



Article: Redrafted format of the P1 Auditing paper: *“Learning is a relatively permanent change in a behavioural potentiality that occurs as a result of reinforced practice”*

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Introduction

In previous articles the following areas were discussed:

- Specific procedure of internal controls
- Auditing in a computer environment
- The Audit Acceptance and Planning Process
- Final review procedures and audit reports.

In recent times the structure of the P1 Auditing examination paper has been updated. In line with this restructure this article will consider these changes and the manner in which students might approach the question types in the paper to increase the chance of a successful attempt.

As you will be aware from your studies to date Auditing is a practical, professional discipline where the understanding of concepts is vital to their successful application. To ensure exam success candidates must have the ability to apply these concepts under exam conditions and it is equally important to consider the assessment methods utilised within the relevant exam paper. The exam paper is a summative assessment given at the end of your period of study and as such it assesses a student's mastery of the topic after instruction. This article sets out to consider how the use of various assessment techniques are utilised in the P1 Auditing paper.

The format of the paper is as follows:

- The paper consists of 5 questions
- You are required to answer Questions 1, 2 and 3.
- You are also required to answer either Question 4 or 5.
 - Should you provide answers to both Questions 4 and 5, you must draw a clearly distinguishable line through the answer not to be marked. Otherwise, only the first answer to hand for Question 4 or 5 will be marked.
- Time Allowed: 3 hours, plus 10 minutes to read the paper.

Questions 1 and 2 are worth 30 marks each and generally consist of (although not exclusively) a theoretical portion and the use of a detailed scenario or short case-study on which the candidate is required to apply and display their knowledge in their answer.

Case studies are used frequently in the examination process typically to illustrate examples of professional practice. The case studies present scenarios supplied with detailed information, covering a range of parameters, and providing sufficient depth and scope for the students to engage to appropriate level with the problem. The aim is to be able to get to its root and then work toward a credible solution or advice.

Candidates who perform well in this style of question explore and express sophisticated levels of understanding of the area by highlighting such items as i.e. inter-relationships between concepts.

The scenarios supplied replicate a range of real life situations. They will comprise of clients or potential clients, looking to practice firms, seeking advice on how best to proceed or the highlighting of strengths and weaknesses of the outlined situation. Candidates when confronted with such problems as presented to an auditor should respond to them as a professional would:

- comment on and apply the information provided
- avoid the use colloquial language where possible

Below is a typical example of the style of case study question from the April 2017 paper and the suggested solution can be sourced from the Institute's website www.cpaireland.ie

One of your clients, 'Precious Stones' (PS), purchases diamond jewellery from three manufacturers. The jewellery is then sold from PS's four shops. This is the only client of your firm involved in the diamond industry.

You are planning to attend the inventory count for PS. Inventory is the largest account on the statement of financial position, with each of the four shops holding material amounts. Due to the high value of the inventory, all shops will be visited and test counts performed.

With the permission of the directors of PS, you have employed Four & Co, a firm of specialist diamond valuers who will also be in attendance. Four & Co will verify that the jewellery is, actually, made from diamonds and is saleable with respect to current trends in fashion. Four & Co will also suggest, on a sample basis, the value of specific items of jewellery.

Counting will be carried out by shop staff (in teams of two) using pre-numbered count sheets.

REQUIREMENT:

(a) *Advise the key audit procedures to be included with respect to the count of inventory held in the shops explaining the purpose of each.*

(b) *Assess the factors that should be considered when placing reliance on the work of Four & Co.*

(c) *Recommend the audit procedures that should be performed to ensure that the jewellery inventory is valued correctly.*

Candidates who scored well in this question, as was noted in the Educators' Briefing, answered each section in depth and appropriately and did not rely on generic points such as vague references 'to cut off' etc.

Successful candidates also demonstrated a degree of deep learning that was displayed in credible answers that highlighted their thoroughness and logic in problem solving process or identification of strengths and weaknesses.

Candidates might wish to apply the following three areas of consideration in answering questions:

- What is wrong with the current or original situation?
i.e. they are required to deconstruct the situation, analyse the data given and provide a critical analyses where required.
- What have you learnt previously that is relevant here?
e.g. you should identify relevant concepts, relate and apply these to the problem.
- How do I put all this together and provide recommendations?
- The answer should be constructed to demonstrate how the appropriate theoretical concerns interact upon one another, and finally, where appropriate or required by the question, forecast the potential implications of how their recommendations might work in practice.

Question 4 and 5, each worth 20 marks, will generally be of two forms; namely a similar format to that outlined for Question 1 and 2 but shorter to reflect the marks awarded or a question based on a topical area of the course as per the example below:

April 2018 paper and the suggested solution can be sourced on the Institute's website www.cpaireland.ie

The firm JJ & J Registered Auditors, whom you work for, has been appointed as auditor to a number of new clients. As part of a re-organisation within the practice you have been promoted to audit senior. Additionally, some new trainees have been recruited by the practice and assigned to your team. You have just finished a meeting with John J Jones, the senior partner, the purpose of which was to discuss the initial training requirements for these trainees. An action assigned to you from that meeting is the drafting of briefing notes in relation to some of the areas discussed.

REQUIREMENT:

Prepare a briefing note for the newly recruited audit trainees in which you:

(a) *Outline what opinion an auditor is expressing in an unqualified audit report.*

(b) *Discuss the four types of qualified audit reports and provide, for each one, an example of where it should be used. You are also required to advise who should sign an audit report and what information should be provided about the signatory.*

(c) *Advise what the purpose of an 'emphasis of matter' paragraph is, and where it should usually be found in an audit report.*

(d) *Outline, in the context of an audit, what is meant by the term 'pervasive' and its impact on the financial statements.*

Question 3 takes the form of a Multiple Choice Question (MCQ).

MCQs form part of what are known as objective tests; of which there are many other variations such as true-false, matching items from two lists, close and ordered outcome. (Briggs 2003).

Brown, Bull and Pendlebury (1997, p.84) "Multiple choice questions consist of a question followed by alternative answers from which the student selects the most correct alternative or alternatives."

Some common terms in MCQs:

Stem	initial statement or question
Option	The alternatives
Key	correct answer (s)
Distractors	options other than correct answers
Faculty index	number of students giving the correct response to an item
Favoured wrong response	the most common wrong response by a group of students
Discrimination	measure of difficulty of the item

(Brown et al, 1997 p.85 fig 6.1)

Previously it was considered that at least five alternatives were required for a standard MCQ but subsequent evidence indicates that three or four choices are adequate with the resulting outcome that two plausible distractors can be more easily prepared. (Brown et al, 1997)

Some of the rationale and potential benefits for utilising the MCQs format at the P1 level include:

- a candidate's knowledge of a topic can be quickly assessed.
- a wide spectrum of the course can be assessed and this can reward those candidates who have acquired deep knowledge of auditing as expected of a professional qualification.

MCQs can assist in breaking the cycle of rote learning.

In an essay style question the student may have pre-learned an answer in the expectation that a suitable question might arise or they put down all they know about a particular area in the hope that they include enough salient points to constitute a plausible answer.

MCQs as with all assessment processes display some weaknesses such as a candidate's ability to develop/organise/present ideas is not tested and MCQs are only as objective as the constructor makes them.

Preparation and strategy to answering MCQs:

The format of Question 3 is as follows:

- 20% of overall final mark
- 8 MCQ questions
- answers to be filled in on the answer sheet provided
- all questions carry equal marks

MCQ Exam Strategy:

The approach to answering the question 3, MCQ, is largely similar to that of the essay style questions:

- timing (in this case approximately 4.5 minutes per each MCQ question)
- employ a balanced approach not rushing
- don't become bogged down in a question: move on and return later
- don't panic : keep going
- read questions carefully and avoid the obvious pitfall (as follows)
- don't leave any unanswered questions.

Approaching each MCQ Question:

1. Read the requirements first
2. What information is required?
3. If the question is discursive and requires the correct combination of statements to be identified:
 - go through each statement and identify if true/false
 - then identify the correct combination alternative
4. If the question required calculation:
 - calculate information - use workings page but don't waste time on keeping it meticulous
 - then compare with suggested answers
5. Be careful with "Do and Do not, true/false" statements

Key points to remember:

- prepare thoroughly
- think clearly
- work out your answer
- structure your approach
- answer all of the questions.

Conclusion:

Although MCQs are used as a formal assessment tool candidates should also employ it as an aid to encourage learning. In summary, Auditing is a practical subject that is best mastered by completion of questions and acquiring the appropriate level of knowledge. This approach was well encapsulated by Shuell (1986),

"If students are to learn desired outcomes in reasonably effective manner, then the teacher's fundamental task is to get students to engage in learning activities that are likely to result in their achieving those outcomes... It is helpful to remember that what the student does is actually more important in determining what is learned than what the teacher does."

One can also consider the definition of learning as set out by the Encyclopaedia Britannica as a general approach to successfully completing the exam: "*Learning is a relatively permanent change in a behavioural potentiality that occurs as a result of reinforced practice*"

This article has attempted to introduce a general review and learning approach for the P1 redrafted format of the Auditing paper. The reader should consult relevant texts and recommended readings for further details on the different controls mentioned in this article.

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