount for each requirement of a question regardless of the mark allocation. Candidates are encouraged to work out a time allocation for each requirement and to use that to gauge how much they should write.

Finally, it seems that a lot of candidates do not answer the specific question requirement given. Part of the allocated reading time should be spent thinking about the wording of a requirement in order to understand exactly what is being asked for. An examiner's article published in September 2009 explains the importance of answering the requirement, and illustrates examples of good exam technique.

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 P7 examination paper?

Examiner: First, students must always read the question scenario and requirements as carefully as they can, identifying and understanding the instructional verbs contained within each requirement.

Second, it is important to properly think about the scenario, looking at the dates, locations, business activities and people which make up the scenario. Take a minute or two to digest and comprehend the situation before starting to write an answer. Doing this will help the answer to make sense in the context of the scenario.

Finally, don't forget that answers given should relate to the question actually asked, not the one that a candidate would have liked to answer.

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.