PP

Chartered Accountant SINGAPORE

Singapore CA Qualification Examination

19 June 2025

Financial Reporting

INSTRUCTIONS TO CANDIDATES:

1. The time allowed for this examination paper is **3 hours and 15 minutes**.

2. This examination paper has **THREE (3)** questions and comprises **TWENTY-TWO (22)** pages (including this instruction sheet and Appendix A) and **ONE (1)** EXCEL spreadsheet (Appendix A). Each question may have **MULTIPLE** parts and **ALL** questions are examinable.

3. This is an open-book examination. 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.

4. 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.

5. This examination paper and all video recordings of this exam are the property of the Accounting and Corporate Regulatory Authority.

6. Only answers in **English** are accepted.

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 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.

e-Exam Question Number	**VERY IMPORTANT NOTICE**
1	

VERY IMPORTANT NOTICE

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

2. You may also download the question paper that allows annotation throughout your exam in Question 1 of the e-Exam portal.

3. Please download the relevant required Appendix in Question 1 of the e-Exam portal.

Other important information:

4. You will be allowed to access your reference materials but **will not be allowed** to communicate with anyone either physically or through any electronic means.

5. You are **NOT ALLOWED** to access any websites during the exam.

6. You are **NOT ALLOWED** to print the question paper.

7. **Please take note that your screen will be monitored throughout the examination. If you are found to have accessed any 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

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

Question 1 – (a), (b) and (c)

The current abridged financial statements of P Co, X Co and Y Co are shown below. P Co acquired control of X Co's sub-group on 1 January 20x4. Prior to this, X Co had incorporated its partly owned subsidiary, Y Co, on 1 January 20x3.

Abridged Income Statement and Statement of Changes of Equity for the year ended 31 December 20x6

	P Co	**X Co**	**Y Co**
Profit before tax	2,000,000	1,760,000	720,000
Tax	(400,000)	(352,000)	(144,000)
Profit after tax	1,600,000	1,408,000	576,000
Dividends declared	(120,000)	(80,000)	(50,000)
Profit retained	1,480,000	1,328,000	526,000
Retained earnings, 1 January 20x6	2,890,000	760,000	530,000
Retained earnings, 31 December 20x6	4,370,000	2,088,000	1,056,000

Abridged Statement of Financial Position as at 31 December 20x6

	P Co	**X Co**	**Y Co**
Investment in X Co	4,200,000	-	-
Investment in Y Co	-	420,000	-
Intercompany loan receivable	3,000,000	-	-
Intercompany loan payable	-	(3,000,000)	-
Other net assets (liabilities)	(430,000)	5,773,000	1,756,000
Net assets	***6,770,000***	***3,193,000***	***1,756,000***
Share capital	2,400,000	1,000,000	700,000
Retained earnings	4,370,000	2,088,000	1,056,000
Revaluation reserves	-	105,000	-
Shareholders' equity	***6,770,000***	***3,193,000***	***1,756,000***

Table A shows the information relating to the investment in X Co and Y Co.

Table A: Information relating to the investment in X Co and Y Co

	X Co	**Y Co**
Date of incorporation by X Co		1 January 20x3
Percentage invested by X Co on incorporation		60%
Percentage invested by non-controlling interests on incorporation		40%
Share capital at date of incorporation		700,000
Date of investment by P Co	1 January 20x4	
Percentage acquired by P Co	90%	
Shareholders' equity at date of investment by P Co:		
Share capital	1,000,000	700,000
Retained earnings	500,000	280,000
Revaluation reserves	90,000	-
Shareholders' equity	***1,590,000***	***980,000***
Fair value of non-controlling interests on 1 January 20x4	420,000	608,000

Table B shows the fair value and book value of identifiable net assets of X Co and Y Co as at the date of investment by P Co.

Table B: Fair value and book value of identifiable net assets of X Co and Y Co as at the date of investment by P Co

	X Co------------------------→		**Y Co------------------------→**	
	Book value	Fair value	Book value	Fair value
Accounts receivable	100,000	90,000		
Intangible asset				340,000
Other net assets	1,490,000	1,490,000	980,000	980,000
Total net assets	***1,590,000***	***1,580,000***	***980,000***	***1,320,000***

Additional information relating to P Co, X Co, and Y Co:

1. Unless otherwise stated, apply a tax rate of 20% on fair value differentials and other adjustments. Dividend income received is tax-exempt.
2. P Co measures non-controlling interests at full fair value on the acquisition date.
3. The fair value of non-controlling interests in X Co includes direct interests in X Co and indirect interests in Y Co.
4. Investments in X Co and Y Co are carried at cost in their immediate parent's separate financial statements.
5. Fixed assets and intangible assets are measured using the cost model.

Additional information relating to P Co:

1. On 1 January 20x6, P Co agreed to extend a loan to X Co to fund X Co's self-construction of X Co's factory building. The loan has a maximum limit of $3 million and a fixed interest rate of 4% per annum. Throughout 20x6, X Co borrowed from P Co to make payments as and when the expenditures were incurred. By 31 December 20x6, the maximum amount of $3 million was borrowed. The terms of the intercompany loan are determined on an arms-length basis. To finance the loan to X Co, P Co drew from its general pool of external borrowings. Details of the internal and external borrowings and the self-construction expenditures are shown below.

Details	**Amount or Rate**
Maximum limit of loan granted by P Co to X Co and fully borrowed by X Co by 31 December 20x6	$3,000,000
Interest rate charged by P Co to X Co	4% per annum

Average level of general pool of external borrowings of P Co during 20x6	$8,000,000
Weighted average interest rate of general pool of external borrowings of P Co during 20x6	5.26% per annum

During 20x6, X Co incurred the following construction-related costs:

Construction-related costs	**Amount**	**Date incurred in 20x6**
Clearance of land for development	150,000	1 January 20x6
Piling and foundation works	1,600,000	1 April 20x6
Depreciation of equipment	150,000	1 January to December 20x6
Sub-contracting costs	500,000	1 October 20x6
Structural construction works	750,000	1 October 20x6
Total	***3,150,000***	

Interest was properly capitalised by X Co during 20x6 in accordance with the requirements of SFRS(I) 1-23 *Borrowing Costs*.

The construction will be completed in 20x8. Throughout 20x6, the building was not ready for its intended use.

Additional information relating to X Co:

1. Due diligence processes carried out by P Co prior to the acquisition found that the accounts receivable of $100,000 recorded in X Co's books were overvalued by $10,000. In 20x5, the final proceeds received from the accounts receivable were $97,000.

2. The balance of revaluation reserves of X Co as at 31 December 20x5 was $105,000.

Additional information relating to Y Co:

1. The internally generated intangible asset of Y Co had an estimated useful life of 5 years as at date of investment by P Co.

2. On 2 January 20x6, Y Co transferred its fixed assets to X Co at a loss. Details of the transfer are as follows:

• Transfer price	24,000
• Fair value on the date of transfer	32,000
• Original cost	120,000
• Net book value on the date of transfer	36,000

The remaining useful life of the fixed assets as at the date of transfer was four years.

e-Exam Question Number	**Question 1 required:**
2	**(a)** Calculate the interest that is capitalised by X Co and interest that should be capitalised by P Co's Group during 20x6 in accordance with the requirements of SFRS(I) 1-23 *Borrowing Costs*. **(5 marks)**
3	**(b)** Prepare the consolidation journal entries in respect of P Co and its subsidiaries X Co and Y Co for the year ended 31 December 20x6. Show workings clearly. **(39 marks)**
4	**(c)** Analytically determine the balance of non-controlling interests (proof of balance) of X Co and Y Co as at 31 December 20x6 in the consolidated financial statements. A compilation of the listing of consolidation journal entries is **not** required. **(8 marks)** **(Total: 52 marks)**

Question 2 – Case A and Case B

Case A

Investor Co has a 30% interest in A Co during the year ended 31 December 20x6. However, on 31 December 20x6, Investor Co divested 10% interest in A Co and retained 20% interest. Investor Co has significant influence over A Co since its initial investment on 1 July 20x4 and throughout 20x6, even after the partial divestment.

Investor Co does not have any subsidiaries. In its separate financial statements prepared in accordance with SFRS(I) 1-27 *Separate Financial Statements*, Investor Co accounts for its investment in A Co using the cost method. However, under SFRS(I) 1-28 *Investments in Associates and Joint Ventures*, Investor Co has to also prepare another set of financial statements using the equity method.

Investor Co provides you with its unaudited Statement of Cash Flows for the year ended 31 December 20x6 from its separate financial statements, with the investment in A Co accounted for using the cost method. Investor Co has to also prepare its Statement of Cash Flows for the year ended 31 December 20x6 with the investment in A Co accounted for using the equity method. Investor Co is unfamiliar with the requirements of SFRS(I) 1-7 *Statement of Cash Flows* and seeks your help to prepare the required statement.

The only cash flow effects of A Co that are incorporated in the unaudited Statement of Cash Flows are the dividend income from A Co included in Investor Co's net profit after tax and proceeds from partial divestment of A Co which Investor Co has included in financing activities. Dividend income is fully received in cash. Investor Co's policy is to present dividend receipts as cash flows from investing activities.

Additional information:

1. Investor Co paid $500,000 to purchase 30% interest in A Co on 1 July 20x4. On 1 July 20x4, A Co's fixed assets were undervalued by $120,000. The estimated remaining useful life of the fixed assets on 1 July 20x4 was 10 years.

2. Shareholders' equity of A Co on the respective dates are as follows:

	1 July 20x4	31 December 20x5	31 December 20x6
Share capital	300,000	300,000	300,000
Retained earnings	175,000	220,000	310,000
Shareholders' equity	475,000	520,000	610,000

3. Tax rate is 20%. Dividend income and profit on divestment are tax-exempt.

4. Extracts of the unaudited Statement of Cash Flows of Investor Co with investment in A Co accounted for using the cost method together with the Statement of Cash Flows of A Co for the year ended 31 December 20x6 are shown below.

	Unaudited Statement of Cash Flows of Investor Co with the investment in A Co accounted for using the cost method	Statement of Cash Flows of A Co
	←For the year ended 31 December 20x6→	
Net profit after tax	1,050,000	150,000
Add (less) non-cash items		
Depreciation	60,000	32,000
Profit on sale of investments	(33,333)	
Decrease (increase) in working capital		
Change in accounts receivable	120,000	(45,000)
Change in accounts payable	68,000	10,000
Net cash from operating activities	1,264,667	147,000
Net cash from investing activities	0	0
Cash flows (used in) from financing activities		
Dividends paid to shareholders	(120,000)	(60,000)
Proceeds from partial divestment of associate	200,000	
Net cash from financing activities	80,000	(60,000)
Change in cash and cash equivalents	1,344,667	87,000

e-Exam Question Number	Question 2 Case A required:
5	**(a)** From the information provided, prepare equity accounting entries in respect of Investor Co's interest in A Co for the year ended 31 December 20x6, except for the entry relating to the divestment of 10% ownership interest in A Co. **(6 marks)**
6	**(b)** Analytically check or perform the proof of balance of investment in A Co on 31 December 20x6, before the divestment of 10% ownership interest in A Co. A compilation of the listing of the equity accounting entries is **not** required. **(3 marks)**
7	**(c)** Calculate the profit or loss on sale to be recognised by Investor Co on 31 December 20x6 on the divestment of 10% ownership interest in A Co under the equity method. **(2 marks)**
8	**(d)** Prepare the Statement of Cash Flows of Investor Co for the year ended 31 December 20x6 with the investment in A Co accounted for using the equity method. **(7 marks)**

Case B

Co X has two divisions: Retail and Manufacturing. Each is a cash-generating unit (CGU) as defined by SFRS (I) 1-36 *Impairment of Assets*. As at 31 December 20x5, the Manufacturing Division showed indications of impairment. The carrying amounts of the assets in the Manufacturing Division as at 31 December 20x5 are shown in the following table. Fixed assets are measured using the cost model.

Asset	**$ '000**
Allocated goodwill	3,200
Factory building	100,000
Plant and equipment	45,000
Other non-current assets	20,000
Carrying amount of CGU	***168,200***

Based on its forecasts as of 31 December 20x5, Co X expects the Manufacturing Division to generate annual future cash flows of $8,000,000 per year in 20x6 and 20x7. Co X also forecasts that the present value of the remaining cash flows as at 31 December 20x7 using a declining growth rate for the subsequent years after 31 December 20x7 is estimated to be $100,000,000. The forecasts are supported by independent and supportable evidence as of 31 December 20x5. The pre-tax discount rate applicable to the analysis is 10% per annum. The present value of $1 at a discount factor of 10% is shown below:

Year	**Present value of $1 at discount factor of 10%**
1	0.9091
2	0.8265

In December 20x6, the Board of Directors of Co X approved a plan for the Manufacturing Division to be divested by 31 December 20x7. An active search began in earnest to seek a potential buyer of the Manufacturing Division.

The Manufacturing Division was designated as a discontinued operation of Co X on 31 December 20x6 in accordance with the criteria in SFRS(I) 5 *Non-Current Assets Held for Sale and Discontinued Operations.* The divisional financial statements of Co X for the year ended 31 December 20x6 are shown below. An Excel spreadsheet of the financial statements is available in Appendix A.

Statement of Comprehensive Income for the year ended 31 December 20x6			
	Retail	**Manufacturing**	**Total**
	←------All figures are in thousands------→		
Revenue	35,000	18,000	53,000
Cost of sales	(13,400)	(10,100)	(23,500)
Gross profit	21,600	7,900	29,500
Selling and distribution expenses	(4,900)	(560)	(5,460)
Administrative expenses	(1,057)	(650)	(1,707)
Other expenses	(1,700)	(279)	(1,979)
Operating profit	13,943	6,411	20,354
Interest expense	(1,500)	-	(1,500)
Profit before tax	12,443	6,411	18,854
Income tax expense	(2,489)	(1,282)	(3,771)
Profit for the year	9,954	5,129	15,083

Statement of Financial Position as at 31 December 20x6			
	Retail	**Manufacturing**	**Total**
	←-------All figures are in thousands-----→		
Goodwill	55,000	-	55,000
Property, plant and equipment	145,000	80,000	225,000
Other non-current assets	2,200	10,000	12,200
Non-current Assets	202,200	90,000	292,200
Inventories	24,080	12,000	36,080
Receivables	7,353	3,400	10,753
Cash and cash equivalents	540	-	540
Current Assets	31,973	15,400	47,373
Total Assets	234,173	105,400	339,573
Share capital	-	-	120,000
Retained earnings	-	-	122,523
Total Equity	156,673	85,850	242,523
Long-term loans	50,000	-	50,000
Non-current Liabilities	50,000	-	50,000
Provisions	4,500	2,500	7,000
Payables	23,000	15,600	38,600
Bank Overdraft	-	1,450	1,450
Current Liabilities	27,500	19,550	47,050
Total Liabilities	77,500	19,550	97,050
Total Equity and Liabilities	234,173	105,400	339,573

Additional information:

1. The carrying amount and fair value, less the cost to sell off assets of the disposal group as at 31 December 20x6 are shown below. The financial statements have not yet been adjusted for this information. All other impairment items, including impairment (if any) from part (a) of this question have been recognised in the financial statements.

	←------------All figures are in thousands-------→	
	Carrying	**At fair value less cost**
Manufacturing Division	**Amount**	**to sell**
Property, plant and equipment	80,000	70,000
Inventories	12,000	14,000
Total	**92,000**	**84,000**

   Other assets and liabilities of the disposal group are carried at their fair values.

2. There are no tax effects from any gain or loss on disposal of the division.

3. In accordance with the requirements of SFRS(I) 5 *Non-Current Assets Held for Sale and Discontinued Operations*, Co X opts for the "single amount" presentation in the financial statements with disclosure of supporting details or analysis relating to the division in the footnotes.

e-Exam Question Number	**Question 2 Case B required:**
9	**(a)** Applying the requirements of SFRS(I) 1-36 *Impairment of Assets*, determine the impairment loss (if any) of the Manufacturing Division as a cash-generating unit as a whole as well as its component assets on 31 December 20x5. Show detailed workings and calculations. Ignore tax effects. **(6 marks)**
10	**(b)** Present the Statement of Comprehensive Income and Statement of Financial Position for the year ended 31 December 20x6 for Co X in good form in accordance with the requirements of SFRS(I) 5 *Non-Current Assets Held for Sale and Discontinued Operations*. Present the breakdown of the "single amount" presentation of items relating to the Manufacturing Division as footnotes. You may use the Excel spreadsheet in Appendix A to formulate and present your answers. **(12 marks)** **(Total: 36 marks)**

Question 3 – (a)

B Co has two foreign currency financial assets, both carried at fair value through other comprehensive income (FVOCI). The functional currency of B Co is the Singapore dollar (S$). The financial assets are denominated in the United States dollar (US$).

Investments purchased prior to 20x6	**US$**
Debt investments measured at FVOCI	
Date of purchase	1 January 20x5
Purchase price	720,000
Principal amount	750,000
Coupon interest, payable 31 December	3% p.a.
Annual periods to maturity from 1 January 20x5	3 years
Effective interest rate on 1 January 20x5	4.4538% p.a.
Fair value on 31 December 20x5	700,000
The amortisation table is shown in Table A	

Equity instruments designated as FVOCI investments	**US$**
Date of purchase	31 December 20x5
Purchase price	120,000

Date	**Events during 20x6**	**US$**
31 December 20x6	Received cash interest from FVOCI debt investments	22,500
	Fair value of the debt investments	725,000
	Fair value of the FVOCI equity instruments	105,000

Table A: Bond amortisation table for FVOCI Debt Security (in US$)

Date	**Cash interest** 3% p.a.	**Effective Interest** 4.4538% p.a.	**Amortisation**	**Unamortised discount**	**Principal amount**	**Carrying amount**
1 Jan 20x5				(30,000)	750,000	720,000
31 Dec 20x5	22,500	32,067	9,567	(20,433)	750,000	729,567
31 Dec 20x6	22,500	32,493	9,993	(10,440)	750,000	739,560
31 Dec 20x7	22,500	32,940*	10,440	0	750,000	750,000

*includes rounding up of US$1

The exchange rates of S$ to US$1 are as follows:

Date/period	**S$ to US$1**
1 January 20x5	1.28
31 December 20x5/ 1 January 20x6	1.30
31 December 20x6	1.35
Average 20x6	1.33

e-Exam Question Number	**Question 3 required:**
11	**(a)** Using the closest exchange rate available, prepare journal entries to record the transactions in 20x6 in Singapore dollars, including entries for foreign exchange gains or losses in accordance with SFRS (I) 1-21 *The Effects of Changes in Foreign Exchange Rates*. Ignore tax effects. Show workings where appropriate. **(12 marks)** **(Total: 12 marks)**

Appendix A

Statement of Comprehensive Income for the year ended 31 December 20x6			
	Retail	**Manufacturing**	**Total**
	←--------All figures are in thousands---------->		
Revenue	35,000	18,000	53,000
Cost of sales	(13,400)	(10,100)	(23,500)
Gross profit	21,600	7,900	29,500
Selling and distribution expenses	(4,900)	(560)	(5,460)
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Other expenses	(1,700)	(279)	(1,979)
Operating profit	13,943	6,411	20,354
Interest expense	(1,500)	-	(1,500)
Profit before tax	12,443	6,411	18,854
Income tax expense	(2,489)	(1,282)	(3,771)
Profit for the year	9,954	5,129	15,083

Appendix A

Statement of Financial Position as at 31 December 20x6			
	Retail	**Manufacturing**	**Total**
	<---------All figures are in thousands---------->		
Goodwill	55,000	-	55,000
Property, plant and equipment	145,000	80,000	225,000
Other non-current assets	2,200	10,000	12,200
Non-current Assets	202,200	90,000	292,200
Inventories	24,080	12,000	36,080
Receivables	7,353	3,400	10,753
Cash and cash equivalents	540	-	540
Current Assets	31,973	15,400	47,373
Total Assets	234,173	105,400	339,573
Share capital	-	-	120,000
Retained earnings	-	-	122,523
Total Equity	156,673	85,850	242,523
Long-term loans	50,000	-	50,000
Non-current Liabilities	50,000	-	50,000
Provisions	4,500	2,500	7,000
Payables	23,000	15,600	38,600
Bank overdraft	-	1,450	1,450
Current Liabilities	27,500	19,550	47,050
Total Liabilities	77,500	19,550	97,050
Total Equity and Liabilities	234,173	105,400	339,573

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