

CHARTERED ACCOUNTANTS HOUSE, PEARSE STREET, DUBLIN 2
education@cassi.ie
www.cassi.ie

FAE

2014 AAFRP Report

Date: 30 April 2014



**Chartered
Accountants Ireland
Student Societies**

Introduction

This report has been compiled by CASSI following feedback from approximately 175 students by e-mail. These students were primarily from 7 of the top 10 firms with feedback also provided by a small number of students in small practices and industry. The majority of students completed the AAFRP assessment in the Dublin region but feedback was also received by a number of students who completed the assessment in Limerick, Cork, Galway, Waterford and Belfast.

The report outlines their comprehensive and considered responses to the continuous assessment paper.

All students who provided feedback noted that they felt under extreme time pressure in this year's AAFRP exam. The majority of students felt that the difficulty of the questions was not unreasonable, but felt that they needed more time to work through them, especially given the quantum of information provided for each question. A significant number of students felt the guide of time to complete each section was inaccurate, particularly in respect of section 2 which appeared to cause the most issues. CASSI acknowledges that time pressure is an issue each year, however, this seemed to be compounded by the fact that the wording of some questions caused confusion and the volume of information provided within the questions. A considerable number of students noted that they would not suggest the assessment standard or level of depth be amended, but ardently request that students would either be provided with an extra 20-30 minutes to complete the exam or have 20 minutes reading time.

The comments of students are summarised by section below.

Section 1

Overall students did not feel the material examined was too technically challenging. The issues raised were primarily in respect of the wording of questions.

Question 1.1

A minority of students noted that they felt unprepared for this question as they had not seen deferred tax on an acquisition previously. However, CASSI acknowledges that this is included in IFRS 3 which appears on the competency statement is required at an "integrate" level and therefore students would be expected to be able to deal with this question.

Question 1.2

Students raised no issues in respect of this question.

Question 1.3

A number of students were confused by this question. The issues raised related solely to the wording of the question and not difficulty of subject matter. The sentence "(Depreciation should be ignored for the year ended 31 December 2013.)" caused the issues. The question appeared to require a reversal of an impairment. When reversing an impairment such that the asset be reflected at its recoverable amount, a calculation must be done so as to ensure the asset it not increased to a value in excess of that which it would have been carried at had the impairment never happened. To complete this, the depreciation for the year ended 31 December 2013 had to be calculated based on the original net book value of €60m as at 31 December 2012 before the impairment recognition.

Question 1.4

This appears to have been the most problematic question in section 1. A majority of students noted that the reference of the question to the cows and heifers as “inventory” throughout the question confused them. Students believed that these should have been correctly recorded as biological assets under IAS41. However, there appeared to be no account heading in the journal entries to correct this.

As a result, some students felt compelled to treat the assets as inventory under IAS2 though they believed they should have been valued in accordance with IAS41. Students noted that they wasted time trying to decide how to proceed with this question.

Question 1.5

The majority of students had no issue with this question. A minority of students raised issues with the wording in this question, specifically, that “the financial director....plans to amortise the asset over a three year period”. Some students were unsure if this meant that the journal entry had already been passed in respect of the amortisation. CASSI acknowledges that students are advised to state their assumption if there is any ambiguous wording in questions. Students stated that they did not believe any regard would be had to assumptions in section 1 as workings do not gain any credit.

Overall students felt that Section 1 of the paper was not above the standard expected of them technically however they felt that the wording of some questions could have been clearer. Due to the fact that they would not be marked on the assumptions stated that this was somewhat unfair.

Section 2

As noted above, section 2 caused the most issues for students. Virtually all students felt that there was too much information provided in this section and the quantum of disclosures to be drafted was excessive given the 30 minutes suggested time.

Question 2.1

Students felt that the material examined in this question caused no issue but found the volume of information provided overwhelming.

Question 2.2

The primary issue with this question related to timing. While the question appeared to be relatively short to read, there was a lot of information condensed into each paragraph. Students did not feel they had sufficient time to ensure all relevant disclosures were made.

Question 2.3

This question appeared to be the most disliked throughout the entire paper by virtually all students. The main issue raised by students was the quantum of information provided in the question took some time to read and comprehend. Calculations were then required to establish which segments were to be reported. A significant number of students also noted that they felt the volume of information they were required to transcribe was unnecessary and pointless. Students felt that lesser information could have equally examined the ability to identify reportable segments and allowed them to focus on the technical points rather than filling in boxes with transcribed data.

A number of students noted that they felt it was unfair that IFRS 8 was examined given that there was no question on this standard in the toolkit. However, CASSI

acknowledges the fact that this standard is included in the competency statement and students are required to be at an “integrate” level of competency.

Section 3

Question 3.1

Students had no issues with this question.

Question 3.2

The main issue students had with this issue was timing. Students felt that there were an excessive number of calculations required in a short space of time. Students also felt that there was superfluous information provided. CASSI acknowledges that question 3.1 was much shorter and perhaps this was intended to allow students extra time to work through the complexity of question 3.2.

Question 3.3

The majority of students had no issues with this question. A minority of students noted that the wording of the requirement caused confusion. The question referred to a gas explosion which resulted in an impairment. The requirement required students to “show the entries required to correctly reflect the above **contract**”. There did not appear to be any contract referred to in the question.

Conclusion

Overall students welcomed the continuous assessment as part of the FAE. Students agreed that financial reporting is a key aspect of the FAE and welcomed the AAFRP exam. Students generally felt that due to significant time constraints, they had not had an opportunity to display their competence in financial reporting and would welcome additional time or reading time to counteract this.

CASSI is grateful to the 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.