

**Singapore CA Qualification (Foundation) Examination****18 June 2025****Advanced Financial Reporting****INSTRUCTIONS TO CANDIDATES:**

1. The time allowed for this examination paper is **3 hours 15 minutes**.
2. This examination paper has **FOUR (4)** questions and comprises **TWENTY-FIVE (25)** pages (including this instruction sheet and Appendix A). Each question may have **MULTIPLE** parts and **ALL** questions are examinable.
3. This is a restricted open book examination. This means that you are allowed to only bring the following materials into the examination hall:
  - One A4-sized double-sided cheat sheet.
  - One A4-sized double-sided blank scratch paper
4. During the examination, you are allowed to use your laptop and any calculators that comply with the ISCA's regulations. Please note that smartwatches, mobile phones, tablets, and all other electronic devices **MUST NOT** be used during the examination and **MUST NOT** be within reach or sight or hearing from where you are seated to write the exam.
5. During the examination, videos of you and your computer screen will be recorded for the purpose of ensuring examination integrity and you have consented to these recordings.
6. This examination paper is the property of the Accounting and Corporate Regulatory Authority.
7. Only answers in **English** are accepted.

**MODULE-SPECIFIC INSTRUCTIONS:**

8. Assume that all dollar amounts are in Singapore dollar (\$) unless otherwise stated.
9. Unless specified otherwise, assume that all the reporting entities in all the questions adopt, 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 2025.

**IMPORTANT NOTICE:**

**If you are not feeling well, please do not press “Start Assessment”. If you have started and leave during the exam, you would be deemed to have attempted the paper.**

**\*\*VERY IMPORTANT NOTICE\*\***

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1. Your question paper is attached under the "**Resource**" tab found at the bottom right of **EACH** question.

**Other important information:**

2. You will **only be allowed** to access the Excel function from your computer.
3. You are **NOT ALLOWED** to access any websites or reference materials (except for your A4-sized double-sided cheat sheet) during the exam.
4. You are **NOT ALLOWED** to print the question paper.
5. **Please take note that your screen will be monitored throughout the examination. If you are found to have accessed unauthorised materials or websites, or if you cheat or attempt to cheat, you will be liable to severe disciplinary action.**

Should you encounter any issues during the exam, please call the following number:

+65 6028 9811

6. **You do not need to fill in an answer to this instruction question.**

### Question 1 – (a) and (b)

The following are the summarised financial statements of the Platinum's group of companies:

#### Statement of Comprehensive Income

For the financial year ended 31 December 20x4

	Platinum	Silver	Aluminium
	\$'000	\$'000	\$'000
Sales	280,500	147,360	101,580
Cost of sales	(97,370)	(52,700)	(35,680)
<b>Gross profit</b>	<b>183,130</b>	<b>94,660</b>	<b>65,900</b>
Other income	12,250	2,670	840
Operating expenses	(168,340)	(78,300)	(52,200)
<b>Profit before tax</b>	<b>27,040</b>	<b>19,030</b>	<b>14,540</b>
Tax expense	(4,590)	(3,130)	(2,370)
<b>Profit after tax</b>	<b>22,450</b>	<b>15,900</b>	<b>12,170</b>
Other comprehensive income	1,190	760	380
<b>Total comprehensive income</b>	<b>23,640</b>	<b>16,660</b>	<b>12,550</b>

## Statement of Financial Position

**As at 31 December 20x4**

	Platinum	Silver	Aluminium
	\$'000	\$'000	\$'000
<b>Non-current Assets</b>			
Property, plant and equipment	160,620	80,500	56,800
Investment in Silver Pte Ltd (at cost)	75,200	-	-
Investment in Aluminium Pte Ltd (at cost)	15,000	-	-
	250,820	80,500	56,800
<b>Current Assets</b>			
Inventories	21,150	11,980	10,270
Trade and other receivables	34,650	25,900	20,580
Cash and cash equivalents	71,530	2,520	1,830
	127,330	40,400	32,680
<b>Total Assets</b>	378,150	120,900	89,480
<b>Equity</b>			
Share capital	280,500	60,600	50,000
Revaluation reserves	3,420	2,100	1,840
Retained earnings	39,490	27,950	16,360
	323,410	90,650	68,200

**Current Liabilities**

Trade and other payables	48,390	27,200	18,760
Provision for tax	6,350	3,050	2,520
	54,740	30,250	21,280
<b>Total Equity and Liabilities</b>	378,150	120,900	89,480

### Statement of Changes in Equity (Extract)

For the financial year ended 31 December 20x4

	Platinum		Silver		Aluminium	
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
	<i>Revaluation Reserves</i>	<i>Retained Earnings</i>	<i>Revaluation Reserves</i>	<i>Retained Earnings</i>	<i>Revaluation Reserves</i>	<i>Retained Earnings</i>
Balance as at 1 January 20x4	2,230	21,540	1,340	18,850	1,460	7,390
Profit after tax		22,450		15,900		12,170
Dividends paid		(4,500)		(6,800)		(3,200)
Other comprehensive income	1,190		760		380	
Balance as at 31 December 20x4	<b>3,420</b>	<b>39,490</b>	<b>2,100</b>	<b>27,950</b>	<b>1,840</b>	<b>16,360</b>

**Additional information:**

1. The Group, consisting of Platinum Pte Ltd (“Platinum”) and Silver Pte Ltd (“Silver”), adopts the proportionate share of the fair value of the subsidiaries’ identifiable net assets in measuring any non-controlling interest.
2. Ignore all income tax and deferred tax effects, if any, arising from business combinations.
3. Assume that a shareholding of more than 50% gives rise to control, while a shareholding between 20% and 50% gives rise to significant influence.
4. Assume there has been no change in the share capital of all the companies, namely Platinum, Silver and Aluminium Pte Ltd (“Aluminium”) during the relevant period.
5. The Group adopts the straight-line method to depreciate its property, plant and equipment and amortise its intangible assets. Depreciation and amortisation are computed to the nearest month of usage, and recorded as an operating expense.
6. Other income consists of dividend income as well as gain on disposal of property, plant and equipment.
7. The revaluation reserves relate to the revaluation of property, plant and equipment held by companies in the Group.
8. When Platinum acquired 80% of Silver’s shareholdings on 1 January 20x2:
  - Silver’s net assets were represented by share capital, revaluation reserves of \$2.1 million and retained earnings of \$17.7 million.
  - Intangible assets (with zero carrying amount) were recognised and fair valued at \$4.5 million. The remaining useful life is 10 years.



9. On 1 July 20x3, Silver sold a leasehold property with a carrying amount of \$12 million and remaining useful life of 20 years to Platinum for \$10 million. This asset is still held and in use by Platinum on 31 December 20x4.
10. During the financial year ended 31 December 20x4, Silver sold inventories to Platinum, which cost \$15 million, for a mark-up of 20%. As of 31 December 20x4, half of this amount was settled, and a quarter of the inventories held by Platinum remains unsold.
11. When Platinum acquired a 20% interest in Aluminium on 1 July 20x0, Aluminium's net assets were represented by ordinary shares, revaluation reserves of \$1.6 million and retained earnings of \$5.5 million.
12. On 20 August 20x4, Aluminium sold inventories to Platinum costing \$2.4 million for \$3 million. As of 31 December 20x4, Platinum had sold 60% of these inventories to parties external to the Group.

**Question 1 required:**

Apply SFRS(I) 3 *Business Combinations*, SFRS(I) 10 *Consolidated Financial Statements* and SFRS(I) 1-28 *Investments in Associates and Joint Ventures* when answering **(a)** and **(b)**:

**2**

- (a)** Prepare the relevant consolidation and equity accounting entries for Platinum's group of companies for the financial year ended 31 December 20x4. Show the consolidation and equity accounting entries for the current financial year separately from those relating to the prior years.

*Present your answers in the following format:*

Transaction date

\$'000

DR Account Name            xxx

CR Account Name            xxx

(Narration for Journal Entry)

**(30 marks)**

### Question 1 cont.

On 9 August 20x5, Platinum acquired 65% of the equity interest in Red Pte Ltd. The terms of the purchase consideration are as follows:

- A cash payment of \$5M is made on acquisition date and \$3M two years later.
- Platinum issued 250,000 ordinary shares to the vendors of Red Pte Ltd. The fair value of Platinum shares is \$12 on acquisition date.
- A contingent payment of \$1.5M will be paid if Red Pte Ltd achieves a target profit of \$3M for the next 12 months. The probability of achieving this is 75%.

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**Question 1 required:**

**3**

**(b)** Assume the appropriate discount rate is 5%.

Compute the fair value of the purchase consideration transferred by Platinum. Show your workings clearly and round your answer to the nearest dollar.

If the fair value of the net assets of Red Pte Ltd as of acquisition date is \$12.5M, explain the implications for Platinum.

**(6 marks)**

**(Total: 36 marks)**

## Question 2 – Part I and Part II

### Part I

On 1 January 20x0, Delta Constructions Pte Ltd (“Delta”) entered into a contract with a customer to build a commercial complex for a total contract value of \$12,000,000. Construction began in March 20x0 and is expected to complete by May 20x2.

The following milestones and data are available for the financial years (FY) ended 31 December 20x0 and 20x1:

<b>FY Ended 31 December</b>	<b>Milestone Completed</b>	<b>Cumulative Progress to Date</b>
20x0	Foundation and Structural Framing	40%
20x1	Electrical and Plumbing Work	85%

The costs incurred for the construction project are as follows:

<b>FY Ended 31 December</b>	<b>Costs Incurred During the FY (\$'000)</b>	<b>Estimated Costs to Complete (\$'000)</b>	<b>Progress Billings During FY (\$'000)</b>
20x0	\$3,000	\$7,000	\$3,600
20x1	\$5,200	\$2,500	\$6,500

Delta recognises revenue over time using the output method based on the percentage of construction milestones completed.

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**Question 2 Part I required:**

Apply SFRS(I) 15 *Revenue from Contracts with Customers* when answering the following:

**4**

- (a)** Prepare the relevant journal entries of Delta relating to the contract to build a commercial complex for the financial years ended 31 December 20x0 and 20x1. Ignore the tax effect, including Goods and Services Tax, if any.

**(10 marks)**

## Part II

On 1 January 20x2, Gen AI Pte Ltd (Gen), a company incorporated in Singapore, acquired 100% of a subsidiary company, Meta AI (Meta), incorporated on 30 June 20x0 in the United States of America. Both companies have the same financial year ends of 31 December.

The presentation currency of Gen is in Singapore Dollars (S\$), whereas the functional and presentation currency of Meta is in United States Dollar (US\$). Gen's policy is to use the average rate for the financial year to translate all the profit and loss items for practical reasons.

Meta had a share capital of US\$15,000,000 on the date of acquisition. Besides a share buyback of US\$5,500,000 on 31 March 20x5, there was no change in share capital after this.

Meta invested in some long-term equity securities in 20x4 and recorded them at fair value. Any surplus or deficit is recorded in the fair value reserve. There is no sale of these securities to-date. The following shows the movements of the revaluation during the two years.

Date	Revaluation (US\$'000)
31 December 20x4	(600)
31 December 20x5	1,320

Meta earned a net profit of US\$8,800,000 for the current financial year and paid dividend of US\$2,450,000 on 1 August 20x5, resulting in the retained profit balance as at 31 December 20x5 to be US\$17,250,000.

The retained earnings and translation reserves as at 1 January 20x5 are at S\$23,680,000 and (S\$1,650,000) respectively.

The following exchange rates apply:

	<b>Rate of US\$ to S\$</b>
30 June 20x0	1.381
1 January 20x2	1.431
30 September 20x3	1.366
31 December 20x4	1.337
31 March 20x5	1.359
1 August 20x5	1.336
31 December 20x5	1.291
Average rate for financial year ended 31 December 20x5	1.329

**Question 2 Part II required:**

**5**

- (7 marks)**

**(b)** Compute the balance of the translation reserve to the nearest dollar as at financial year ended 31 December 20x5.

**(4 marks)**

**(c)** An intern asked her senior about recording US\$ credit sales for Meta as she realised one such sale was omitted for the financial year ended 31 December 20x5. Explain how the transaction will be reflected in the translated financial statements of Meta for consolidation purpose.

**(3 marks)**

**(Total: 24 marks)**



### Question 3 – Part I and Part II

#### Part I

On 1 July 20x0, PetroIndo Ltd (PetroIndo), with a financial year end of 30 June, granted share appreciation rights (SARs) to its fifty officers globally. Twenty junior management officers were granted 500,000 SARs each. These SARs entitled the holders to cash payment in the future, based on the increase in PetroIndo's share price from the grant date at \$5.85 per share.

The SARs would vest conditional upon the employee working for PetroIndo until 30 June 20x3, and they would be forfeited if the employee leaves the company prior to the service period of 3 years. All the vested SARs could be exercised any time after the vesting date and prior to expiry on 30 June 20x5. The fair values of the SARs and share prices of PetroIndo's shares in the market on the following dates are as follows:

As at	Fair value of SAR (\$)
1 July 20x0	1.02
30 June 20x1	1.34
30 June 20x2	1.25
30 June 20x3	1.70
30 June 20x4	1.81

The actual number of the SAR holders who left PetroIndo and estimated number of those who would stay until 30 June 20x3 are as follows:

<b>During the financial year ended</b>	<b>Actual number of SAR holders who left PetroIndo during the financial year</b>	<b>Estimated number of SARs remaining as at 30 June 20x3</b>
30 June 20x1	2	15
30 June 20x2	2	13
30 June 20x3	2	Not applicable

On 30 June 20x4, 25% of the outstanding SARs were exercised by all officers when the share price was \$7.14.

**Question 3 Part I required:**

**8**

- (a)** Prepare the journal entries for the financial years ended 30 June 20x1 to 30 June 20x4, including the settlement of the share-based payment. Show all workings. Ignore tax effects and transaction costs, if any.

*Present your answers in the following format:*

Transaction date

\$'000

DR Account Name                      xxx

CR Account Name                      xxx

(Narration for Journal Entry)

**(14 marks)**

## Part II

On 30 September 20x3, the management of a multi-national beverage company made an announcement on the newspaper of its plans to shut down one of its liquor brands and to sell the production line. This liquor brand represented about 25% of its total revenue. The manufacturing process will gradually decline and serves to meet the backlog of orders. At 31 December 20x3 output had been halved and some 30% of the management staff had undergone relevant counselling and deployed to other departments. The cash flows, revenues and expenses relating to this liquor brand can be clearly distinguished from those of the other operations. A finance intern asked, "As the assets of the production line are held for sale, should we apply SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* on the planned termination of the production and sale of the liquor brand?"

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#### Question 3 Part II required:

9

- (a) Draft a response to the intern, briefly explaining if SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* can be applied on the planned termination of the production and sale of the liquor brand, as well as how these assets should be classified and accounted for as at 31 December 20x3.

**(3 marks)**

**Question 3 Part II required:**

- (b) Assuming on 30 June 20x4, the assets of the liquor brand operations qualify for assets held for sale. The following summarises its assets:

	<b>\$'000</b>
Goodwill	1,250
Other intangible assets	2,250
Property, plant and equipment	4,590
Current assets	2,420
	<b>10,510</b>

The fair value less costs to sell of the disposal group is \$7,000,000.

Calculate the impairment loss on the assets classified as held for sale and explain how the impairment loss will be allocated.

**(6 marks)**

**(Total: 23 marks)**

#### **Question 4 – (a) to (c)**

Alphabet Holdings entered into some contracts to issue:

- (i) Redeemable preference shares which are due for mandatory redemption ten years later, and that dividends are paid on every 30 June.
- (ii) Non-redeemable preference shares and the dividends payable are dependent on the performance of the issuer.

Hedgren Pte Ltd (Hedgren), whose business model is achieved by both collecting contractual cash flows and selling financial assets, acquired 2,000,000 redeemable preference shares at \$0.50 per share and 1,500,000 non-redeemable preference shares in Alphabet Holdings at \$0.82 per share for cash on 10 December 20x3. The purchase of these shares was recorded accordingly. The Management did not want the fair value changes of the shares to affect the profit or loss. The fair values of these shares remained the same as their purchase prices as at 31 December 20x3.

On 31 December 20x4, the 12 month expected credit losses of the redeemable preference shares amounted to \$250,000. The fair values of the redeemable preference shares and the non-redeemable preference shares were \$0.30 and \$0.41 per share.

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**Question 4 required:**

- 11**      **(a)**      Explain if the instruments in (i) and (ii) issued by Alphabet Holdings should be recorded as debt or equity in accordance with SFRS(I) 1-32 *Financial Instruments*.  
  
**(5 marks)**
- 12**      **(b)**      Discuss how the fair value changes of the shares for the financial year ended 31 December 20x4 should be accounted for in Hedgren's books.  
  
**(6 marks)**
- 13**      **(c)**      Prepare the journal entries for financial year ended 31 December 20x4 to reflect the fair value changes or impairment, if any, in Hedgren's books. Show all workings. Ignore interest earned, amortisation of premium or discount, tax effects and transaction costs, if any.

*Present your answers in the following format:*

Transaction date

\$'000

DR Account Name      xxx

CR Account Name      xxx

(Narration for Journal Entry)

**(6 marks)**

**(Total: 17 marks)**

**END OF PAPER**

## Appendix A - Common verbs used by the Examiners

Verb	Description
<b>Apply</b>	This instruction requires you to relate your answer back to a specific document/s or set of facts. Alternatively, you may be required to use a specific formulae, model, or process. For instance, " <b>Apply</b> the relevant Singapore Financial Accounting Standard to ...". Another example would be " <b>Apply</b> the rules for recording and reporting foreign currency transactions ...". <b>Apply</b> and <b>With reference to</b> are similar.
<b>Assess</b>	Make a judgment about the value, quality, outcomes, results, or size. Often there will be a qualifier in the instruction, which will tell you exactly what to <b>assess</b> . For instance, " <b>Assess</b> the <u>adequacy</u> of the disclosures in the financial statements relating to ...". Professional scepticism and professional judgment are called for when making an <b>assessment</b> . <b>Appraise</b> and <b>Assess</b> are interchangeable.
<b>Compute / Calculate</b>	Do the number crunching and derive the correct answer. Make sure that you write down your workings and crosscheck your numbers.
<b>Discuss</b>	<p><b>Discuss</b> requires you to provide the for and against arguments, you cannot have a discussion without opposing views otherwise it would be just a conversation. If <b>discuss</b> is placed near the front of the instruction, then it requires you to provide an answer that is similar to <b>explain</b>, but addresses the for and against arguments. For instance, "<b>Discuss</b> why numerical valuation is essential when buying or selling a small business".</p> <p>However, if there is a statement and <b>discuss</b> is placed at the end, your answer <u>must be</u> in the form of <u>an essay</u> with the following elements:</p> <ul style="list-style-type: none"> <li>• An introduction, which declares whether you agree, disagree, partly agree, or partly disagree with the statement;</li> <li>• The body of your answer, stating: i) Why it is possible to agree <u>and</u> ii) why it is possible to disagree with the statement. You should provide examples to support both points of view; and</li> <li>• A conclusion that proves your original position.</li> </ul> <p>An example of a <b>discuss</b> question that requires an essay style answer would be "Numerical valuation is not essential when buying or selling a small business because the actual selling price is the outcome of negotiation. Discuss".</p>



## Appendix A - Common verbs used by the Examiners

Verb	Description
<b>Explain</b>	<p>As a Chartered Accountant of Singapore, you will be frequently called upon in your work to <b>explain</b> difficult concepts and technical issues to people who are not accounting trained. This is where your ability to share your knowledge using simple everyday terms will be most needed.</p> <p><b>Explain</b> requires you to write at least several sentences conveying how you have <b>analysed</b> and <b>synthesised</b> the information in a way that a layperson can easily understand the concept or grasp the technical issue at hand. For instance, "<b>Explain</b> whether an 'emphasis of matter' paragraph or an 'other matter' paragraph would be most appropriate in this instance", or "<b>Explain</b> how a partnership is assessed for tax".</p>
<b>In accordance with</b>	This instruction requires you to relate your answer back to a specific document. Failure to make specific mention of the document in your answer will result in a loss of marks.
<b>Prepare / Present</b>	<p><b>Prepare</b> (or <b>present</b>) requires you to produce your answer using a specific format. For instance, "<b>Prepare</b> the Statement of Cash Flows for ..." or "<b>Prepare</b> all the relevant journals ...". Remember, a journal is only complete if it shows the date of the entry, the correct accounts, the correct amounts, and has a description (narration) - easy marks are often thrown away through carelessness.</p>
<b>Prove</b>	<b>Prove</b> requires you to establish that something is true by citing evidence or giving clear logical reasons. When you reconcile the Bank Account in the General Ledger you are proving that the account balance is correct.
<b>Record</b>	<b>Record</b> is similar to <b>prepare</b> in that you may need to perform a calculation and show the specific components in an appropriate format. For instance, " <b>Record</b> the fair value gain/loss and indicate if the gain/loss is <b>recognised</b> as profit or loss or other comprehensive income".
<b>State</b>	<b>State</b> is similar to <b>list</b> , but the items require your professional judgement. For instance, " <b>State</b> any restrictions that apply". One of the easiest ways to make sure that you <b>state</b> comprehensively is to think, " <b>list AND justify</b> ". You will note that <b>state</b> appears in many of the verb descriptions given.
<b>Translate</b>	For the purposes of the Singapore CA Qualification examinations, <b>translate</b> refers to the conversion of data from one currency into another currency (although translate can refer to spoken and written language as well).