

SINGAPORE CA QUALIFICATION (FOUNDATION) EXAMINER'S REPORT

MODULE: Principles of Financial Reporting (PFF)

EXAMINATION DATE: 17 June 2025

Section 1

General comments

Compared to the December 2024 examination, the overall performance for the June 2025 examination was not as well done. 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 performed reasonably well for this question and generally demonstrated some proficiency in preparing the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity in accordance with SFRS(I) 1-1 *Presentation of Financial Statements*. However, common errors included miscalculations of bad debts, interest expenses. The revaluation surplus arising from property, plant and equipment was also incorrectly calculated and presented in the statements.

Question 2: PPE, Investment Property

Performance for Question 2 was poor. Majority of Candidates demonstrated poor understanding of SFRS(I) 1-16 *Property, Plant and Equipment* and SFRS(I) 1-40 *Investment Property*.

Question 3: Provisions, Contingent Liabilities and Contingent Assets

Candidates' performance was fair, with many scoring just over half of the total marks. Majority of the Candidates showed some understanding on SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*. Issue 2 covered SFRS(I) 1-36 *Impairment of Assets* and SFRS(I) 1-8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Question 4: Revenue Recognition

The performance was weak for this question. Most Candidates failed to allocate the transaction price for each performance obligation correctly and failed to score marks for preparing journal entries in accordance with SFRS(I) 15 *Revenue from Contracts with Customers*.

Section 2

Analysis of individual questions

Question 1

Candidates were tasked with preparing financial statements in accordance with SFRS(I) 1-1 *Presentation of Financial Statements*, including the Statement of Profit

or Loss and Other Comprehensive Income, the Statement of Financial Position, and the Statement of Changes in Equity.

Overall, Candidates performed fairly, showing some understanding of financial statement presentation and an ability to allocate costs appropriately across the three functional areas. Several Candidates made careless mistakes in cost allocation, which affected the accuracy of their statements. Some Candidates made errors in calculating bad debts expense and interest expense, and many missed the reversal of the revaluation loss on freehold land.

Candidates are encouraged to continue building on their understanding and to pay closer attention to the finer details of accounting adjustments. With continued effort and practice, they will be on track to mastering the principles of financial reporting.

Question 2

This question addressed the accounting concepts and treatments for property, plant and equipment (PPE) under the revaluation model and investment property (IP) under the fair value model. Most Candidates were not able to perform the revaluation accounting for PPE with fair value accounting for IP, and struggled with preparing the PPE and IP schedules.

Candidates recognised the change in use from PPE to IP and were able to explain the appropriate classifications and accounting treatments for the shophouse, both at the date of acquisition and during the financial year 20X3/20X4. This reflected a solid understanding of the relevant concepts and treatments.

Candidates showed weaknesses in handling revaluation adjustments, particularly in applying the correct accounting treatment for changes in the carrying amount of PPE. In addressing the journal entries, many Candidates adopted a chronological, date-based approach to improve accuracy. While this method was effective for most, a few Candidates lost focus or deviated from the question requirements, although many still managed to arrive at the correct answers.

Question 3

Candidates were assessed on a range of accounting topics across three issues. Issue 1 focused on SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*. Issue 2 covered SFRS(I) 1-36 *Impairment of Assets* and SFRS(I) 1-8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Issue 3 examined SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates*. In addition to these technical areas, Candidates were also tested on the fundamental principles of the ISCA Code of Professional Conduct and Ethics, with reference to the specific issues presented in the question.

Overall, Candidates performed satisfactorily on this question. Many excelled in addressing the professional ethics component, as well as the accounting treatment of the foreign exchange transaction in Issue 3. Candidates also demonstrated a solid

understanding of changes in accounting estimates and the corresponding depreciation adjustments.

However, performance was weaker in the accounting aspects of Issues 1 and 2. Some Candidates showed confusion over key concepts such as provisions, contingent liabilities, impairment of assets, and inventory write-downs. This misunderstanding affected the accuracy of the related journal entries in their responses.

Question 4

This question assessed Candidates' understanding of revenue recognition, specifically relating to customer options for additional goods or services in Part I, and accounting for investments in shares in Part II.

In Part I, most Candidates were not able to explain the accounting treatment of loyalty points issued in accordance with SFRS(I) 15 *Revenue from Contracts with Customers*. They did not recognise the loyalty points as a contract liability at the point of sale, deferring revenue until redemption. Candidates also overlooked the presence of two distinct performance obligations within the transaction. As a result, the transaction price was incorrectly allocated, leading to errors in revenue recognition for both financial years.

In Part II, Candidates generally demonstrated a strong grasp of the fundamental accounting principles for investments in shares under SFRS(I) 9 *Financial Instruments*, with most applying the standard accurately and confidently.