Chartered Accountant
SINGAPORE

SINGAPORE CA QUALIFICATION EXAMINER'S REPORT

MODULE: Advanced Financial Reporting (AFF)

EXAMINATION DATE: 18 June 2025

Section 1
General comments

The overall performance for the AFF June 2025 examination reflects a moderate level of competency, and Candidates generally demonstrated a fair understanding of the examinable topics. However, there is still considerable room for improvement, particularly in areas involving application and analysis.

Question 1, which focused on group accounting, was the best-performing section overall. Candidates have demonstrated a solid grasp of consolidation and equity accounting.

Candidates' performance for **Question 2**, which examined on revenue recognition and foreign currency translation, was mixed.

Candidates did reasonably well for **Question 3**, which tested on share-based payment, discontinued operations and impairment.

Candidates performed poorly for **Question 4**, which covered financial instruments focusing on debt vs. equity classification and accounting for fair value changes and expected credit loss.

In summary, while Candidates showed strength in foundational topics like consolidation, there is a need for stronger conceptual understanding and technical application in more complex standards, particularly those involving financial instruments, revenue recognition and impairment.

Section 2
Analysis of individual questions

Question 1

Candidate performance for **Part (a)** was relatively better than **Part (b)**.

In **Part (a)**, most Candidates were able to prepare consolidation journal entries (CJEs) to eliminate investment and compute goodwill. However, many struggled to compute the non-controlling interest (NCI) correctly, often omitting components such as intragroup transactions or intangible assets.

Errors relating to journal entries for leasehold property disposal and additional depreciation were common. For intercompany inventory transactions, some Candidates missed out eliminating the intercompany balance and had computation errors, despite correctly identifying the accounts to debit or credit.

Equity accounting entries for the associate were generally well handled, with many Candidates scoring full marks. Where errors occurred, they were mainly due to miscalculations of unrealised profits or the incorrect direction of revaluation reserves and OCI.

For **Part (b)**, performance was generally poor. A significant number of Candidates left this part blank. Among those who attempted it, many were unable to compute the present value of the deferred and contingent considerations accurately. The explanation component was poorly attempted as well, with many failing to properly assess the implications of the calculated purchase price relative to 65% of the net assets, leading to incorrect conclusions such as negative goodwill.

Overall, while Candidates showed competence in basic consolidation and associate accounting, many struggled with more complex adjustments.

Question 2

Candidates' performance for **Question 2** was mixed. In **Part I (a)**, many Candidates struggled significantly. Most were unable to compute the percentage of completion accurately under SFRS(I) 15, resulting in incorrect revenue and cost of sales journal entries.

In contrast, **Part II (a)** was generally well attempted. Most Candidates correctly applied the appropriate exchange rates and provided clear workings for the currency translation of equity items.

Part II (b) was poorly done, with many Candidates unsure of how to compute the translation reserve or even how to begin the question. This reflected a weak understanding of the concept.

Part II (c) was better handled, with most Candidates correctly explaining their understanding of exchange rate application for monetary items versus income statement items.

Question 3

Candidates' performance for **Question 3** was reasonably well, with stronger results in the computational parts than in the conceptual ones. In **Part I (a)**, most Candidates performed well, demonstrating a sound understanding of the accounting for share-based payments. They were able to prepare the journal entries accurately, with appropriate workings. However, a minority incorrectly recorded the liability in reserves, or struggled with remeasurement of unexercised share appreciation rights (SARs), reflecting some gaps in understanding of SFRS(I) 2 *Share-based Payment*.

In **Part II (a)**, performance declined notably. Many Candidates either skipped the question or provided answers that lacked application of discontinued operations. A common mistake was the incorrect assumption that a planned termination automatically qualifies as a discontinued operation, showing weak conceptual understanding.

Part II (b) was better attempted. Most Candidates correctly calculated the impairment loss and understood the general allocation process. However, many failed to allocate impairment first to goodwill and mistakenly included current assets in the impairment allocation.

Question 4

Candidates' performance for Question 4 was generally poor, with many Candidates skipping the question entirely — indicating unfamiliarity with how financial instruments should be presented and accounted for.

In **Part (a)**, which required classification of redeemable and non-redeemable preference shares as debt or equity instruments by the issuer, most Candidates who attempted it managed to apply the correct tests from the standard and arrived at the right conclusions. However, the overall attempt rate was low, reflecting limited confidence or knowledge in this area.

Part (b), which focused on the accounting treatment of fair value changes of the shares by the holder, was the weakest section. Candidates who answered generally recognised that both types of preference shares could be measured through OCI. However, explanations were often incomplete—many failed to justify why OCI treatment applied and omitted key details such as the exemption from impairment testing for non-redeemable preference shares.

Part (c) saw mixed performance. Many Candidates made basic errors, such as omitting entries, misidentifying fair values, or failing to record fair value reserves correctly.