

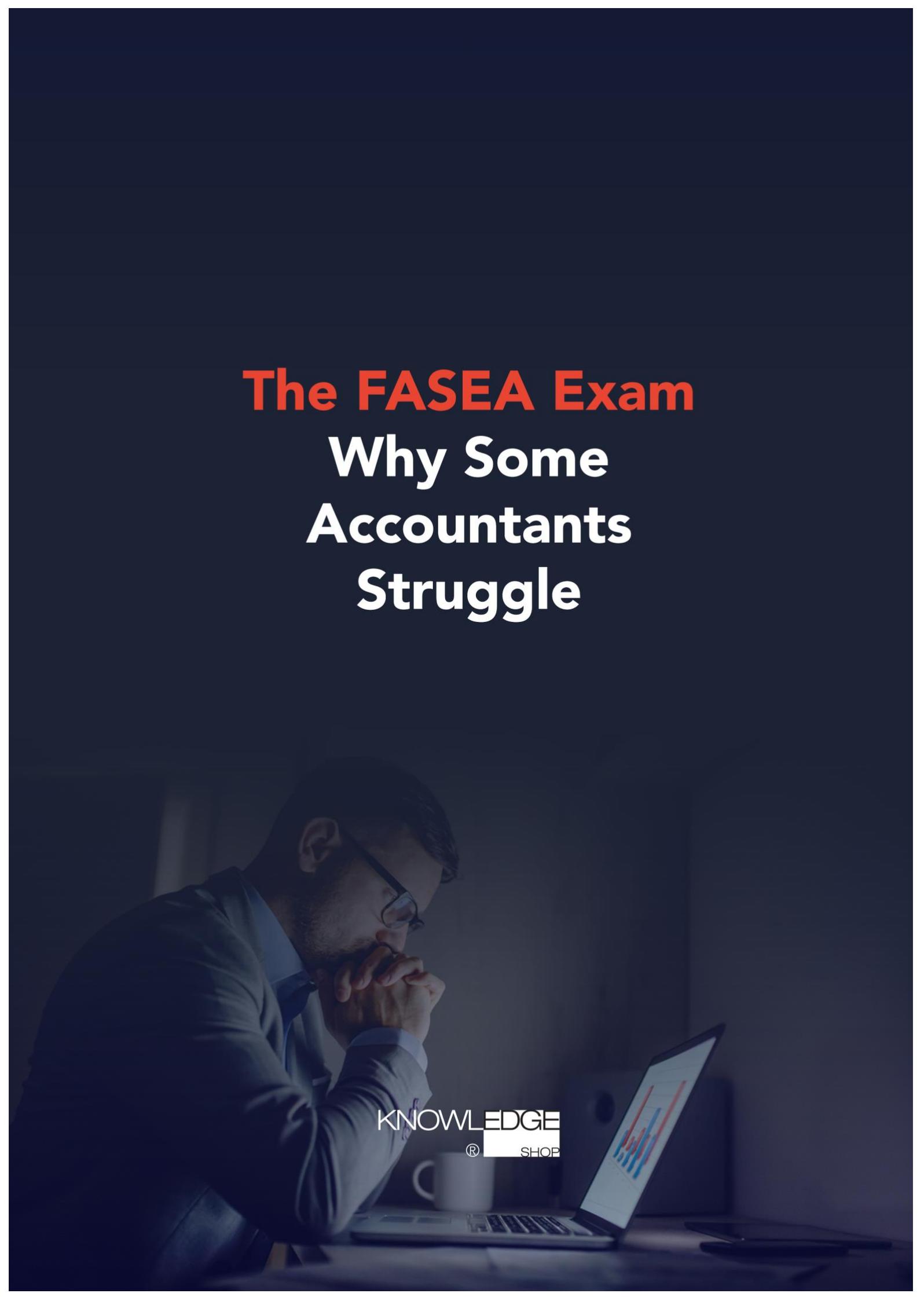
# The FASEA Exam

## Why Some Accountants Struggle

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**Why is it that some accountants struggle with the FASEA exam? We explain how to close the gaps, the critical areas where advisers are getting it wrong, and explode some of the myths in the market.**

Existing advisers have until 31 December 2021 to pass the FASEA exam if they want to continue to provide advice to clients (the legislation notes 1 January 2022 but for practical purposes, 31 December 2021 is your last day to pass). And yes, this is after the extension. So, 2021 is your year to get it done if you have not already passed the exam.

Knowledge Shop helps advisers, accountants, stockbrokers and risk advisers prepare for the FASEA exam. For those not in a traditional financial planning field, there are some specific issues you need to be aware of. This update is for all those yet to complete the exam, and looking for assistance to fast track their exam preparation.

## **See Knowledge Shop's FASEA exam prep solutions**

<https://www.knowledgeshop.com.au/fasea>



## **How Knowledge Shop can help**

There is a lot to cover in the FASEA exam. Designed by industry experts, Knowledge Shop's exam preparation training is designed to short cut your exam preparation and focus your study.

Our exam prep walks you through the theory you must know, and importantly, how to apply that theory (because that's what the exam is testing).

We provide:

- [Face to face FASEA exam prep workshops](#) across Australia in key locations (FPA Accreditation 020033 for a total of 6.5 CPD hours) - subject to COVID-19 restrictions
- [Instructor led live FASEA exam prep webinars](#) (FPA accreditation 21807 for a total of 7.75 CPD hours), and
- [On-demand video based interactive FASEA exam prep training](#) (FPA Accreditation 20619 for a total of 5.5 CPD hours).

**Need group rates or tailored training? Call Lee Marshall on 0434 067 133 or email [lee.marshall@knowledgeshop.com.au](mailto:lee.marshall@knowledgeshop.com.au)**

# FASEA Exam Prep Key Dates 2021

|           | S | M | T | W | T | F | S | S | M | T | W | T | F | S | S | M | T | W | T | F | S | S | M |  |  |
|-----------|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|--|--|
| January   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |  |  |
| February  |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |  |  |
| March     |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |  |  |
| April     |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |  |  |
| May       |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |  |  |
| June      |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |  |  |
| July      |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |  |  |
| August    |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |  |  |
| September |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |  |  |
| October   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |  |  |
| November  |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |  |  |
| December  |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |  |  |

Last exam sitting period

Knowledge Shop exam prep workshops & live webinars

|   |  |   |             |   |            |   |        |   |          |   |          |   |           |   |       |
|---|--|---|-------------|---|------------|---|--------|---|----------|---|----------|---|-----------|---|-------|
|  | Scheduled exam sitting dates   |    | Webinars    |    | ACT        |  | NSW    |  | QLD      |  | SA       |  | VIC       |  | WA    |
|  | 31 December 2021 is the last day for existing advisers to pass the exam. |    | Live online |    | Canberra   |  | Sydney |  | Brisbane |  | Adelaide |  | Melbourne |  | Perth |
|  | Last day to register for exam in following month.                        |  | Newcastle   |  | Townsville |   |        |   |          |   |          |   |           |   |       |

**Note:** Subject to change. COVID-19 restrictions may require a workshop to be cancelled. In the event of a cancellation, you will have the opportunity to join the live instructor led webinar series, undertake our on-demand training, or receive a full refund.

# The FAESA exam: Why some accountants struggle

For accountants who provide limited advice, it is important to do additional preparation beyond what has been provided by FASEA. Our experience working with the market is that many accountants who struggled with the exam had difficulty with scenario-based questions that covered financial planning strategies outside of their limited advice specialisation. This same issue applies to stockbrokers and those dealing in risk.

The exam assumes a broad knowledge of the main general financial planning principles, topics, and strategies. You need to go back and familiarise yourself with the fundamental requirements of advice such as:

- The process of scoping advice
- Goals and objectives
- Risk profiling
- Linking asset allocation to the risk profile of the client

## Leave enough time for failure

No one expects to fail the FASEA exam but on average, 10.5% do. And, 41% of those who resit the exam fail again.

Timing is everything. The final exam sitting dates are currently between Thursday, 4 November to Tuesday, 9 November 2021. Every person sitting this final exam must pass.

You will receive your exam results between 6 and 8 weeks after the exam. **If you fail, you need to wait 3 months from your sitting date before you can resit the exam.** For example, if you sit the FASEA exam on 15 July 2021, the earliest you are likely to receive your results is in the 5<sup>th</sup> week of August. If you fail, you cannot resit the exam until October. BUT, at present, the next available sitting period is November 2021 – the last possible exam period for you to pass the exam.

So, sit the exam as early as possible to risk protect yourself.

- [Register for the FASEA exam here](#)
- Doing the exam online? See the [remote proctoring guide](#).

## What happens if you don't pass by 31 December?

If you have not passed the exam by 1 January 2022 (so, 31 December 2021) you will not be able to continue to provide financial advice. Your Licensee will be required to advise ASIC of your failure to meet the FASEA exam requirement and your status on ASIC's Financial Adviser Register will be updated to reflect that you are no longer authorised ("ceased"). If this occurs and you want to remain within the profession you will need to re-enter the profession as a new entrant.

## Where advisers are getting it wrong

To date, 11,241 advisers have passed the FASEA exam representing 52% of advisers on ASIC's Financial Adviser Register (FAR) <sup>1</sup>.

The FASEA exam is very broad, scenario based, and questions will change between exams.

The exam is not technical. That is, you will not be asked about your knowledge of say, aged care, but you might be asked to apply your knowledge of say, the Code of Ethics to an aged care scenario. Aged care might be mentioned in the scenario but the question will test your knowledge of the Code of Ethics not the technical details of aged care. Questions might cover scenarios across a range of financial planning strategies including insurance, superannuation, investments, risk tolerance, retirement planning etc.

Questions require candidates to demonstrate their professional reasoning and application of:

1. Financial Advice Regulatory and Legal requirements (including Corporations Act Chapter 7 (Chapter 7 is 535 pages long!), Anti-Money Laundering / Counter-Terrorism Financing Act, Privacy Act and Tax Agents Services Act (TASA) 2009).
2. Applied ethical and professional reasoning and communication – incorporating the FASEA Code of Ethics
3. Financial Advice Construction – suitability of advice aligned to different consumer groups, incorporating consumer behaviour and decision making

It's a lot to cover.

FASEA has identified a number of areas where advisers are underperforming:

### 1. Financial Advice Regulatory and Legal Requirements

- Assessing whether the adviser has appropriately scoped the advice.
- Demonstrating an understanding of the different types of advice (e.g., personal advice, general advice and factual information) and how they apply to different client scenarios.
- Advice documentation (including Financial Services Guide (FSG), Statement/Record of Advice (SOA/ROA), Product Disclosure Statement (PDS) and Fee Disclosure Statement (FDS)) – the exam tests an understanding of when to issue these to clients and what is required to be included (e.g., fees and disclosures).
- Privacy Act – understanding the difference between personal and sensitive information and whether consent has been appropriately obtained before using information.
- Anti-money Laundering (AML) Act – identifying potentially suspicious transactions and required reporting in client advice scenarios.

### 2. Applied Ethical and Professional Reasoning and Communication

- Demonstrating an understanding of an adviser's ethical obligations when advice is not in the client's best interest ([Standard 2](#) and [Standard 5](#) of the Code of Ethics) including identifying breaches of best interest duty and subsequent notification obligations.
- Demonstrating an understanding of an adviser's ethical obligations when advising on complex family structures. For example, undue influence exerted by a family member who may be acting as a Power of

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<sup>1</sup> See FASEA Announcement 22 December 2020  
<https://www.fasea.gov.au/fasea-releases-november-exam-results/>

Attorney etc. What are the adviser's obligations and how to manage these obligations.

- Applying Standards 2, 4 and 12 to advice scenarios.

*"...authorised to provide personal advice to retail clients, as the licensee or on behalf of the licensee, in relation to relevant financial products".<sup>2</sup>*

### 3. Financial Advice Construction

- Identification of client bias and how they may influence a client's financial decisions and/or investment choices.
- Understanding the context of client requests for advice and how this may impact advice construction.
- Understanding the application of the Code of Ethics and the Corporations Act to advice scenarios.

Section 910A of the Corporations Act defines a relevant provider as a person who is authorised to provide personal advice to retail clients. **The Corporations Act does not specifically define, use, or refer to the term "limited advice"**. Consequently, the Corporations Act does not provide any exceptions for financial advisers who provided limited advice only.

I'm waiting for the Government to soften the rules for accountants

Good luck with that.

Under current law, every relevant provider is required to pass the FASEA exam to be able to provide personal advice.

There have been a number of reviews and recommendations focussed on reducing the regulatory burden faced by advisers created by the cross-over of requirements between the Tax Practitioners Board, ASIC, and FASEA but this does not include removing or reducing the exam, education or ethical requirements.

The Treasurer's joint media release on 9 December 2020 announcing that FASEA will be dissolved and replaced by ASIC's Financial Services and Credit Panel (FSCP) has led some to believe that they no longer need to sit the exam. This is not the case. The announcement stated very clearly that the exam will continue and will be administered by the Financial Services and

## Myths & Facts

### Do I have to sit the exam?

There is still some confusion about whether advisers need to sit the exam – particularly among those with limited licenses. Let's clear that up: there are no carve-outs or exclusions – this includes for limited licensed advisers and risk only. Everyone must pass the exam.

*"The exam is a required component of the education standard that **all advisers are required to pass** to provide personal financial advice to retail clients in respect of retail financial products."*

**FASEA Standards Authority.**

The technical answer is that the Code of Ethics and the requirement to sit the exam apply to all relevant providers equally. Under s910A of the Corporations Act a relevant provider is:

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<sup>2</sup> For more information See Corporations Act 2001, Section 7.6, Division 1, s910A pages 291-291

[https://www.legislation.gov.au/Details/C2017C00328/Html/Volume\\_4#\\_Toc494887679](https://www.legislation.gov.au/Details/C2017C00328/Html/Volume_4#_Toc494887679)

Credit Panel (FSCP) once FASEA is dissolved. See [Strengthening and streamlining oversight of the financial advice sector](#).

The media release announced the introduction of legislation to address four recommendations of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (FSRC). These reforms included the announcement of the creation of a single, central disciplinary body for financial advisers<sup>3</sup>. The FSCP will expand beyond its current role supporting the regulatory function with respect to banning orders against individuals for misconduct to become the new disciplinary body for financial advisers.

The standard-making functions of FASEA including the role of setting the Code of Ethics will transfer to Treasury.

## Additional reading

FASEA provides a recommended reading list in their [Exam Preparation Guide](#) and [practice exam questions](#) (practice questions are also [online](#)).

We suggest that at a minimum you should review the following:

### Financial Advice Regulatory and Legal Obligations

#### Corporations Act 2001

- [Part 7.1—Preliminary](#)
- [Division 4—When does a person provide a financial service?](#)
- [Part 7.6— Licensing of providers of financial services](#)
- [Division 2—Requirement to be licensed or authorised](#)
- [Division 8C—The standards body](#)

- [Part 7.7—Financial services disclosure](#)
- [Part 7.7A—Best interests obligations and remuneration](#)
- [Part 7.9—Financial product disclosure and other provisions relating to issue, sale and purchase of financial products](#)
- [Division 2—Product Disclosure Statements](#)
- [Subdivision B—Requirement for a Product Disclosure Statement to be given](#)

#### Privacy Act 1988

- [Part III—Information privacy](#)

#### Tax Agents Services Act and regulations

- [What is a tax \(financial\) advice service?](#)
- [Code of professional conduct for tax \(financial\) advisers](#)
- [TPB\(I\) 27/2016 Code of Professional Conduct - Acting lawfully in the best interests of clients for tax \(financial\) advisers](#)
- [TPB\(I\) 28/2016 Code of Professional Conduct - Reasonable care to ascertain a client's state of affairs for tax \(financial\) advisers](#)
- [TPB\(I\) 29/2016 Code of Professional Conduct - Reasonable care to ensure taxation laws are applied correctly for tax \(financial\) advisers](#)
- [TPB\(I\) 30/2016 Code of Professional Conduct - Having adequate arrangements for managing conflicts of interest for tax \(financial\) advisers](#)
- [TPB\(I\) 32/2017 Code of Professional Conduct - Confidentiality of client information for tax \(financial\) advisers](#)

#### Anti- Money Laundering and Counter-Terrorism Financing Act 2006

- [AUSTRAC AML/CTF programs overview](#)
- [Suspicious matter reports](#)

<sup>3</sup> See *Volume 1 Final Report, Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry Recommendation 2.10* –

*New Disciplinary System page 28.*, <https://www.royalcommission.gov.au/sites/default/files/2019-02/fsrc-volume-1-final-report.pdf>

## Applied ethical and professional reasoning and communication

### FASEA's Code of Ethics

- Legislative Instrument - [Financial Planners and Advisers Code of Ethics 2019](#)

## Financial Advice Construction

Regulatory Guide 175 - [Licensing: Financial product advisers—Conduct and disclosure](#)

Regulatory Guide 244 – [Giving information, general advice and scaled advice](#)

**But, if you want to short-cut the study process and focus, look at Knowledge Shop's FASEA [pre exam training](#).**