

SINGAPORE CA QUALIFICATION (FOUNDATION) EXAMINER'S REPORT

MODULE: Principles of Financial Reporting (PFF)

EXAMINATION DATE: 8 June 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 examination was satisfactory. Is 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.

Most Candidates performed well for Question 1 and were able to prepare Statement of Cash Flows and Statement of Changes in Equity in accordance with the relevant standards.

For Question 2, most of the Candidates accounted for the cost of plant and equipment correctly. Some Candidates were not able to elaborate how impairment tests should be carried out.

Candidates were able to correctly identify what constitute a lease under SFRS(I) 16 *Leases* for Question 3. Some Candidates did not know how to compute the right-of-use asset amount on initial recognition and interest expense correctly. Candidates did not perform well on accounting for income tax, including deferred tax.

Possibly due to poor time management and inadequate preparation of the relevant standards, the last question covering revenue from contracts with customers and accounting for financial assets (including effects of changes in foreign currency) was poorly attempted by the Candidates.

To do well for 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 both **parts (a) and (b)**. They were able to demonstrate competence in preparing both the Statement of Cash Flows and Statement of Changes in Equity in accordance with the relevant standards.

Candidates stated detailed workings and computations for the line item figures. However, some Candidates were not able to compute the income tax paid, purchase of property, plant and equipment and proceeds from notes payable correctly.

Question 2

Part (a) relating to accounting for the cost of plant and equipment was well-attempted. Most Candidates were able to distinguish and explain all the relevant costs that were directly involved to bring the machine to the operation state and to exclude the costs that were irrelevant.

For **part (b)**, most Candidates were able to identify the methods of depreciation.

However, for **part (c)**, most Candidates did not elaborate how impairment tests should be carried out. Instead, Candidates discussed at length the reasons for providing impairment. Candidates should read the question carefully and answer the question directly to the point.

Question 3

Most Candidates were able to correctly identify what constitute a lease under SFRS(I) 16 *Leases* in **Part I (a)**.

For **Part I (b)**, Candidates generally did not perform well for the following reasons:

- Right-of-use asset amount on initial recognition not computed correctly.
- Use wrong interest and lease payment figures.
- Missed out variable lease payments.

Majority of the Candidates did poorly for **Part II**. A common mistake made was not computing the carrying amount and tax base correctly. It was also observed that a handful of the Candidates did not attempt this question part.

Question 4

Part (a) covering revenue from contracts with customers and accounting for financial assets (including effects of changes in foreign currency) was poorly-attempted. As

with previous exams, Candidates who did poorly were unable to allocate the transaction price to the performance obligations in the contract correctly.

For **Part (b)**, many Candidates did not discuss the accountant's obligations relating to Non-Compliance with Laws and Regulations ('NOCLAR'). Candidates failed to explain how accountant should respond to NOCLAR.