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FINAL ADMITTING EXAMINATION

2012

PROGRAMME REPORT

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Executive Summary

- Student opinion in relation to course delivery was varied. Some students felt that the standard of lectures were not adequate to prepare students for the level of knowledge expected for examinations. CASSI acknowledges that lectures are intended as a starting point and as a guide for topics to study and are not intended to fully cover each topic in depth.
- CASSI received very positive feedback in respect of the Integrated Case Study sessions. Students reported that the case study days were the most valuable sessions they attended.
- In terms of support materials, a generous amount of feedback was received. Requests for additional case studies and a more accessible website were the main issues raised.
- The layout of the Core Comprehensive paper received an extremely negative reaction from a large majority of students. Some students reported they missed appendices due to the complicated layout. All those who commented highlighted the time wasted flicking over and back through the case. Students have estimated that this negatively impacted their time management by approximately 15 minutes.
- Many proposed the use of a booklet as a preferable alternative. CASSI acknowledges that the booklet format was formally changed as a result of student requests. However the “fold out” does not appear to be helpful if the case is more than eight pages long. It is proposed that the format should take into account the length of the paper and the number of appendices each year and the most appropriate format selected.
- Consistent with previous years, the issue of time constraints was a common issue raised by students, particularly in relation to the elective papers.
- In general, student expectations seem to be that the papers will be more quantitative than qualitative. More student guidance may be required to reinforce the nature of this issue.
- Across all papers, students felt that the examinations did not reflect the amount of work and preparation that had been put in during the year. There is also a sense that students are expecting the exams to be of a much more technical nature.
- Many students were in favour of an introduction of a rest day with the majority in favour of this rest day taking place after the two Core exams and before the Elective.
- CASSI would encourage the introduction of a repeat Elective examination be introduced as a minimum.

Introduction

This report has been compiled by CASSI by amalgamating submissions from almost 450 students in all regions, representing the views of those operating both under a training contract and the Elevation programme, following the 2012 FAE Examinations, held from 04 to 06 September 2012.

The report outlines their comprehensive and considered responses to all aspects of the FAE programme; from the lectures and tutorials provided to the quality and availability of support materials, the facilities and venues employed and the continuous assessments and exam papers themselves.

Course Delivery

In terms of course delivery, the area of Business Leadership was identified as an area where improvements could be made. Many students felt that there was too much focus on the theory which did not prepare them for dealing with the more practical application which is required for exams.

In particular the Case Study days have been highlighted as especially beneficial and many students have recommended increasing the number of case study sessions held.

Availability and Quality of Support Materials

Regarding the course materials, a majority requested more case studies be made available. While notes were generally seen as adequate, the book available for IMP was particularly cited as not being of help, with many feeling it contained a large amount of technical information which was not of use.

Errors in materials were again cited as an issue for a small number of students. CASSI encourages students to provide specific examples of these errors to either the CAI or CASSI so that they can be amended going forward.

While the new format of the student website was acknowledged, many students reported that notes and exam papers are still difficult to locate. Some students advised that they could no longer access sample papers during study leave.

Core Comprehensive Paper – Day 1

Please note that discussion of issues will tend towards the most commonly identified and the following is not intended to represent a full and complete list of all relevant material.

Performance Measurement

A number of responses expressed surprise at the low level of Financial Reporting calculations present throughout the FAE. Some students commented that a number of the Financial Reporting issues were of a descriptive nature as opposed to a quantitative nature.

A number of students noted that they had spent a lot of time revising detailed accounting standards and felt that the Financial Reporting issues on the exam did not reflect the level of study commitment they would have applied for Financial Reporting.

The vast majority of students commented on the layout and size of the Core Comprehensive paper stating that it was difficult to navigate and required a significant amount of time to read let alone plan an answer. Many students highlighted this as impeding them in answering the Performance Measurement issues in sufficient depth as their time management was off. Students have estimated that the complicated layout cost them 15 minutes.

Students commented that two specific Performance Measurement issues appeared to be clearly identifiable: IAS 38 regarding the capitalising of development costs, and the Customer Profitability Analysis.

The general consensus was that the inclusion of Customer Profitability Analysis was a surprise to a number of students. Students felt that this issue was very vague with many querying whether they were to perform calculations or merely comment on the usefulness of the data. This left many students wondering whether they had sufficient depth in their answers to this issue.

The second issue required the students to comment on the capitalising of development costs. Many students felt that this was a fair issue as it was well covered in lectures and in notes. However, some students commented that the exclusion of patents may have thrown them off.

Opinion was also divided as to whether IAS 10 and IAS 24 were also valid. However given the time constraints many students stated that they briefly mentioned these issues and expressed concern as to whether or not they had covered them in enough depth.

Business Leadership

In general students were disappointed with the business leadership indicators on the Core Comprehensive paper and the Simulation paper. Whilst the FAE survey asked students to express their comments on each of the super six separately on the Core Comprehensive, complaints on the business leadership indicators were pervasive throughout each section.

The most contentious issues were the staffing of a change management team and the communications strategy, which will be dealt with later in this report.

In respect of the marketing indicator, students felt that this indicator was very vague, and it was not clear how to approach the indicator. A number of students commented that there are few marketing indicators in the practice case studies, and when faced with a marketing indicator in the exam that they felt unprepared.

This is in contrast to the “traditional” strategy indicator which was received very well by students, most noting that it was fair and that the materials provided in the FAE course prepared students adequately for the examiner to examine this topic.

General comments in relation to Business Leadership that appeared repeatedly through the feedback included –

- 1) Students were unhappy with the perceived heavy weighting of Business Leadership this year. Many students felt that there should have been fewer Business Leadership indicators. CASSI acknowledges that the number of BL indicators was in line with the competency statement.
- 2) Some students felt that the topics examined in Business Leadership were too “waffly” and felt that the requirements should be more precise. The most common description of the indicators was vague or unclear.
- 3) Many students complained that there is a disconnect between what is being taught and what is being examined, given the qualitative nature of this year’s examination. This has been highlighted on previous occasions by CASSI reports.
- 4) Some students commented that preparation for these qualitative indicators is difficult and questioned whether it is appropriate to ask questions that “do not reward study”.
- 5) There was some discussion on how integral some of the subjects should be to a final admitting exam (mostly in relation to change management, HR and change management).

The above points raise concerns about the expectations and perceptions of FAE students. Clearly there were a significant number of students who were expecting a far more technical examination.

While this perception may be difficult to reconcile given that previous FAE papers have been equally “light” on quantitative or computational indicators, there is no doubt that it persists.

It may be worthwhile for the CAI and lecturers to review guidance given in this area to see if they are satisfied that this point sufficiently highlighted to students.

Audit

The majority of students wrote that the Auditing indicator on the comprehensive case study was fair and it was easily identifiable.

A few students questioned if the exemption criteria were in the core text book or notes provided to students who were not sitting the Audit elective.

Some students did not welcome small amount of Audit been examined on the comprehensive and been heavily weighted on simulation 3 instead of appearing more evenly thought the two days.

Finance

The vast majority of students said that they identified a Finance indicator in the core comprehensive paper in respect of calculating a range of valuations for a company, incorporating adjustments to the financial statements, whilst considering any other financial issues. Many students commented that they found this indicator to be easily identifiable.

In addition, most students noted that they found this indicator to be reasonable and fair and allowed them to demonstrate competency in Finance.

Furthermore, there were very few concerns by students with the Finance indicator in the core comprehensive. Students noted that there were similar indicators in the practice case studies which helped them to prepare for the actual exam. Some students felt that there was an overlap between the Performance Measurement indicator and the Finance indicator in the core comprehensive exam.

However, many students commented on the perceived lack of identifiable Finance indicators in the papers overall.

Information Management Principles

Students noted that they found that there was a heavy emphasis on IMP in the core comprehensive paper. Students noted that this was potentially due to the technological nature of the company being examined in the paper.

Many students noted that they were unsure as to the exact requirements of the IMP indicator in the core comprehensive paper. Similarly, some students were confused as to whether they were being examined in IMP or Business Leadership. Students commented that they found the indicators difficult as a result of being unsure as to what the examiners were looking for. However, some students stated that they noted an IMP indicator in relation to knowledge management and intellectual property.

A large number of students stated that they were concerned at the amount of IMP examined on the paper in comparison to the amount of Finance, Audit and Taxation examined. Students felt that the large amount of IT terminology was confusing and could have resulted in there being an array of potential IMP indicators within the core comprehension paper.

Core Simulations – Day 2

Simulation 1

Simulation one received a lukewarm response from students. Most students felt that the majority of the indicators were not clearly defined and the requirements were not easily identifiable. In particular students commented that the Change Management indicator was very vague.

The performance measurement indicator was identified in respect of the KPIs. Students generally felt that the performance measurement indicator was fair, focusing on the KPI's already suggested in the case and how they would work. A number of students queried whether this indicator merely asked the candidate to present a suitable time frame for the KPI's.

In relation to IMP, students generally felt that this indicator was fair. Many students commented that there were little quantitative factors to be discussed and instead they focused on qualitative factors. A number of students stated that the information was contained in the narrative of the case and could have been summarised in a tabular form instead of as a block of writing in the case.

The majority of students felt that the Change Management indicator was very vague and subjective. Students were unclear whether they were being asked to recommend which of the four directors would suit each role. However no information was given with regard to the requirements of the role. As a result a number of students stated that they relied on assumptions they made in answering the question. There were very few positive comments in relation to this indicator, and the feedback was often very negative.

Simulation 2

Students commented in the feedback that they felt that Simulation 2 was poorly written and did not flow well.

Students felt that asking for “financial and non financial implications” was too vague and that this left it up to the students if a finance response or a financial reporting response was required.

In respect of the Business Leadership indicator on the communication strategy, many students were surprised by this indicator, which was described as “strange” and “unusual” at best. Some students commented that under exam pressure it is unrealistic to expect students to apply knowledge to the facts of the case when they have not

encountered drafting a communication strategy before. Students struggled to “categorise” this indicator and were unsure whether to answer this from a HR, Change Management or Strategic perspective.

The Taxation indicator appeared to be one of the most controversial potential indicators of the Simulations. Many students expressed surprise at the small number of tax indicators included in the exam as a whole. Most students identified the discussion of disposal of assets versus shares with the applicability of S.626B as a non directive tax indicator.

Students recognised that the discussion of the benefits of the assets sale versus share sale. However, the applicability of S.626B proved to be a contentious issue. Many students noted that while the tax book referred to the non applicability of S.626B relief for companies whose shares derive a greater part of their value from “land, minerals or exploration rights in Ireland (i.e. Irish specified assets)”, it did not make a reference to “buildings”. As such a number of students stated that they assumed “land” did not include buildings and as such concluded S.626B relief did apply.

CASSI would query whether it is reasonable in these circumstances to expect students who have not been issued with a copy of the Taxes Consolidation Acts 1997 to be so familiar with Section 29 (3) TCA 1997 that they know the definition of Irish specified assets includes buildings.

Simulation 3

Overall, simulation three was regarded as the most difficult of the three simulations by the majority of the students.

The most prominent point noted by students was that the indicators were difficult to identify and very broad in nature. As a result, students found that the indicators were not clear in what they were asking. Specifically, students struggled to understand what was required of them in relation to the necessity to comment on “other issues that arise”. Thus, students found that their answers lacked focus and direction, and that they generally struggled with this simulation on the whole.

Many students found that the simulation was very long and time consuming. The majority of these students commented that they found that the paper took a long time to read, and comprehend, due to the amount of appendices. Students also remarked that, due to the broad nature of the indicators, they found that they were writing for a long time often without being sure that they were going in the right direction.

Students commented on the fact that the simulation was very heavily audit based. Students commented that they noted indicators in relation to Audit, Performance Measurement and Taxation.

The majority of students were able to identify that they were required to address at least one audit indicator. However, most students commented that they found the audit indicator very vague. Students stated that this indicator was not focussed sufficiently and thus was difficult to identify what the examiner was looking for.

Some students took a broad approach and covered a wide range of issues in their answers. Others noted that there was a potential Performance Measurement indicator in relation to financial reporting adjustments involving the government grants.

There was also a potential indicator in relation to possible tax penalties, a possible revenue audit, self correction or making of an unprompted qualifying disclosure.

Those students who recognised the above stated that the PM and Taxation indicators were difficult to identify.

Elective Papers – Day 3

Advanced Auditing and Assurance

Simulation One

Students generally found this to be the most time consuming but least difficult of the three simulations. This was also the simulation which students found to be the most open to interpretation.

The majority of students were confused as to what exactly was expected of them in this case study. The information presented guided students towards agreed upon procedures but the case suggested that another form of report may be more suitable. A significant number of students have highlighted that perhaps providing an assurance type opinion was appropriate given the requirements of the third party in this simulation.

CASSI would suggest that consideration be given for whatever justified approach was adopted by a student during the marking process, as this issue was highlighted by a large number of students.

Students were surprised to find that the contents of the engagement letter and a report to third parties were required as there would have been significant crossovers between these two areas. Students have indicated that the redrafting of the report was particularly time consuming and this put participants under pressure to complete the remainder of the requirements in this simulation. A significant number of students found it difficult to relate the case study given to the requirements per ISRS4400 given the limited information provided.

Finally students commented that the recommended time for this simulation was limited in comparison to the requirements of the two other simulations.

Simulation Two

Most students agreed that this was the clearest of the three audit elective simulations. Some students found it difficult to identify the indicator and identify the risks and procedures given the limited information.

Most students highlighted that they could only find three to four risks and consequently felt under pressure to get to the competence level they felt the examiner required.

Students were confused as to whether or not any ethical issues should have been addressed. Most generally felt that not enough information was given to address the audit risks identified in the case study and believed that a number of approaches were applicable.

Students were concerned that this was too similar to Simulation 3 and looked for other ways to add value to their responses by disclosing disclosures of investment property, inventory and assets held for sale. CASSI would hope that such approaches would be considered when appropriate balanced conclusions were provided.

Simulation Three

Simulation 3 was rated the most difficult case study by a large majority of students. The main issue highlighted by students was that many struggled to complete the case study in the recommended ninety minutes given the amount of information in the case.

Students agreed that the bad debt provision element of the case was fair to examine but the details surrounding the bad debt provision were presented in a confusing body of text and consequently some students struggled to identify the information relevant to their responses. Most opted for different audit report opinions as several interpretations of the interim and final audit information were possible. CASSI would hope that different audit opinions offered by candidates should be considered once a balanced conclusion was given. Students generally were under a lot of time pressure and consequently drafted brief sample/skeleton audit opinions.

Students agreed that they were confused as to whether one audit report was required or if the audit implication for each audit issue was required and then to draft the audit report for each issue. Although materiality was given in the question students believed that it would have been more appropriate to provide financial statements which would have enabled them to make more accurate recommendations.

Students felt that not enough information was given in the case to assist them in identifying how much effort if any should have been put in to reviewing the work of the audit junior.

In conclusion candidates struggled to display their technical knowledge built up over their study in this question, particularly in financial reporting, given the vague indicators in this case study.

Advanced Performance Management

Overall it was felt that the APM paper was very different to those which had been set in the past and did not reflect the material covered in class and the sample papers. Students found the information in the simulations confusing and the indicators not very clear. Timing was a huge issue for many and it was agreed this was caused by the unclear nature of the indicators and the length of the calculations involved.

Students did not feel that the simulations provided them with an opportunity to show the examiners their technical ability and knowledge.

Simulation One

This simulation was felt to be the least difficult by the majority of students. Students found that the case was very time consuming due to the financial analysis required and the lack of clarity in the way in which the simulation was written. Many students felt confused by the provision of KPIs and what many perceived to be a requirement to calculate KPIs. It was also noted by several students that this simulation did not allow them to showcase their knowledge and technical ability of the elective.

Students felt that the two indicators about the KPIs were very similar and that meant they were repeating themselves.

Simulation Two

This simulation was deemed to be the second most difficult simulation in the paper.

The main issue with this simulation was time. It was felt by the majority of students that the requirement to prepare 3 memos and to include 6 years in the NPV calculation was excessive. It was felt that students could not add any further evidence of knowledge and expertise by completing these requirements.

However, students were in general agreement that the indicators themselves were fair and reasonable.

Simulation Three

This simulation was seen as the most difficult of the three. Students felt that the wording of the simulation was poor. In particular, it was felt that the issues in relation to staff redundancies and the cost benefit analysis were not clear.

Again, students felt that there was not sufficient time to deal with the amount of information and the number of calculations required.

Advanced Taxation – Republic of Ireland

Simulation One

Simulation one was judged to be the second most difficult of the three simulations by a small majority of students. Most students identified three indicators, and most commented that the indicators were at least reasonably easy to recognise. A majority described this simulation as fair. Some students commented that they felt 80 minutes was insufficient for the requirements and were under most time pressure in this simulation; a perspective reflected in feedback given in respect of the other simulations.

The first indicator was the R&D calculation, while most students also outlined plans for a share reorganisation and potential share buyback as a method of cash extraction. Some students also commented on the potential for Section 626B Exemption Participation relief.

Simulation Two

A majority of students felt that simulation two was the most difficult of the three although some commented that the indicators were again clearly defined. Most students identified indicator one as referring to discretionary trusts and the stamp duty arising, while indicator two focused on the non availability of Business Relief to Jenny and the application of a CGT/CAT offset. Indicator three referred to VAT on property and a related CGS claw back, with students split on whether the calculation of this was fair or difficult.

Simulation Three

Some students expressed surprise at the weighting VAT received on the paper, given the presence of a second VAT indicator in this simulation. This indicator was also reported as the most ambiguous of the tax elective indicators in terms of the requirements, with some students stating that they were unclear on what was being asked. Many students outlined the benefits to the formation of a group while other queried if whether the intention was to consolidate into one entity.

The indicator in respect of the exit charge was clearer to students with some commenting that they found this indicator to be reasonably straightforward. Overall this simulation was judged to be the least difficult.

Advanced Taxation – Northern Ireland

Overall it was felt that that whilst the indicators were clear within the papers students lacked the time to sufficiently address these. The timing issue was exacerbated by the length of the simulations cases which students considered to be unreasonable.

Students were concerned about the final simulation and haven't sufficiently covered the VAT scenario which was presented and as such did not feel it was a fair representation of this technical area.

Simulation One

The main issue students had with this simulation was the length of the case given the amount of time available. Despite having 110 minutes, students found the case had a lot of information and extra time would have been needed.

Students considered the indicators to be clearly identifiable. However they felt that the context of the question, i.e. a foreign company taking over a UK subsidiary and then selling off the UK subsidiary other company, was very confusingly presented, and that this scenario had not been covered in class. CASSI acknowledges that not all scenarios presented in exams will have been covered in class.

In addition, whilst indicators were easy to recognise they had many aspects to them and consequently students were unsure if they were full indicators and which information to put with each.

Simulation Two

Students felt that this simulation was of a reasonable standard; however thought there was slightly too little direction to be able to provide what seemed to be credible alternatives.

As a result of the general nature of the case students were confused as to what they had to do. A number of students found it difficult to distinguish between the indicators and as a result found time to be an issue.

Simulation Three

This simulation received mixed reviews from students. Whilst students considered the indicators to be very clear in the case, they were concerned that this material had not been covered specifically in class or within their materials. CASSI recognises that it is not possible for all potential simulations to be covered in lectures.

Some students felt that the calculation in relation to VAT required was not very clear and that time was again an issue. Specifically students found the indicator on the US/UK company extremely difficult and were unsure how to approach this, as despite VAT featuring heavily on the course it was not studied in this context.

Additional Comments

In general, students were happy with the exam venues. There were some complaints in relation to an issue with parking in the RDS on Day 1. However, this appears to have been resolved for Day 2 and 3.

In relation to the Athlone centre, the venue had not been set up for the exam when students arrived. It was felt by students that the desks provided were too small and many ended up pushing together three or four desks together.

In the Belfast venue there was an issue with the invigilators making announcements more often than was deemed necessary. Announcements were also being made during the last 5 minutes of the exams, during which students felt any distraction was unwelcome.

Finally, it is encouraging to see that some issues raised by students in the 2011 report were not raised as issues this year. In particular, there was a common feeling amongst students in 2011 that they ended up writing too much due to a fear of omitting a single aspect or element of an indicator, which would lead to their answer obtaining a grade of only “reaching competent”, rather than “competent.” While some students raised this as a concern on occasion, this comment was far less prevalent than last year.

Conclusion

In general, students’ responses were mixed in terms of the course delivery for FAE 2012. As regards the examinations themselves, the majority of students felt, across all papers, that the way in which the papers were presented did not give students the opportunity to demonstrate their technical knowledge and the work that they had put into preparing for these exams.

CASSI is grateful to CAI for extending the invitation to provide this report. We trust the feedback provided will be beneficial and will be taken in the constructive and co-operative spirit intended.

CASSI would like to thank CAI and the examinations team for communicating the availability of the feedback survey to students. This assistance is greatly appreciated by CASSI and the regional committees.

CASSI would also like to thank the invigilators in all exam centres for their assistance and patience during the examinations.

Should you require any further elaboration on any of the issues raised, please contact the CASSI education officer.