



CHARTERED ACCOUNTANTS HOUSE, PEARSE STREET, DUBLIN 2
cassicommittee@gmail.com
www.cassi.ie

CAP 2 POST EXAM REPORT

Date: 29 JUNE 2010

Introduction:

This report has been compiled by CASSI by amalgamating the submissions from regional student societies following the Summer 2010 CAP 2 exam sitting. The report has been broken down, to give an overview of each of the four CAP 2 papers that were offered to candidates at the summer 2010 sitting, held between 22 - 25 June 2010.

CASSI would like to draw the readers attention particularly to comments expressed by students in relation to the **Financial Reporting** and **SFMA** papers which have attracted most significant levels of feedback during this sitting.

Paper 1 – Audit & Assurance

Overall students felt this was a very time consuming paper and it was very difficult to get the whole paper completed in the allotted 3.5 hours. Students felt they had to leave parts of questions unfinished to move onto the next question in order to get the paper completed.

The wording of the case study, in particular, the information on quarterly performance, was found by students to be very confusing to students, with many students feeling they had to spend valuable time to understand what should have been simple information in order to attempt the question. Given the time constraints students felt the marks for this section were not representative of the time spent and information required, especially on the analytical review of performance.

Question 1 (b), this question was considered to be long and complicated to complete in an acceptable amount of time for the amount of marks the question offered. To perform these calculations neatly could easily have taken an hour, but based on the marks only 30 minutes should be spent on it.

Question 3 (b.ii.) was considered ambiguous referring to “enquiries/tests” which are very different questions. The word ‘enquiries’ would suggest additional information whereas ‘tests’ would suggest audit procedures.

It was widely felt that the exam was beyond the level of ‘Introduction to Audit’. The exam was very technical in that a large proportion of the marks were for conducting audit procedures. For instance, the substantive analytical procedures question. Students reported spending time in class learning the theory behind these procedures, but not the practical application.

Paper 2 – Strategic Finance & Management Accounting:

Time constraints were a major complaint for this paper. This was particularly due to the case study which was divided into 7 parts and because the paper was a lot longer than the previous exam papers.

Within question one of the SFMA paper, there were three calculation questions which were perceived very time consuming for students. These three questions comprised of an analysis of the company, a company valuation and an analysis of four strategic options. Specific comments on the case study included:

Question 1 (b): Students felt that 14 marks did not justify the volume of work required to answer this question and that it was rather long for the time allowed.

Question 1(d): This question was considered particularly difficult by students. It was thought that the 11 marks involved were low for such an in-depth question with so many parts. Students were asked to look at 3 different methods of company valuation (which were specified). One of these methods was referred to as "income capitalisation" which students report not having seen before in course texts or lectures. One of the other methods was based on multiples and while students have experience of this method in class they have always been told what the "multiple" is i.e. if it is the price/earnings ratio or if it is one of the other things that can be referred to as a multiple. However, in this paper this was not specified.

Question 2 (a): Students perceived to be vague as to whether they needed to pick a source of finance from the 4 given or whether you could also include others.

Question 3: Whilst some students felt this appeared to be a straight forward question but due to the volume of info to sift through, it left little time to carry out the calculations. Lack of time to calculate the variances would consequently affect parts B and C. The majority of students however suggested that this question was thought to be more difficult than any examples provided.

Question 4: Students felt that calculating the hedging efficiency was quite time consuming and deserved to have more than the 11 marks allocated to it.

Paper 3 – Financial Reporting

The vast majority of the 280 e-mails received by CASSI regional committees related to the Financial Reporting paper. **Three primary issues were raised by students and are outlined below:**

1. Question 1 B – EPS

This question was identical to a question on the CPA April 2009 examination whereby the additional information to the case study and requirement were exactly the same (apart from question figures being changed). Students in one

region received this question as part of their lecture materials including the solution. Students were very disheartened that this situation has arisen in both summer sittings of the revised competency statement. Whilst some students who were in a fortunate position to have the solution with them in the exam, others were not and therefore at a disadvantage when completing this compulsory 18 mark question.

2. Students also stated that the Competency Statement stated that the calculation of Defined Benefit Schemes was not examinable and yet a full question appeared on this year's exam in question 3. It was acknowledged that even if it is deemed that the question was not asking for the measurement of the obligation, this was ambiguous for students and led students to believe that this material would not be examined.
3. There was a large number of students who have commented on lecturers speculating on the content of exam papers. In the instance of this paper, one of these predictions came true in relation to the consolidated cash flow question. It was noted that this lecturer spent more time on this area in this region compared to lectures in other regions. Standardisation of lectures across regions in a similar fashion to what is currently provided at FAE would have removed this inconsistency.

The Ethics question 1 (c), was considered to be very vague incident in the case study, it did not give details as to what the revenue recognition practices were being proposed, just that they were "aggressive".

Some students have also queried whether Question 1 Note 10, referring to Compound Financial Instruments, was examinable as this is expressly excluded in the CAP 2 Competency Statement.

Students felt that question 2 required several adjustments at a similar level to the Summer 09 case study, which was given significantly more marks. As a result, they spent too much time on this question and had less time for the remainder of the paper.

Question 4 was perceived to be an extremely ambiguous question. It was not clear to students from the question what was expected and also what the distinction was between the four properties. The fact that the question spanned two years was confusing for students and it was perceived to be difficult to ascertain what element of the IAS was being tested.

Paper 4 – Taxation (ROI)

Overall students thought this was a fair but challenging paper, although it was very focussed on corporation tax. Question 3, the diagram in the schedule did not agree to the details give in the question regarding the ownership percentages, meaning some people chose not to do this question because of the confusion.

Students have expressed concern over the timing of this closed book exam, suggesting that in future sittings this exam be moved to the start of the exam week, due to the fact that this exam in particular tests mental retention to a greater extent than other exams.

Paper 4 – Taxation (NI)

It was felt that the exam was much more difficult than past papers and that it focused too much on theory and not enough on calculations, particularly as the theory was very focused, for example the APR and Stamp Duty questions.

The exam was also thought by the majority of students to be very heavily based on Capital Gains theory and therefore inconsistent with the competency statement.

It was felt that it was unrepresentative of a true professional situation to expect students to learn by rote so many rules and exceptions, especially as this exam was the last exam in spite of being the only closed book and tax professionals would use reference material in practice. NI students like their counterparts in ROI have suggested that this exam be moved to the beginning of the exam week.

Other Comments:

Students have continued to report errors in sample papers, text books and mock papers solutions. This causes great anxiety amongst students during their preparations and causes students to spend large a amount of time on questioning their own understanding of the topics in the papers.

It was also commented on that due to the timing of classes, students were still being taught new material 2 weeks before the exam (Financial Reporting) and the posting of helpful webcasts (Tax) happened only a week before the exams started.

Students noted that additional **notes were updated only 2 days prior to their exam**. CASSI would like to highlight the anxiety such actions causes on students, particularly on students who do not have access to broadband and/or printing facilities during exam week.

Students were appreciative of the fold out section for case study question in both papers as this was felt to be extremely helpful for students during the exams.

Sligo Exam Centre

In the Auditing exam the clock in the examination hall stopped for approximately 20 mins. In an exam where students are under extreme pressure to manage their time effectively this leads to time management problems.

In the auditing exam some student didn't get the middle section of the paper which caused confusion and caused the students undue pressure at the beginning of the exam.

Belfast Exam Centres

There were inconsistencies between the two testing centres in Belfast with the **Bowls Club being given up to 15 minutes reading time before some exams** in comparison to Cadogen's 1 or 2 minutes. The Bowls Club also had desks that were twice as big as the other centre's. Cadogen students were particularly annoyed about this because the mocks had been held in the Bowls Club and so it was clear it could have held all the students.

Conclusion:

In general, candidates felt that the exams were of a very difficult and challenging nature. In particular the issues identified in the Financial Reporting and SFMA papers have increased the number of contacts to the regional societies to be **in excess of 280** e-mails. A significant increase in levels of previous exam sittings in 2010.

With the current economic environment faced by trainees, it is important that the severity of the consequences of students failing exams is taken into account, particularly if it is due to so controversial an examination.

CASSI would like to thank the examinations team who distributed our letters to students on the final day of exams across the country. This assistance was greatly appreciated by CASSI and the regional committees and together with the continued support of student services who enable CASSI to contact students throughout the year, enable us to complete our role.

We trust the above feedback is useful and will be taken on constructively by those marking the CAP 2 Summer examinations for 2010. Should you require any further elaboration on any of these issues raised, please contact the CASSI Education Officer.