

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

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

**EXAMINATION DATE:** 21 June 2023

### **Section 1**

#### **General comments**

For this examination, unless specified otherwise, Candidates were to assume that all reporting entities adopted, 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 2023.

PFF continues to be an e-Exam format and a restricted open book format, with Candidates being able to bring in a double-sided A4 page of personal notes for reference.

Question 1 was fairly attempted, and Candidates were generally able to prepare Statement of Cash Flows.

Most of the Candidates struggled with Question 2, especially in relation to the topic on revenue from contracts with customers as well as provisions and contingent liabilities.

Question 3 was also not well attempted by the Candidates, although a majority of the Candidates were able to correctly prepare journal entries relating to effects of changes in foreign exchange rates, including correctly revaluing monetary assets and liabilities.

The last question covering leases from the perspectives of both the lessee and lessor was poorly attempted as well.

To do well in this module, Candidates should read and do more exercises from the main accounting textbooks used in university accounting courses (a list of suggested textbooks is available from here ([www.acra.gov.sg/scaq](http://www.acra.gov.sg/scaq)) and read the accounting standards. In addition, Candidates are strongly encouraged to peruse the Examiner's Guide.

Many SFRS(I) have guidance notes and illustrative examples available from here (<https://www.acra.gov.sg/accountancy/accounting-standards>). Candidates are also strongly encouraged to use these documents as additional practice resources. This will build their foundation on the topics covered in this module.

**Section 2**  
**Analysis of individual questions**

**Question 1**

Most Candidates performed well for **part (a)** which required them to prepare the Statement of Cash Flows. Candidates did well and provided detailed workings and computations for the line item figures for the operating activities. However, some Candidates were not able to correctly identify the sale and purchase of investment, repayment of bank loan, and additional bank loan payable for the investment and financing activities.

For **Part (b)**, many Candidates were able to explain the type of accounting changes of the events that took place. However, many could not clearly explain the required disclosures and the effects on financial statements.

**Question 2**

For **Part I**, many Candidates failed this question part. Candidates were unable to prepare the required journal entries relating to revenue recognition, especially relating to interest revenue and variable consideration for advertising revenue.

For **Part II**, many Candidates were able to explain the indicators of impairment. However, a majority of Candidates were not able to explain the reason why net realisable value for inventory may not equal to the fair value less costs to sell.

A majority of the Candidates provided the wrong accounting treatment relating to retrenchment pay-out. The better Candidates were able to correctly identify that no adjustment was required as of 31 December 2022 because no details on the business and employees affected have been given on the retrenchment.

**Question 3**

Most Candidates performed well for **Part I (a)**, correctly explaining the factors determining the functional currency of Company Raffles, and applying the facts of the case to draw their conclusion.

However, **Part II (a)** was a challenge for many Candidates. In particular, the foreign exchange gain or loss arising from the revaluation of monetary assets (e.g. accounts receivables and USD cash) and monetary liabilities (e.g. accounts payable and bonds payable) was not correctly computed.

**Question 4**

For **Part (a)**, most Candidates were able to identify the journal entries for the lessee. A common mistake made by the Candidates was the incorrect computation of the right-of-use asset amount on initial recognition. For journal entries relating to the

lessor, Candidates performed poorly as they missed out on the present value of the annual lease payments and the profit from sale.

Majority of the Candidates did poorly for **Part (b)**. Most Candidates did not elaborate on the conditions which each measurement bases were allowed under SFRS(I) for equipment and financial liabilities. Instead, Candidates discussed at length the different measurement bases. It was also observed that a handful of the Candidates did not attempt this question part.