



Singapore CA Qualification (Foundation) Examination

2 December 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 **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. This means that you are allowed to only bring the following materials into the 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 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 and all video recordings of this exam are 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 (S\$) 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 for this question.**

Question 1 – (a) and (b)

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

Statement of Profit or Loss And Other Comprehensive Income

For the financial year ended 30 June 20x5

	Pumice	Shale	Andesite
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Revenue	54,625	45,205	32,773
Cost of sales	(31,683)	(26,592)	(19,575)
Gross profit	22,942	18,613	13,198
Other income	1,852	735	375
Selling and distribution expenses	(8,572)	(6,385)	(5,259)
Administrative and other expenses	(7,502)	(6,014)	(4,025)
Finance costs	(263)	(66)	(153)
Profit before tax	8,457	6,883	4,136
Income tax expense	(2,742)	(1,693)	(1,456)
Profit after tax	5,715	5,190	2,680
Other comprehensive income	135	60	90
Total comprehensive income	5,850	5,250	2,770

Statement of Financial Position
As at 30 June 20x5

	Pumice \$'000	Shale \$'000	Andesite \$'000
Non-current Assets			
Property, plant and equipment	9,632	8,152	5,779
Investment in Shale Pte Ltd (at cost)	19,500	0	0
Investment in Andesite Pte Ltd (at cost)	4,500	0	0
	33,632	8,152	5,779
Current Assets			
Inventories	7,853	5,021	4,711
Trade and other receivables	9,678	8,762	5,806
Cash and cash equivalents	5,571	3,952	3,731
	23,102	17,735	14,248
Total Assets	56,734	25,887	20,027
Equity			
Share capital	30,000	8,000	6,000
Retained earnings	15,321	12,202	9,150
Revaluation reserves	183	163	109
	45,504	20,365	15,259
Non-current Liabilities			
Deferred tax liabilities	1,452	1,052	871
Borrowings	1,830	725	1,098
	3,282	1,777	1,969
Current Liabilities			
Trade and other payables	5,825	2,075	1,526
Provisions	601	825	360
Income tax liabilities	1,522	845	913
	7,948	3,745	2,799
Total Equity and Liabilities	56,734	25,887	20,027

Statement of Changes in Equity (Extract)
For the financial year ended 30 June 20x5

	Pumice		Shale		Andesite	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	<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 July 20x4	48	13,606	103	8,212	19	6,970
Profit after tax		5,715		5,190		2,680
Dividends paid		(4,000)		(1,200)		(500)
Other comprehensive income	135		60		90	
Balance as at 30 June 20x5	183	15,321	163	12,202	109	9,150

Additional information:

1. The Group, consisting of Pumice Pte Ltd (“Pumice”) and Shale Pte Ltd (“Shale”), 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 Pumice, Shale and Andesite Pte Ltd (“Andesite”) 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 under selling and distribution expenses.
6. Other income consists of dividend income, gain on disposal of property, plant and equipment as well as government grants.
7. The revaluation reserves relate to the revaluation of property, plant and equipment held by companies in the Group and Andesite.
8. When Pumice acquired 6 million ordinary shares of Shale on 1 January 20x1, whose issued and paid-up share capital consisted of 8 million ordinary shares:
 - Shale’s net assets were represented by share capital, revaluation reserves of \$100,000 and retained earnings of \$9,700,000.

- A purchase price allocation exercise was carried out, and customer relationships were recognised and measured at \$1,200,000. The remaining useful life is 6 years.
9. On 1 January 20x3, Pumice sold heavy machinery with a carrying amount of \$2,000,000 and remaining useful life of 10 years to Shale for \$3,500,000. As of 30 June 20x5, the balance has been settled and this non-current asset is still held and used by Shale.
 10. During the financial year ended 30 June 20x5, Shale sold goods worth \$3,200,000 to Pumice at a cost of \$2,900,000. By 30 June 20x5, Pumice has paid \$2,500,000 to Shale, and two-third of the inventories have been sold.
 11. When Pumice acquired a 30% interest in Andesite several years ago, Andesite's net assets were represented by ordinary shares and retained earnings of \$7,700,000.
 12. On 1 May 20x5, Andesite sold inventories to Pumice costing \$800,000 for \$950,000. As of 30 June 20x5, Pumice had sold 10% of these inventories to parties external to the Group.

**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)**, expressing your answers to two decimal places:

2

- (a)** Prepare the relevant consolidation and equity accounting entries for Pumice's group of companies for the financial year ended 30 June 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)	

(31 marks)

3

- (b)** In relation to the consolidated Statement of Financial Position for the financial year ended 30 June 20x5, prepare the independent proof for the Group's retained earnings.

(7 marks)

(Total: 38 marks)

Question 2 – Part I and Part II

Part I

Lisa, a Chartered Accountant of Singapore, has been working as Finance Manager for a local company operating in the air freight industry for many years. Recently, the company's Chief Operating Officer ("COO") instructed Lisa to classify the payments of kickbacks totalling \$275,000 (a material amount) to representatives of the company's customers as 'commission expense'.

When Lisa expressed her concerns about the arrangement, the COO dismissed her, stating, 'This is a common practice in the industry – we scratch their back, they scratch ours. You have worked for me many years and should know that there is only my way, or the highway. You can either follow my instruction or start looking around for another job – the choice is yours.'

e-Exam Question Number

Question 2 Part I required:

From Lisa's perspective and with reference to Ethics Pronouncement (EP) 100, the ISCA *Code of Professional Conduct and Ethics*:

4

(a) Identify TWO fundamental principles which are being threatened.

(2 marks)

5

(b) Discuss TWO threats that could compromise Lisa's compliance with the fundamental principles identified in part (a) above.

(4 marks)

6

(c) Recommend TWO actions that Lisa could take to eliminate or reduce to an acceptable level the threats mentioned in part (b) above.

(4 marks)

Part II

EcoVantage, a company incorporated in Singapore, has a financial year end of 31 December. The company engaged in the research and development of an Artificial Intelligence software, incurring different types of expenditure. The Finance Manager reminded the team to record the relevant expenditure to be capitalised as the software should qualify as an intangible asset to be recorded on the balance sheet.

EcoVantage completed the R&D phase and the qualifying costs of \$7,200,000 is capitalised as at 1 April 20x1. Further assessment revealed that this software is useful for 6 years. Recoverable amount as at 31 December 20x1 is \$5,500,000. Based on the recoverable amount as at 31 December 20x2, there is no further impairment or write-back required.

e-Exam Question Number

Question 2 Part II required:

Apply SFRS(I) 1-38 *Intangible Assets* when answering **(a)** and **(b)**:

7

- (a)** An accounts executive asked the following “What is an intangible asset? Do we capitalise all expenditures?” Respond to him by discussing the definition of an intangible asset and the recognition criteria for the expenditures.

(5 marks)

**e-Exam
Question
Number**

8

Question 2 Part II cont.

- (b) Prepare the journal entries to record the **amortisation** expense in years ended 31 December 20x1 and 20x2 and the **impairment** loss (if any) for year ended 31 December 20x1, expressing your answers to the nearest whole number.

Present your answers in the following format:

Transaction date

\$'000

DR Account Name xxx

CR Account Name xxx

(Narration for Journal Entry)

(7 marks)

(Total: 22 marks)

Question 3 – Part I and Part II

Part I

Advanced Manufacturing Pte Ltd had classified its tangible and intangible assets and associated goodwill recognised upon purchase of business, to be a cash-generating unit (CGU). The carrying amount of these assets and other relevant details are as follows:

Asset	Date of Purchase	Cost (\$'m)	Utilisation Assumption	Useful Life (years)
Goodwill	1 March 20x4	25	Not applicable	Not applicable
Property, Plant & Equipment	1 January 20x1	180	Straight-line	6
Intangible Asset	1 January 20x5	60	Straight-line	5

As at 31 December 20x4, the recoverable amount was \$50 million.

In 20x5, the company makes a technological advancement, and an assessment by the valuation specialist showed that the recoverable amount of the business was \$77 million.

**e-Exam
Question
Number**

Question 3 Part I required:

Apply SFRS (I) 1-36 *Impairment of Assets* when answering **(a)** and **(b)**:

9

(a) Perform an impairment test, identifying if each asset is impaired, and allocating any impairment costs for financial year 31 December 20x4.

(4 marks)

10

(b) Determine if there is further impairment or reversal of impairment and the amounts as at 31 December 20x5.

(6 marks)

Part II

The Sustainability Architects Ltd (TSA), with a financial year end of 31 December, granted a share-based compensation plan to its 12 Senior Management Team members on 1 January 20x1. Under this plan, each of them could purchase 50,000 ordinary shares of TSA at \$2.50 per share with effect from 1 January 20x3 for 3 years if they are still working in TSA.

The fair values of the share options and the expected forfeiture of share options are as follows:

As at	Fair value of share option (\$)	Number of Management Team members who left during the respective financial year	Number of Management Team members expected to remain as at 31 December 20x2
1 January 20x1	1.25	-	12
31 December 20x1	1.32	2	10
31 December 20x2	1.35	1	9 (actual)

The Senior Management Team exercised 60% of the share options when TSA's share price was \$3.10 on 1 February 20x3 while the balance of the share options were exercised on 1 June 20x3 when share price was \$3.05.

**e-Exam
Question
Number**

11

Question 3 Part II required:

- (a) Applying SFRS(I) 2 *Share-based Payment*, prepare the journal entries for the financial years ended 31 December 20x1 to 20x3, including the settlement of the share-based payment, expressing your answers to two decimal places. Show all workings. Ignore the tax effect, if any.

Present your answers in the following format:

Transaction date	
	\$'000
DR Account Name	xxx
CR Account Name	xxx
(Narration for Journal Entry)	

(13 marks)

(Total: 23 marks)

Question 4 – (a) and (b)

National Manufacturing Pte Ltd (National) is developing its business and had identified some equipment for its operations on 1 April 20x4. The cost of the equipment is European Dollars (EUR) 3,500,000. The exchange rate as at 1 April 20x4 is EUR 1: S\$1.452. National is concerned about the fluctuating currency trend of EUR.

To hedge the foreign currency exposure in the forecast purchase, National entered into a forward foreign exchange contract on 1 April 20x4 to buy EUR 3,500,000 at the exchange rate of EUR 1: S\$1.461 on 30 June 20x4.

The exchange rates are as follows:

As at	Spot exchange rate for S\$1	Forward foreign exchange rate for S\$1 (as at 30 June 20x4)
1 April 20x4	1.452	1.461
30 April 20x4	1.479	1.485
31 May 20x4	1.499	1.505
30 June 20x4	1.512	1.512

On 30 June 20x4, the equipment is purchased at EUR 3,500,000, and the forward contract is settled with cash.

**e-Exam
Question
Number**

Question 4 required:

In accordance with SFRS(I) 9 *Financial Instruments*,

12

- (a) Explain how the hedging relationship above qualifies for hedge accounting, including the requirements needed for hedge effectiveness.

(5 marks)

13

- (b) Assume the above hedge qualifies for hedge accounting and is effective. Ignore (i) the time value of money, as it is not expected to be significant, and (ii) tax effects, if any, arising from the above transactions. Prepare the accounting entries to record the events and transactions as at 30 April 20x4, 31 May 20x4 and 30 June 20x4, expressing your answers to the nearest whole number. Show all workings.

Present your answers in the following format:

Transaction date

\$

DR Account Name xxx

CR Account Name xxx

(Narration for Journal Entry)

(12 marks)

(Total: 17 marks)

END OF PAPER

Appendix – Common Verbs used by Examiner

Verb	Description
Apply	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.
Assess	Make a judgment about the value, quality, outcomes, results, or size.
Compute	Do the number crunching and derive the correct answer.
Discuss	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.
Explain	Explain 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.
In accordance with	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.
Prepare / Present	Prepare (or present) requires you to produce your answer using a specific format. For instance, " Present an extract of the notes to the accounts for ..." or " Prepare all the relevant journal entries for ...".
Prove	Prove 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
Record	Record is similar to prepare in that you may need to perform a calculation and show the specific components in an appropriate format.
State	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.