

# Singapore CA Qualification (Foundation) Examination

3 December 2024

## 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 **NINETEEN (19)** 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. You are allowed to have only the following materials with you at your exam location:
  - 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.
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 and all video recordings of this exam are the property of the Accounting and Corporate Regulatory Authority.

### MODULE-SPECIFIC INSTRUCTIONS:

7. Assume that all dollar amounts are in Singapore dollar (S\$) unless otherwise stated.
8. 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 2024.

### 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 PanTech's group of companies:

#### Statement of Comprehensive Income

For the financial year ended 31 December 20x5

	PanTech	ScanTech	AeroTech
	\$'000	\$'000	\$'000
Sales	350,630	122,800	50,790
Cost of sales	(121,720)	(43,110)	(17,840)
<b>Gross profit</b>	<b>228,910</b>	<b>79,690</b>	<b>32,950</b>
Other income	15,320	1,390	420
Operating expenses	(222,930)	(75,270)	(31,120)
<b>Profit before tax</b>	<b>21,300</b>	<b>5,810</b>	<b>2,250</b>
Tax expense	(3,400)	(920)	(380)
<b>Profit after tax</b>	<b>17,900</b>	<b>4,890</b>	<b>1,870</b>
Other comprehensive income/(loss)	1,490	640	190
<b>Total comprehensive income</b>	<b>19,390</b>	<b>5,530</b>	<b>2,060</b>

## Statement of Financial Position

As at 31 December 20x5

	PanTech	ScanTech	AeroTech
	\$'000	\$'000	\$'000
<b>Non-current Assets</b>			
Investment properties	195,960	-	5,500
Property, plant and equipment	83,800	40,250	22,900
Investment in ScanTech Pte Ltd (at cost)	33,000	-	-
Investment in AeroTech Pte Ltd (at cost)	13,160	-	-
	<hr/>	<hr/>	<hr/>
	325,920	40,250	28,400
<b>Current Assets</b>			
Inventories	28,200	9,990	4,610
Trade and other receivables	61,650	21,590	10,290
Cash and cash equivalents	5,530	2,100	940
	<hr/>	<hr/>	<hr/>
	95,380	33,680	15,840
<b>Total Assets</b>	<hr/>	<hr/>	<hr/>
	421,300	73,930	44,240
<b>Equity</b>			
Share capital	253,800	30,500	25,000
Revaluation reserves	9,830	4,690	1,560
Retained earnings	90,020	15,340	8,040
	<hr/>	<hr/>	<hr/>
	353,650	50,530	34,600

**Current Liabilities**

Trade and other payables	64,520	22,690	9,380
Provision for tax	3,130	710	260
	<hr/>	<hr/>	<hr/>
	67,650	23,400	9,640
<b>Total Equity and Liabilities</b>	<hr/>	<hr/>	<hr/>
	421,300	73,930	44,240
	<hr/>	<hr/>	<hr/>

**Statement of Changes in Equity (extract)**

**For the financial year ended 31 December 20x5**

	PanTech		ScanTech		AeroTech	
	Revaluation reserves	Retained earnings	Revaluation reserves	Retained earnings	Revaluation reserves	Retained earnings
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 January 20x5	8,340	77,220	4,050	12,400	1,370	6,590
Total comprehensive income	1,490	17,900	640	4,890	190	1,870
Dividend paid	-	(5,100)	-	(1,950)	-	(420)
Balance as at 31 December 20x5	<b>9,830</b>	<b>90,020</b>	<b>4,690</b>	<b>15,340</b>	<b>1,560</b>	<b>8,040</b>

**Additional information:**

1. The Group, consisting of PanTech and ScanTech, 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. There has been no change in the share capital of all the above companies since the respective acquisition dates.
5. The Group adopts the straight-line method to depreciate its property, plant and equipment. Depreciation is computed to the nearest month of usage, and recorded as an operating expense.
6. Other income consists of dividend income, rental income and other miscellaneous income.
7. The revaluation reserves relate to the revaluation of property, plant and equipment held by companies in the Group.
8. When PanTech acquired 70% of ScanTech's shareholdings on 1 January 20x1:
  - ScanTech's net assets were represented by share capital of \$30.5 million, revaluation reserves of \$3.2 million and retained earnings of \$9.3 million.
  - ScanTech's production equipment, with a remaining useful life of 9 years, was found to be overvalued by \$1.8 million. ScanTech sold the equipment to an external party on 1 April 20x5, recording a loss of \$0.4 million in its operating expenses for the current financial year.

9. Since 1 January 20x2, ScanTech had rented its office premises from PanTech for \$120,000 per quarter. The rent was recorded as an operating expense and other income by ScanTech and PanTech, respectively. It was agreed that quarterly rent is payable in advance, on 31 December, 31 March, 30 June and 30 September of each year. ScanTech paid PanTech rent relating to the quarter-period of 1 January to 31 March 20x6, on 31 December 20x5. The amounts were recorded as Trade and other receivables on ScanTech's books, and Trade and other payables on PanTech's books.
  
10. With effect from 1 January 20x5, ScanTech sold inventories to PanTech at cost plus 20%. The sales from ScanTech to PanTech amounted to \$24 million for the current financial year. Based on PanTech's accounting records, \$7.2 million of these inventories remained unsold, and 25% of the amount from the intragroup sales was outstanding as at 31 December 20x5.
  
11. When PanTech acquired a 40%-stake in AeroTech on 1 January 20x2, AeroTech's net assets were represented by ordinary shares of \$25 million, revaluation reserves of \$1.9 million and retained earnings of \$4.8 million while AeroTech's machinery with a remaining useful life of 15 years was undervalued by \$1.2 million. The machinery was still held and used by AeroTech as at 31 December 20x5.



**e-Exam  
Question  
Number**

**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 PanTech's group of companies for the financial year ended 31 December 20x5. 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)

**(29 marks)**

**3**

- (b)** In relation to the consolidated Statement of Financial Position for the financial year ended 31 December 20x5, prepare the independent proof for the Group's retained earnings.

**(7 marks)**

**(Total: 36 marks)**

## Question 2 – Part I and Part II

### Part I

Michael is the founder and sole owner of MX Consultancy. He is also the Managing Director of Holler Pte Ltd, which owns 75% of shareholdings in Webster Co., and 30% of shareholdings in Network Link Inc.

Michael's wife, Helena, holds a 65%-stake in Brighton Pte Ltd.

During the financial year ended 31 December 20x5,

- Holler Pte Ltd engaged MX Consultancy to conduct career-coaching sessions for its employees. Holler Pte Ltd had paid MX Consultancy in full as at financial year-end.
- Holler Pte Ltd sold inventories, amounting to \$1.5 million, on credit to Webster Co.
- Network Link Inc. sold customised accounting software to Holler Pte Ltd for \$500,000 cash.
- Holler Pte Ltd delivered some old, fully-depreciated office equipment to Brighton Pte Ltd free-of-charge.

The shareholdings in the respective companies carry voting rights at the general meetings of the companies, where a shareholding of more than 50% gives rise to control and a shareholding of 20% to 50%, inclusive, gives rise to significant influence.

**e-Exam  
Question  
Number**

**Question 2 Part I required:**

Apply SFRS(I) 1-24 *Related Party Disclosures* when answering **(a)** and **(b)**:

**4**

**(a)** For the financial year ended 31 December 20x5, explain if the following are related parties of Holler Pte Ltd:

- (i) Michael
- (ii) MX Consultancy
- (iii) Webster Co.
- (iv) Network Link Inc.
- (v) Brighton Pte Ltd

**(6 marks)**

**5**

**(b)** State the information and relationships that Holler Pte Ltd needs to disclose under SFRS(I) 1-24 *Related Party Disclosures* in its financial statements for the financial year ended 31 December 20x5.

**(6 marks)**

**(Total: 12 marks)**

## Part II

CPC Construction Pte Ltd (CPC) recognises its construction revenue over time according to the input method based on percentage of completion. It has a financial year ending every 31 December.

On 1 July 20x2, CPC entered into a contract to build some offices for industrial purposes. The contracted price for this construction project was \$70 million, with an initial estimated cost of \$50 million. During 20x2, cost of \$12 million was incurred, with an estimated cost of \$36 million to be incurred for the rest of the project. In 20x3, cost-to-date amounted to \$32 million was incurred and the remaining costs for the last year was estimated to be \$25 million.

### e-Exam Question Number

#### Question 2 Part II required:

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

**6**            **(a)** Compute the construction revenue, cost and profit for the construction project for the financial year ended 31 December 20x3. Express your answers to the nearest million dollar and 3 decimal places. Ignore the tax effect, including Goods and Services Tax, if any. **(6 marks)**

**7**            **(b)** If the cost of the remaining year should have been estimated at \$35 million instead of \$25 million as at 31 December 20x3 with no change to the cost incurred during the year, compute the impact it would have on the performance of financial year ended 31 December 20x3 and assess if there would be any foreseeable losses incurred. Express your answers to the nearest million dollar and 3 decimal places. Ignore the tax effect, including Goods and Services Tax, if any.

**(5 marks)**

**(Total: 11 marks)**

### Question 3 – (a) and (b)

Infinity Co. Pte Ltd (Infinity), with a financial year-end of 31 December, has an inventory of bunker fuel, carried at a cost of \$800 per metric ton (mt). It has contracted to sell 400mt of the bunker fuel on 31 May 20x5. To hedge the volatility in bunker fuel prices, Infinity entered into a futures contract on 1 April 20x5 to sell 400mt of the bunker fuel at \$865 per mt on 31 May 20x5.

Ignore (i) the margin deposit on futures contract, (ii) time value of money, as it is not expected to be significant, and (iii) tax effects, if any, arising from the above transactions. Assume that Infinity adopts a perpetual inventory system and Singapore Financial Reporting Standard (International) (SFRS(I)) 9 *Financial Instruments* for financial reporting purposes and that all criteria for hedge accounting under SFRS(I) 9 are met.

The following table shows the price movements of bunker fuel per mt:

<b>Date</b>	<b>Spot price per mt (\$)</b>	<b>Futures price per mt for settlement on 31 May 20x5 (\$)</b>
1 April 20x5	825	865
30 April 20x5	840	870
31 May 20x5	838	838

**e-Exam  
Question  
Number**

**8**

**Question 3 required:**

- (a)** Prepare the journal entries to record the events and transactions as at 30 April 20x5 and 31 May 20x5 in accordance with *SFRS(I) 9 Financial Instruments*. 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)

**(15 marks)**

**e-Exam  
Question  
Number**

**9**

**Question 3 required:**

- (b)** Assuming Infinity acquired a foreign subsidiary in Malaysia on 1 January 20x6 and its financial statements are presented in Malaysian Ringgit (MYR). The accountant proposed to apply hedge accounting by entering into a forward exchange contract at the beginning of the year to sell an amount equivalent to the net assets of the foreign operations as at 1 January 20x6 at the end of the year. According to the intern in the accounting department, “The gain or loss of the forward contract would be recorded in the profit or loss. How does it get the offset effect to hedge the net investment of Malaysian operations?” Discuss the accuracy of the intern’s comment and provide a response to the intern’s question by explaining the accounting treatment of the net investment hedge according to the requirements of *SFRS(I) 9 Financial Instruments*.

**(5 marks)**

**(Total: 20 marks)**

#### Question 4 – (a), (b) and (c)

On 1 January 20x1, PTT Global acquired Ayala International (Ayala), a conglomerate with core businesses in coal energy provision, property construction and financial services, with its operations mainly in Country X, which is prone to tropical cyclones from July to September. With the global rise of sustainability awareness and climate-related risks, there are more stringent regulations surrounding pollution and greenhouse gas emissions, and several countries are encouraging the use of eco-friendly products and services.

Management has determined each operating segment to qualify as a cash-generating unit (CGU). For this financial year ended 31 December 20x3, the Management is concerned that the various CGUs would be impaired. An external consultant was engaged to assess the recoverable amount of the assets in each of the CGU as at 31 December 20x3. Some of the assets are shared between coal energy provision and property construction segment and they can be allocated based on their use to generate revenue for the respective segments.

	<b>Coal energy provision (S\$m)</b>	<b>Property construction (S\$m)</b>	<b>Financial services (S\$m)</b>
Revenue	1,250	1,150	1,420
Goodwill	840	910	540
Carrying amount of assets	2,460	1,790	560
Carrying amount of shared assets	1,340		-
Recoverable amount	600	2,500	1,300



The headquarters office handles all the marketing and administrative operations of the businesses, and its carrying amount of \$520m cannot be allocated on a reasonable and consistent basis to the individual CGUs. The recoverable amount of Ayala as at 30 June 20x3 was estimated to be \$4,500m.

**e-Exam  
Question  
Number**

**Question 4 required:**

In accordance with SFRS(I) 1-36 *Impairment of Assets*,

**10**

- (a)** Explain how the THREE business units qualify as three cash-generating units. **(3 marks)**

**11**

- (b)** Briefly discuss TWO indicators that caused the Management to be concerned and conducted an impairment assessment for the financial year ended 31 December 20x3.

**(4 marks)**

**12**

- (c)** Perform an impairment test for Ayala for the financial year ended 31 December 20x3, by:

- (i) Computing the carrying amount of CGU, any impairment loss and stating the allocation of any impairment loss of each CGU. You may use the following table for each CGU.

Carrying Amount of CGU (\$)	Any Impairment Loss (\$)	Allocation of Impairment loss (\$)

- (ii) Stating the net carrying amount of each CGU after taking into consideration (c)(i), any further impairment loss of the business and the total impairment loss recognised for the business.

Show all workings. Express your answers to the nearest million dollar and 2 decimal places.

**(14 marks)**

**(Total: 21 marks)**

**END OF PAPER**

## Appendix A - Common verbs used by the Examiners

Verb	Description
<b>Apply</b>	Relate your answer back to a specific document/s or set of facts. Alternatively, you may be required to use a specific formula, model, or process.
<b>Assess</b>	Make a judgment about the value, quality, outcomes, results, or size.
<b>Compute</b>	Do the number crunching and derive the correct answer.
<b>Discuss</b>	Discuss 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 discuss is placed near the front of the instruction, then it requires you to provide an answer that is similar to explain but addresses both the for and against arguments.
<b>Explain</b>	<b>Explain</b> requires you to write at least several sentences conveying how you have analysed the information in a way that a layperson can easily understand the concept or grasp the technical issue at hand.
<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</b> / <b>Present</b>	<b>Prepare</b> (or <b>present</b> ) requires you to produce your answer using a specific format. For instance, " <b>Present</b> an extract of the notes to the accounts for ..." or " <b>Prepare</b> all the relevant journal entries for ...".
<b>Record</b>	Record is similar to prepare in that you may need to perform a calculation and show the specific components in an appropriate format.
<b>State</b>	State is similar to list, but the items require your professional judgement. For instance, "State any restrictions that apply". One of the easiest ways to make sure that you state comprehensively is to think, "list and justify". You will note that state appears in many of the verb descriptions given.