Case Study

THURSDAY 1 FEBRUARY 2018- SESSION NOTES

Overview – some key messages from the examiners

- A key success factor for candidates is familiarity with the AI. They need to be able to write about the organisation and know it like their own client.
- Candidates should be wary of leaving out any part of a requirement (such as the depreciation issue in November 2017 – see below) as every NA (Not Attempted) grade (0 raw marks) acts to negate a CC (6 raw marks), bringing the average of the two below a pass mark.
- There are several common reasons for failure, The main ones are (a) poor knowledge – in effect, insufficient exam preparation: (b) poor timing – at least 10% of candidates typically don't finish the exam, usually manifesting itself in an incomplete R3 and/or ES (or no ES at all): and (c) poor legibility.
- Of the four professional skills being assessed, Applying Judgement (AJ) is universally weak among marginal and failing candidates.
- The marking key for R3 included for the first time a bullet under A&UI rewarding those candidates who produced good number-work for the requirement. This will continue.

Candidates' performance on the November 2017 exam (R4)

General

- The case was highly topical (and has become even more so since it was set!), dealing with an industry of worldwide importance.
- Overall, the scenario was not complex if candidates had made the effort to read and assimilate the AI. Similarly, the numbers were not excessive: they were appropriate and necessary for a full understanding of the business.
- As with any CS, simplifications were introduced so as to avoid overcomplicating the financial analysis. In this instance, a particular issue was the need to maintain constant recyclate prices whereas in reality they can move up or down on a daily basis.
- For a candidate unfamiliar with recycling operations, the companies listed in Exhibit 2 all have websites with video demonstrations that would have assisted with preparation.

R1

- The accounts told a mixed story (some streams showing improvement, some down on the previous year), and this will almost always be the case. The better candidates are able to distil the key variations and know to ignore items that have changed little year-on-year.
- The narrative at the end of Exhibit 6 was intended as a guide to candidates as to how to write an analytical commentary. Failing candidates should review this to pick up the techniques that are required. In broad terms, a three-line, two-sentence paragraph will usually be a good format in which to encapsulate succinctly the key points to be made.
- Some candidates completely omitted the depreciation aspect of the question, even though it had been highlighted in the AI as a specific accounting issue for non-financial board members. This was a risky strategy, since the 'twist' often included at R1 usually covers two boxes out of ten for the requirement as a whole, as well as other bullets elsewhere on the page.
- Some of those who did tackle the depreciation issue forgot their audience and proceeded to reel off old-fashioned definitions involving "effluxion of time" that would have made little sense and added minimal value. In general, candidates were expected to demonstrate their financial understanding, which could have included some professional scepticism on the size of the indicative £500k adjustment.

R2

- The absence of a 10% adjustment was one of the aspects of the assumptions that candidates could have queried.

R3

- Candidates became bogged down in their thinking and tended to write less for R3 than for the other requirements. As one tutor firm noted, "it is commonplace for Chartered Accountants to find themselves advising clients on as many problems as opportunities in the real world". The challenge of dealing with such a problem, applying a 'management letter' style appraisal of it – and doing this tactfully – proved too difficult for weaker students.

Questions and answers

The marking key and the marking process

Q: How is the marking key developed and used?

A: The marking key for each exam session is developed by a process of intensive discussion over a period of several days by the senior examiners in conjunction with a group of highly experienced Team Leaders, with reference to a sample of actual exam scripts.

The marking key is accompanied by an extensive set of rules and training points to ensure that the process is as standardised as possible. Some of these are general for all exams; others are specific to an individual session. The general ones include the following:

- A number in bold means that the number shown must be in the script for a mark to be given (a small rounding may be allowed in some instances).
- A word in bold means that the word or a synonym of it must be in the script.
- A plain-text word, phrase or number in brackets is only an illustration – that word, phrase or number need not appear in the script.
- The word 'AND' means that both parts of the bullet need to be stated for the mark to be awarded. The word 'OR' (or a '/') means that only one part needs to be stated.
- The box heading will indicate whether numbers must appear in the main report or whether they can be in either the appendix or the report.

On the marking key, some skills boxes have only four bullets: these tend to be for straightforward calculations. Other boxes that are perceived to be more difficult – based on the examining team's assessment of a sample of scripts – may have five or six (and some of these may include several possible points).

Markers are recommended to mark the numerical appendices for a requirement first and then the body of the report where the numbers are discussed.

Q: What happens next?

A: This process provides a ranking of all scripts according to total grades achieved. The senior examiners and senior moderator then review a range of scripts around a predicted pass mark to determine those to be selected for second marking. Around 12% of all scripts receive a second marking, chosen mainly from just below and just above the predicted pass mark. This is undertaken 'blind' (that is, by a different marker with no reference to the first mark but using exactly the same marking key template). Differences between first and second marking are arbitrated independently by a Team Leader.

After second marking, a final ranking is produced. The senior examiners and senior moderator then read marginal scripts to decide a final pass/fail position. This is a reflective process which relies on the audit trail recorded by markers on the marking keys. Using that yardstick, the senior examiners and senior moderator can determine whether the scripts provide evidence of the necessary quality to pass a competency-based, professional skills assessment.

Q: Is it possible for a candidate to fail the exam by passing everything except the back page?

A: Very few candidates fail to achieve the required passing grades for the back page. For those who do, it tends to correlate with a poor performance across the script as a whole anyway. It is almost impossible to score an NA grade on a back page box – in practice, this would happen only if a candidate has not produced an appendix for R1 or R2. In some rare, unfortunate cases, a candidate produces an appendix (evident from the content of the main report) but forgets to submit it.

Q: What are the main considerations for the back page?

A: An important issue is page numbering, which will lose a mark if not done. It irritates markers if they have to do this for a candidate (and it means that the candidate has spent time answering the requirements when others have been following the exam instructions). It is best to number pages consecutively (1, 2, etc rather than eg 1.1, 1.2) – which after all is what the rubric states.

Legibility is another critical consideration. There is no point in writing 40 pages that markers struggle to read: they will try their best but points are bound to be missed. As with page numbering, poor legibility inevitably puts the marker in a poor frame of mind from the outset. It is better for students to spend more time and reduce the number of pages, or to use simple techniques such as clear spacing (writing on alternate lines). Writing entirely in capital letters is also not advised. A further point is that if markers cannot read a lot of words, they will also mark down the script for spelling and grammar.

Legibility will cease to be a factor when CBE is introduced in July 2019, but until then it remains: tutors should encourage students with poor handwriting to practise writing under pressure.

Other points are:

- Appendices should be labelled, clearly showing the derivation of any numbers being used. They should also have full titles, eg 'Appendix 1 – revenue and gross profit calculations', not simply 'Appendix 1'.
- Common abbreviations (eg, 'GP' or the company name) can be used without explanation; others should be defined when first used. However, candidates should avoid using jargon that would be meaningless to the audience.
- They should also avoid using just first names of people, or writing in the first person singular or plural.
- A candidate will lose a mark for using no headings at all, or none in the ES; having no column headings ('2017', '£000' etc) in the appendices; or for using simply eg 'Requirement 1' as a section heading without any mention of the topic.

Where a candidate is on the borderline of achieving the mark for two bullets in a back page section, a marker will usually deal with this by awarding one of the bullets and not the other.

Executive Summary (ES)

Q: Is a poor ES a reason why students fail?

A: A poor ES is not necessarily an indicator of failure – though an **incomplete** ES through poor time planning will generally lead to a fail. The best guarantee to avoid this problem is to write the relevant ES section as soon as you have finished writing the answer to the respective requirement.

Q: What do you expect to see in the ES?

A: The ES should have the key points from the three main requirements that tell the story of the report. It should have commentary, numbers, conclusions and recommendations but should not be all conclusions and recommendations from the report. The ES part of the marking key will continue to include specific points that the examiners consider to be important. The points made in the ES must be intelligent and in context. As an ES is already a conclusion on the report, it does not need separate 'Conclusion' headings/sections.

Recommendations

Q: Why are some recommendations included in the AJ column of the marking key?

A: Recommendations on ethical and business trust issues may be included in the AJ column of the key, alongside the equivalent SP&S points. This is for ease of marking, and because students can often write the same general point as an evaluation or as a recommendation, eg "The facts of the case have not been corroborated" or "Investigate to see whether the facts presented are true".

Q: Are bullet-point answers acceptable for recommendations?

A: Bullet-point answers are allowed for recommendations – as long as not too brief. (The rest of the report must, however, be in full prose format.) For example, in the November 2017 exam, "Check depreciation" could have meant a number of things and would need to be enhanced. Similarly, "Do due diligence" (which appears very frequently in CS scripts) should specify the subject of the due diligence; and "Do market research" (another common piece of advice) must state the purpose of the market research.

Q: Can a recommendation not shown on the key still be rewarded?

A: Yes, if relevant. In addition, a candidate who has attempted a recommendations section, even if all the recommendations are inappropriate, will score an ID rather than NA.

Mock exams

Q: How should students approach mock exams?

A: Perhaps the main focus for candidates when sitting mocks is to hone their exam technique: a good exercise is to ask them to write down how long they have spent on each requirement. Sitting a number of mock exams based on the live AI can sometimes trip up candidates in the real exam and lead them to answer requirements that they have seen before rather than the ones with which they are presented on the day. They need to wean themselves off the mocks and approach the real exam with a fresh mind.

Q: Which exams should tutors use for mocks (Luvlox, the subject of the existing Walkthrough, has become dated, particularly because it lacks the new focus on numbers at R3)?

A: Until the 2019 Learning Materials are available, tutors should use the most recent live exams as these best reflect the current approach.

Q: What is the ideal length for a script?

A: Success in the CS is more about quality than quantity. Very good candidates (include some prizewinners) can and do produce short scripts (fewer than 20 pages) by thinking before they write, being confident in what they have to say and laying out their appendices clearly and logically – and then using the contents effectively. Almost all candidates now produce good appendices but the trick is to 'make the numbers talk' in the body of the report. They show themselves to be the sort of people that the client would like to have working for them.

The marks review process

Q: How does the process work?

A: The examiners review the script and marking key(s) to see if there are any aberrations. The script is not marked again. Most appeals are from marginal candidates, whose scripts will have been marked twice, arbitrated if necessary and then perhaps also reviewed by the examiners as part of the final results determination. (Some candidates appeal because they have had a bad fail, which could affect their careers.)

Q: What do candidates get to see when they appeal against their result?

A: Candidates receive a copy of the front page of the marking key together with detailed generic guidance on the reasons for failure. Failing candidates are also strongly advised to read the full examiners' report from the session, together with the accompanying illustrative scripts with commentaries.

CBE

Q: What will be different for the CS when CBE is introduced?

A: There will be minimal change in terms of preparation. The AI will remain in the same format, for candidates to take into the exam with them. The main difference will be in developing a new exam technique. The process for the exam itself is in the early stages of discussion. Further guidance will be provided later in the year through the usual communication channels and then in particular at the 2019 conference.