

SINGAPORE CA QUALIFICATION (FOUNDATION) EXAMINER'S REPORT

MODULE: Principles of Financial Reporting (PFF)

EXAMINATION DATE: 7 December 2022

Section 1

General comments

For this examination, unless specified otherwise, Candidates were to assume that all reporting entities adopted, for all the relevant years, the Singapore Financial Reporting Standards (International) (SFRS(I)) that were issued by the Accounting Standards Council as at 1 January 2022.

The overall performance for the June 2022 sitting was satisfactory. PFF continues to be an e-Exam format and a restricted open book format, with Candidates being able to bring in a double-sided A4 page of personal notes for reference.

Question 1 was well attempted, and Candidates were able to prepare Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity.

For Question 2, most of the Candidates were able to account for the effects of changes in foreign exchange rates and inventories correctly. However, a handful of Candidates were either not able to convert to functional currency or translate monetary items such as a bank, trade receivables and trade payables correctly.

Question 3 was not well attempted by the Candidates, while a majority of the Candidates were able to correctly prepare journal entries relating to revenue from contracts with customers and investment property. Candidates were unable to explain how variable consideration should be accounted for.

The last question covering leases, property, plant and equipment and impairment of assets, as well as a theory question relating to events after the reporting period and provisions, contingent liabilities and contingent assets, was reasonably well attempted.

To do well in this module, Candidates should read and do more exercises from the main accounting textbooks used in university accounting courses (a list of suggested textbooks is available from the SAC website (<https://www.sac.gov.sg/scaq>)) and read the accounting standards. In addition, Candidates are strongly encouraged to peruse the Examiner's Guide.

Many SFRS(I) have guidance notes and illustrative examples available from the Accounting Standards Council website (www.asc.gov.sg). Candidates are also strongly encouraged to use these documents as additional practice resources. This will build their foundation on the topics covered in this module.

Section 2
Analysis of individual questions

Question 1

Most Candidates performed well for **parts (a), (b) and (c)**. They were able to prepare the Statement of Profit or Loss and Other Comprehensive Income and Statement of Financial Position. Most Candidates showed detailed workings and computations on how each line item was obtained in the face of the financial statements, and there were still a handful of Candidates who did not.

For **part (c)** on the preparation of the Statement of Changes in Equity, a common mistake noted was Candidates tend to combine fair value reserve with retained earnings - it should be shown as a separate line item instead.

Question 2

Part (a), many Candidates were able to obtain good scores for this part. Candidates were generally able to show all the journal entries in accordance with SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates*, and SFRS(I) 1-2 *Inventories*.

However, a handful of Candidates used the wrong exchange rate in their calculations. Generally, the majority of the Candidates have shown a good understanding of the fundamentals of accounting journal entries by applying for the required double entries. Candidates are encouraged to write journal entries and show relevant workings so that marks can be awarded in case the final figures are wrong.

Many Candidates also did well for **Part (b)**. However, Candidates should pay more attention to the keyword 'explain'. One must not just state only the users of the financial statements but rather explain or elaborate on the users' purpose in order to score well.

Question 3

Many of the Candidates did well for **part (a)**, demonstrating their ability to apply concepts relating to SFRS(I) 15 *Revenue from Contracts with Customers* and SFRS(I) 1-40 *Investment Property*. Many Candidates did well and showed their workings/calculations for the allocation of the bundle price to derive the answer.

Part (b) was poorly attempted, which required Candidates to explain how performance bonus payment should be accounted for in accordance with SFRS(I) 15 *Revenue from Contracts with Customers*. Candidates who did well were able to identify the probability of the variable bonus payment and the two methods of measurement for this.

Candidates also did not do well for **Part (c)**. Many Candidates not able to gain marks either did not attempt the question or wrote points that were not relevant to the question. Candidates who did well were able to identify one of the fundamental principles being threatened when a conflict of interest arises. In addition, they were also able to give a relevant example to illustrate how a conflict of interest may arise, and suggest how it may be mitigated / eliminated.

Question 4

Generally, Candidates performed well for all the question parts.

Part (a) relating to leases, property, plant and equipment and impairment of assets. However, a common mistake made when computing depreciation for the right-of-use asset was failing to account for the reduction in the useful life of the asset from the second year.

Part (b) relating to the treatment of events after reporting period was reasonably attempted. Candidates could have improved their answers by explaining the nature of events and the financial effect that were required for disclosure.