

## SINGAPORE CA QUALIFICATION (FOUNDATION) EXAMINER'S REPORT

**MODULE:** Principles of Financial Reporting (PFF)

**EXAMINATION DATE:** 4 December 2024

### Section 1

#### General comments

##### **Question 1: Preparation of Financial Statements**

Candidates performed reasonably well for this question and generally demonstrated proficiency in preparing the income statement and statement of financial position in accordance with IAS 1. However, common errors included miscalculations of interest expenses and fair value gains.

##### **Question 2: Revenue Recognition, Errors, and Ethics**

Performance for Question 2 was moderate, with many scoring just over half of the total marks. Candidates showed a strong understanding of revenue recognition, particularly in identifying performance obligations and preparing journal entries for renovation work using the percentage of completion method. But challenges arose in accounting for changes in contract scope and price. While professional and ethical implications were well addressed, some failed to recognize that overstating revenue violates the standard. Audit adjustment entries were often incorrect, though error disclosures were reasonably well handled.

##### **Question 3: PPE, Leases, and Financial Assets**

Candidates' performance was relatively weak for this question, and they faced difficulties in correctly capitalising stamp duty and clearing costs for land and in accounting for changes in use from investment property to PPE. While most identified the earthquake as an adjusting event, some struggled with computing and allocating the resulting impairment loss.

##### **Question 4: Functional Currency and Foreign Exchange Rates**

The performance was average, and a majority managed to score just slightly above 50% for Question 4. Most candidates successfully identified functional currency and demonstrated a good grasp of standards on foreign exchange rate changes. However, translation of certain monetary items, particularly cash, was a common area of struggle. Additionally, some failed to record journal entries for cost of goods sold (COGS) and inventory under the perpetual inventory system.

### Section 2

#### Analysis of individual questions

##### **Question 1**

Candidates were tasked with preparing the income statement and statement of financial position for a private company using the provided trial balance and supplementary information.

Overall, candidates demonstrated the ability to present the income statement and statement of financial position in the correct format, adhering to the requirements of IAS 1 Presentation of Financial Statements.

However, common errors observed included inaccuracies in the calculation of interest expenses and fair value gains.

### **Question 2**

Question 2 assessed candidates on the revenue recognition standard, accounting for errors, and the Code of Ethics for Professional Accountants.

Most candidates successfully identified the three performance obligations in the contract. And journal entries related to revenue recognition for renovation work based on the percentage of completion method were generally well answered.

However, many candidates struggled with part (c), particularly in accounting for changes in the scope and price of the renovation contract.

Candidates generally demonstrated an ability to identify professional and ethical implications, recommend appropriate actions, and evaluate the consequences. However, some failed to recognize that overstating revenue violates the revenue recognition standard.

Additionally, while many candidates were unable to prepare the correct audit adjustment entries, disclosures related to errors were, for the most part, reasonably well addressed.

### **Question 3**

The first part of this question focused on accounting for property, plant, and equipment (PPE) and leases, while the second part tested candidates on accounting for financial assets measured at amortised cost.

Some candidates incorrectly expensed stamp duty and clearing costs associated with land acquisition instead of capitalising them. Additionally, many struggled to account correctly for the change in use from investment property to PPE.

Most candidates correctly identified the earthquake as an adjusting event. However, some were unable to compute the impairment loss accurately or allocate it appropriately.

### **Question 4**

Most candidates successfully articulated the factors influencing functional currency and correctly identified it.

In general, candidates demonstrated a solid understanding of the standard related to the effects of changes in foreign exchange rates and applied the concepts appropriately. However, some candidates struggled with translating certain monetary items, particularly cash, due to the numerous transactions affecting this account.

Additionally, because purchases are being recorded on a perpetual basis, some candidates erroneously omitted the journal entries required to record cost of goods sold (COGS) and inventory.