



Singapore CA Qualification (Foundation) Examination

17 June 2025

Principles of Financial Reporting

INSTRUCTIONS TO CANDIDATES

1. The time allowed for this examination paper is **3 hours 15 minutes**.
2. This examination paper has **FOUR (4)** questions and comprises **SIXTEEN (16)** pages (including this instruction sheet and Appendix A). Each question may have **MULTIPLE** parts and **ALL** questions are examinable.
3. This is a restricted open-book examination. This means that you are allowed to only bring the following materials into the exam location:
 - One A4-sized double-sided cheat sheet
 - One A4-sized double-sided blank scratch paper
4. 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 and **MUST NOT** be within reach or sight or hearing from where you are seated to write the exam.
5. 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.
6. This examination paper and all video recordings of this exam are the property of the Accounting and Corporate Regulatory Authority.
7. Only answers in **English** are accepted.

MODULE-SPECIFIC INSTRUCTIONS:

8. Assume that all dollar amounts are in Singapore dollar (S\$) unless otherwise stated.
9. 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.
10. Present all Journal Entries in the following format:

Transaction date	
DR Account Name	xxx
CR Account Name	xxx
(Narration or journal title)	

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.

****VERY IMPORTANT NOTICE****

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

Other important information:

2. You will **only be allowed** to access the Excel function from your computer.
3. You are **NOT ALLOWED** to access any websites or reference materials (except for your A4-sized double-sided cheat sheet) during the exam.
4. You are **NOT ALLOWED** to print the question paper.
5. **Please take note that your screen will be monitored throughout the examination. If you are found to have accessed unauthorised materials or 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

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

Question 1 – (a) to (c)

Elegant Habitat Pte Ltd (EH) is a furniture manufacturing firm and has its financial year ended on 31 March 20x4. EH carries all its property, plant and equipment using the cost model except for freehold land, which is carried at its revalued amount. Below is its unadjusted trial balance as at 31 March 20x4:

	Reference	Dr	Cr
		\$'000	\$'000
Cash and cash equivalents		620	
Trade receivables	(1)	540	
Allowance for impairment of trade receivable	(1)		27
Inventories		770	
Prepayments		180	
Trade payables			360
Tax payable			55
Borrowings	(2)		3,000
Freehold land	(3)	5,200	
Machinery	(4)	4,000	
Furniture and fittings	(4)	360	
Accumulated depreciation – Machinery	(4)		580
Accumulated depreciation – Furniture and fittings	(4)		27
Share capital	(5)		2,250
Retained earnings			4,985
Sales revenue			2,880
Cost of goods sold	(7)	1,720	
Salaries expense	(7)	240	
Interest expense	(2)	160	
Utilities, repair and maintenance expenses	(7)	12	
Rental expense	(7)	144	
Tax expense		88	
Miscellaneous expenses		10	
Interim dividend	(6)	120	
Total		14,164	14,164

Additional information relating to the financial year ended 31 March 20x4 are listed below:

Reference:

- (1) On 5 February 20x4, a debtor of EH, whose \$8,000 bad debts were written off after the debtor ran away during the financial year ending 31 March 20x3, returned to negotiate bringing the debts down to \$1,000. EH agreed and received \$1,000 cash from the debtor. EH recorded the journal entry as follows:

Dr	Cash	\$1,000	
Cr	Sales revenue		\$1,000

The financial year end preliminary assessment shows that 6% of the trade receivables balance is expected to be uncollectable.

- (2) EH obtained a five-year bank loan of \$5,000,000 from AB Bank on 1 January 20x2 at an annual interest rate of 6%. The principal amount of the loan is repayable in five equal yearly instalments commencing on 31 December 20x2. The interest expense is repayable on 30 April and 31 October each year. The annual interest rate was increased to 7.2% from 1 June 20x3 onwards.
- (3) The freehold land was acquired at \$5.4 million in January 20x0 and revalued to \$5.2 million and \$5.7 million on 31 March 20x3 and 31 March 20x4, respectively.
- (4) Both machinery, and furniture and fittings are acquired on 1 October 20x1. The depreciation for the assets is as follows:
- 10% on the machinery using the reducing balance method.
 - 5% on the furniture and fittings using straight-line method with zero salvage value.

During the financial year 20x3/20x4, there was no addition or disposal of machinery, and furniture and fittings.

- (5) The total number of outstanding shares before the shares buyback transaction was 2,500,000 at \$1.00 per share. Aside from the shares buyback transaction during the financial year ended 31 March 20x4, there were no other transactions relating to shares.
- (6) An interim tax-exempt (one-tier) dividend was declared and paid. No further dividends were declared for the financial year 20x3/20x4.
- (7) EH allocates all the cost of goods sold and depreciation of machinery, 20% of depreciation of furniture and fittings, and 50% of both salaries expenses and utilities, repair and maintenance expenses to cost of sales for the financial year 20x3/20x4. The remaining portion of depreciation expense, salaries expenses and utilities, repair and maintenance expenses are allocated equally to administrative and distribution functions. The rent expenses are assigned to the cost of sales, administrative and distribution functional areas on the basis of 75%, 15% and 10%, respectively. The impairment loss of trade receivables is allocated to the functional area of administrative expense.

**e-Exam
Question
Number**

Question 1 required:

Review items **(1)** to **(7)** above and make necessary adjustments to prepare the following statements for EH in accordance with SFRS(I) 1-1 *Presentation of Financial Statements*. Show your workings and ignore tax effects in your calculations. Present your answers in thousands, rounded to two decimal places (e.g., \$10,610 should be represented as \$10.61).

- 2** **(a)** Statement of Profit or Loss and Other Comprehensive Income for the financial year ended 31 March 20x4. Classification of expenses should be presented by function.

(11 marks)

- 3** **(b)** Statement of Financial Position as at 31 March 20x4.

(13 marks)

- 4** **(c)** Statement of Changes in Equity for the financial year ended 31 March 20x4.

(6 marks)

(Total: 30 marks)

Question 2 – (a) to (c)

Tamron Pte Ltd (Tamron) is a lighting distributor in Singapore and has its financial year ended on 31 March 20x4. Tamron has a policy to carry all its non-current assets using the cost model, except for investment property which is using the fair value model. A straight-line depreciation method is adopted, where applicable.

Tamron owned a shophouse located at Toa Payoh, for retailing and administrative purposes. The shophouse was bought in early January 20x0 for \$1.9 million. The estimated useful life and salvage value of the shophouse are 60 years and \$400,000, respectively. On 1 July 20x3, Tamron ceased its business and vacated the shophouse. One month later, the shophouse was leased out successfully to a tenant, who runs a restaurant. The fair values of the shophouse are as follows:

	\$ million
31 March 20x1	2.00
31 March 20x2	2.20
31 March 20x3	2.30
1 July 20x3	2.40
1 October 20x3	2.35
31 March 20x4	2.20

**e-Exam
Question
Number**

Question 2 required:

5

- (a)** Comment on the classifications and the accounting treatments of the shophouse on the date of acquisition in early January 20x0 and during the financial year 20x3/20x4, in accordance with SFRS(I) 1-16 *Property, Plant and Equipment* and SFRS(I) 1-40 *Investment Property*. No journal entries are required.

(8 marks)

6

- (b)** Prepare the journal entries relating to the shophouse for the financial year 20x3/20x4, if any.

(10 marks)

7

- (c)** Prepare the property, plant and equipment (PPE) and investment property (IP) schedules of the shophouse to be disclosed in the Notes to the Financial Statements as at 31 March 20x4, in accordance with SFRS(I) 1-16 *Property, Plant and Equipment* and SFRS(I) 1-40 *Investment Property*.

(7 marks)

(Total: 25 marks)

Question 3 – (a) to (d)

Unmanned Aircraft Pte Ltd (UA) sells various drone models in Singapore. While preparing the draft financial statements as at 30 September 20x4, Michael, the accountant noticed that some transactions had been overlooked. The omitted transactions and events are outlined in the issues below:

Issue 1

On 1 July 20x4, UA entered into an agreement with its main supplier, Aircraft Vehicle Pte Ltd (AV), for 1,000 units of Model X drones at \$50 per unit. The delivery was scheduled for 15 October 20x4. However, before receiving the drones, news about the launching of Model Y was released on 20 September 20x4, causing the immediate decline in UA's Model X's selling price to \$44 per unit. The accountant made the cash payment and recognised the inventory of \$50,000 upon receiving the delivery.

Issue 2

A pickup acquired on 1 January 20x2 at \$26,000 was estimated to have 10 years useful life and \$6,000 salvage value. After a minor road accident happened on 31 December 20x3, the recoverable amount, total useful life and salvage value of the pickup were estimated to be \$20,000, 6 years and \$2,000, respectively. UA depreciated all its non-current assets using straight-line method.

The accountant recorded depreciation of \$2,000 for the financial year ended 30 September 20x4.

Issue 3

A credit sale of 50 units of Model X+ was made to a customer in USA for USD 4,450 on 1 September 20x4. The customer fully settled the bill on 30 September 20x4. The UA accountant omitted the issuance of invoice on 1 September 20x4 and the collection of payment on 30 September 20x4.

The foreign currency rates are as follows:

	1 USD to SGD
1 September 20x4	1.27
30 September 20x4	1.29

**e-Exam
Question
Number**

Question 3 required:

8

- (a) Michael was not sure whether to report the omitted transactions in Issues 1 to 3 above to his Chief Financial Officer because the company's staff bonus is linked to the net income for the year.

Identify and explain two of the fundamental principles of the ISCA Code of Professional Conduct and Ethics that apply to the dilemma faced by Michael.

(4 marks)

9

- (b) For **Issue 1**: Identify and explain the accounting issue in accordance with SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*. In addition, explain how UA should account for the issue for the financial year ended 30 September 20x4.

(3 marks)

10

- (c) For **Issue 2**: Identify the accounting issue and explain the accounting treatment of such issue for the financial year ended 30 September 20x4 in accordance with SFRS(I) 1-36 *Impairment of Assets* and SFRS(I) 1-8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

(4 marks)

11

- (d) Prepare the journal entries for **Issues 1 to 3** for the financial year ended 30 September 20x4.

(12 marks)

(Total: 23 marks)

Question 4 – Part I and Part II

Part I

QQ Mart (QQ) run a loyalty scheme for two years, from 1 January 20x3, to promote healthy food and drinks. Under the scheme, QQ offered one QQ point (QQP) to customers for every \$1 they spent on healthy meals in the stores. Every 50 QQP collected by customers entitled them to redeem one free bottle of ginseng drinks worth \$10.

The loyalty scheme attracts many customers and QQ made \$780,000 and \$1,000,000 in sales revenue for the financial years ended on 31 December 20x3 and 31 December 20x4, respectively. The expected redemption rates of the QQP issued in 20x3 and 20x4 were both 80% for each financial year.

In 20x3, customers redeemed 40% of the expected redemption rate of the QQP that was issued in that financial year. In 20x4, an additional 40% of the expected redemption rate of the QQP issued in 20x3 were redeemed by customers, along with 80% of the QQP issued in 20x4. All the accumulated QQP would be expired on 31 December 20x4. QQ recognised its sales revenue in accordance with SFRS(I) 15 *Revenue from Contracts with Customers*.

Part II

On 3 December 20x4, HA Pte Ltd (HA) bought 1,000 shares of Express Pte Ltd at \$9,000 and treated them as investment in shares (FVPL). The share price increased by \$0.20 at the end of the financial year 31 December 20x4. HA disposed of the shares at \$9,400 on 2 February 20x5.

**e-Exam
Question
Number**

Question 4 Part I required:

Round off your answers to the nearest dollar. For example, \$10.354 to \$10.

12

- (a)** Briefly explain how QQ should account for the QQP issued in accordance with SFRS(I) 15 *Revenue from Contracts with Customers*.

(2 marks)

13

- (b)** Allocate the transaction price for each performance obligation determined. Prepare the journal entries to record QQ's sales revenue for the financial years ended 31 December 20x3 and 31 December 20x4 in accordance with SFRS(I) 15 *Revenue from Contracts with Customers*.

(13 marks)

Question 4 Part II required:

14

- (a)** Prepare the journal entries relating to the investment in shares (FVPL).

(7 marks)

(Total: 22 marks)

END OF PAPER

Appendix A – Common verbs used by the Examiners

Verb	Description
Assess	Make a judgment about the value, quality, outcomes, results, or size. Often there will be a qualifier in the instruction, which will tell you exactly what to assess . For instance, " Assess the <u>adequacy</u> of the disclosures in the financial statements relating to ...". Professional judgment and scepticism (a questioning mind) are called for when making an assessment . Appraise and Assess are interchangeable.
Comment	Comment is similar to evaluate in that you are required to make a judgment or provide your opinion based on the facts at hand. Professional scepticism and professional judgment are called for when commenting .
Describe	Describe requires you to provide the characteristics and features of an item or situation. For instance, " Describe the audit procedures to verify ..." requires you to state the specific audit procedure/s that you would use without going into step-by-step detail of how to perform that procedure.
Determine	Ascertain or conclude after analysis and evaluation the most appropriate course of action or most correct answer from a range of viable alternatives.
Explain	Explain requires you to write at least several sentences conveying how you have analysed the information in a way that a layperson can easily understand the concept or grasp the technical issue at hand.
Identify	Identify is similar to list , but requires you to also provide an explanation as to why the item that you have identified is relevant to the facts given in the question. Often identify will require you to select a specific issue or issues, but not all issues, so you need to look out for any qualifying words. For instance, " Identify the Board Matters ..." is asking you to focus solely on issues that relate to Board Matters so if you digress and identify remuneration issues, you will not score well. Another example is " Identify the companies that qualify as members of the group for the purposes of group tax relief". In order to score well in this second example, you need to identify the companies and state why they are included in the group. You also need to state if a company is not included and why.

Appendix A – Common verbs used by the Examiners

Verb	Description
Outline	Outline requires you to provide a general overview of the situation and indicate the main features. Outline is used when the question is worth only a couple of marks, but a single sentence is usually never enough to achieve full marks.
Prepare / Present	Prepare (or present) requires you to produce your answer using a specific format. For instance, “ Present an extract of the notes to the accounts for...” or “ Prepare all the relevant journal entries for ...”. Remember, a journal is only complete if it shows the date of the entry, the correct accounts, the correct amounts, and has a description (narration) – easy marks are often thrown away through carelessness.
Recommend	Make a statement about the most appropriate course of action. If there is more than one possible course of action, state which action you would choose and why (justify your choice). Your professional judgment and your ability to interpret the wider situation are critical to scoring well in these types of questions. Don't forget to think about the future and the past, not just the present when making a recommendation .
Record	Record is similar to prepare in that you may need to perform a calculation and show the specific components in an appropriate format.
State	State is similar to list , but the items require your professional judgement. For instance, “ State any restrictions that apply”. One of the easiest ways to make sure that you state comprehensively is to think, “ list and justify ”. You will note that state appears in many of the verb descriptions given.