

SINGAPORE CA QUALIFICATION (FOUNDATION) EXAMINER'S REPORT

MODULE: Principles of Financial Reporting (PFF)

EXAMINATION DATE: 3 December 2025

Section 1

General comments

Compared to the June 2025 examination, the overall performance in the December 2025 examination showed an improvement compared to the June 2025 examination. PFF continues to be an e-Exam format and a restricted open book format, with Candidates being able to bring in double-sided A4 page of personal notes for reference.

Question 1: Preparation of Financial Statements

Candidates were required to apply multiple accounting standards in preparing a statement of cash flows and a statement of changes in equity. Overall, Candidates demonstrated a sound understanding of the relevant SFRS(I) requirements.

Question 2: Leases, Events of the reporting period, Impairment loss and Foreign Currency Transactions

This question consisted of three independent parts assessing Candidates' understanding of SFRS(I) 16 *Leases*, SFRS(I) 1-10 *Events after the Reporting Period*, SFRS(I) 9 *Financial Instruments*, and SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates*, respectively.

Question 3: Revenue from Contracts with Customers, Provisions, Contingent Liabilities and Contingent Assets

The question tested Candidates' application of the five-step revenue recognition model and the accounting treatment of warranties in accordance with SFRS(I) requirements. Overall, candidates demonstrated satisfactory performance.

Question 4: The Conceptual Framework for Financial Reporting

This question assessed Candidates' understanding of accounting concepts and treatments under the Conceptual Framework and relevant SFRS(I) standards, and extended to the application of the fundamental principles in the *ISCA Code of Professional Conduct and Ethics*.

Section 2

Analysis of individual questions

Question 1

This question covered multiple accounting topics and required Candidates to apply their accounting knowledge to prepare Statement of Cash Flows and Statement of Changes in Equity based on the information provided in the question, in accordance with SFRS(I) 1-7 *Statements of Cash Flows* and SFRS(I) 1-1 *Presentation of Financial Statements*. Overall, Candidates performed well on the question,

demonstrating a good understanding of the relevant standards and presentation requirements.

Although the majority of Candidates demonstrated a good understanding of the overall structure of the statement of cash flows, some encountered difficulties in correctly determining the profit before tax as the starting point and in identifying the opening and closing balances of cash and cash equivalents for reconciliation purposes. A number of Candidates incorrectly offset the cash inflows and cash outflows and presented net amounts within the investing and financing activities, which is not appropriate in a statement of cash flows. Several Candidates also overlooked the classification requirements for dividends received, interest paid and dividends paid, resulting to misclassifications among operating, investing and financing activities.

With regard to the Statement of Changes in Equity, many Candidates neglected to include the fair value reserve arising from investments in equity instruments measured at fair value through other comprehensive income (FVOCI). Some Candidates also incorrectly recognised changes in the fair value of investment property (IP) in the fair value reserve, while others presented a revaluation reserve, which applies only to property, plant and equipment (PPE). These treatments were inappropriate, as changes in the fair value of investment property should be recognised in profit or loss, and the PPE in the question was measured using the cost model, for which no revaluation reserve arises.

Question 2

This question comprised three independent parts testing Candidates' understanding of leases, events of the reporting period, impairment loss of accounts receivable and foreign currency transactions, in accordance with SFRS(I) 16 *Leases*, SFRS(I) 1-10 *Events after the Reporting Period*, SFRS(I) 9 *Financial Instruments*, and SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates*, respectively.

Overall, Candidates performed well across the three parts, demonstrating a sound understanding of the relevant accounting principles. Nevertheless, several common errors were observed:

- **Leases (Part I):** Several Candidates incorrectly computed the depreciation of the right-of-use asset, indicating weaknesses in applying the cost allocation principles over the lease term.
- **Events after the reporting period and impairment loss of accounts receivable (Part II):** A number of Candidates incorrectly classified the event as a non-adjusting event. As a result, no adjusting journal entries were provided, despite the event providing evidence of conditions that existed at the reporting date. In addition, several candidates failed to adequately explain the accounting treatment in line with the disclosure and measurement requirements of event in compliance with SFRS(I) 9 *Financial Instruments*.

- Foreign currency transactions (**Part III**): Some Candidates reversed the treatment of foreign exchange differences, recognising gains as losses and vice versa.

Question 3

This question assessed Candidates' understanding and application of the five-step revenue recognition model, including the accounting treatment of warranties, in accordance with SFRS(I) 15 Revenue from Contracts with Customers and SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*. Overall, candidates' performance was satisfactory.

Most Candidates were able to correctly identify the performance obligations in the contract. Candidates who performed well in **Part (a)** generally continued to score well in **Part (b)** on the allocation of transaction price, as well as in **Part (c)** when preparing the journal entries of revenue recognition.

However, a number of Candidates did not fully complete the journal entries in **Part (c)**. In particular, some Candidates failed to account for the cost of goods sold and warranty obligation when recording the transactions from April to June 20x4. Candidates are reminded that revenue recognition must be accompanied by the appropriate recognition of related costs and liabilities to reflect the full economic impact of the transaction.

Question 4

This question assessed Candidates' understanding and application of a range of accounting concepts and treatments across *The Conceptual Framework for Financial Reporting*, SFRS(I) 1-8 *Accounting Policies, Changes in Accounting Estimates and errors*, SFRS(I) 1-16 *Property, Plant and Equipment* and SFRS(I) 1-36 *Impairment of Assets*. It also extended to the application of the fundamental principles set out in the *ISCA Code of Professional Conduct and Ethics*.

Overall, Candidates demonstrated a reasonable understanding of accounting policies and were generally able to identify the two fundamental qualitative characteristics of useful financial information. However, several Candidates struggled to clearly link these qualitative characteristics to the application of appropriate accounting policies.

With regard to the journal entries, most Candidates were able to correctly record the initial transactions relating to the leasehold land. However, many encountered difficulties in the subsequent accounting treatments, particularly in relation to the revaluation of leasehold land and the recognition of impairment losses.

In the ethics-related requirement, many Candidates successfully identified the relevant fundamental principles involved in the scenario. Nevertheless, a number of Candidates focused primarily on explaining the consequences of non-compliance with professional ethics, rather than proposing the appropriate actions or responses that a Chartered Accountant should take when faced with such ethical dilemmas. This highlights the need for Candidates to place greater emphasis on ethical

decision-making and professional judgment in practice, rather than merely describing potential outcomes.