

# Singapore CA Qualification Examination

4 December 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 (20)** pages (including this instruction sheet and Appendix) and **ONE (1)** EXCEL spreadsheet (Appendix). 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.**

**\*\*VERY IMPORTANT NOTICE\*\***

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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) (c), (d) and (e)**

P Co, a Singapore company whose functional currency is the Singapore dollar (S\$) has a subsidiary S Co and associate A Co. The functional currency of S Co is the S\$ while that of A Co is the United States dollar (US\$). The abridged financial statements of S Co and A Co for the year ended 31 December 20x6 are shown below.

<b><i>Abridged Income Statement and Statement of Changes in Equity for the year ended 31 December 20x6</i></b>		
	<b>S Co</b>	<b>A Co</b>
	<b>S\$</b>	<b>US\$</b>
Gross profit	903,000	730,000
Operating expenses	(343,900)	(260,000)
Depreciation	(58,000)	(15,000)
Expected credit loss on receivables	(36,000)	(23,000)
Profit before tax	465,100	432,000
Tax expense	(93,020)	(86,400)
Profit after tax	372,080	345,600
Dividends declared	(124,000)	(60,000)
Profit retained	248,080	285,600
Retained earnings, 1 January 20x6	560,000	435,000
Retained earnings, 31 December 20x6	808,080	720,600
<b><i>Abridged Statement of Financial Position as at 31 December 20x6</i></b>		
	<b>S Co</b>	<b>A Co</b>
	<b>S\$</b>	<b>US\$</b>
Fixed assets	643,080	525,600
Inventory	320,000	280,000
Other net assets	245,000	540,000
<b>Net assets</b>	<b>1,208,080</b>	<b>1,345,600</b>
Share capital	400,000	520,000
Retained earnings	808,080	720,600
Revaluation reserves		105,000
<b>Shareholders' equity</b>	<b>1,208,080</b>	<b>1,345,600</b>

All figures relating to S Co in the question are in S\$. All figures relating to A Co unless otherwise stated are in US\$.

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

<b>Table A: Information relating to the investment in S Co and A Co</b>		
	<b>S Co</b>	<b>A Co</b>
Date of acquisition	1 January 20x3	1 January 20x5
Percentage initially acquired by P Co	90%	40%
Shareholders' equity at date of acquisition		
	<b>S\$</b>	<b>US\$</b>
Share capital	400,000	520,000
Retained earnings	248,000	220,000
Revaluation reserves		35,000
<b>Shareholders' equity</b>	<b>648,000</b>	<b>775,000</b>
Fair value of non-controlling interest (S\$) on 1 January 20x3	150,000	
Investment in S Co, at cost (S\$) on 1 January 20x3	1,500,000	
Investment in A Co, at cost (US\$) on 1 January 20x5		550,000
Additional interest acquired by P Co	6%	
Date of acquisition of additional interest	1 January 20x6	
Purchase consideration for the additional interest (S\$)	250,000	
Non-controlling interests on and after 1 January 20x6	4%	

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

<b>Table B: Fair value and book value of identifiable net assets of S Co and A Co as at the date of initial investment by P Co</b>				
	<b>S Co (S\$) -----&gt;</b>		<b>A Co (US\$) -----&gt;</b>	
	Book value	Fair value	Book value	Fair value
Intangible asset	0	535,000		
Provision for claims			(90,000)	(140,000)
Other net assets	<u>648,000</u>	<u>648,000</u>	<u>865,000</u>	<u>865,000</u>
<b>Total net assets</b>	<b><u>648,000</u></b>	<b><u>1,183,000</u></b>	<b><u>775,000</u></b>	<b><u>725,000</u></b>

**Additional information relating to P Co, S Co, and A 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. Investments in S Co and A Co are carried at cost in P Co's separate financial statements.

**Additional information relating to P Co:**

1. On 1 July 20x6, P Co entered a contract with S Co to provide research consultancy for S Co. The consultancy fees met the criteria for capitalisation under SFRS(I) 1-38 *Intangible Assets* for S Co. Details of the contract and its impact on P Co and S Co are as follows:

Total contract consultancy fee	S\$2,800,000
Expected date of completion	31 December 20x7
Consultancy fee revenue recognised by P Co in 20x6	S\$460,000
Consultancy expenses recognised by P Co in 20x6	S\$290,000
Progress billings issued by P Co to S Co during 20x6	S\$500,000
S Co recognised development work-in-progress based on the progress billings	

**Additional information relating to S Co:**

- The intangible asset arising at acquisition date had a remaining useful life of 10 years on acquisition date. On 1 January 20x6, following a technological breakthrough, the remaining useful life on 1 January 20x6 was extended to 8 years. Intangible assets are accounted for using the cost model.
- S Co sold excess inventories to P Co during 20x6 at the transfer price of S\$100,000 when the original cost was S\$75,000. Subsequently:
  - % resold by P Co to third parties in 20x6 60%

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  - % applied by P Co for P Co's own research expense in 20x6 10%

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  - % unsold as at 31 December 20x6 30%

**Additional information relating to A Co:**

- The actual claims that relate to the provision for claims arising at acquisition date were US\$100,000 and were fully settled on 31 December 20x5.
- Sales, purchases, operating and other expenses and tax are evenly spread out throughout the year except for impairment loss and its related tax effect which arose at year end.

3. Revaluation reserves comprise of the following:

- Revaluation surplus arising on 23 December 20x4    US\$35,000
  - Revaluation surplus arising on 31 December 20x6    US\$70,000
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4. Foreign currency translation reserve on shareholders' equity of A Co as at 1 January 20x6 was a credit balance of S\$27,500.

5. The exchange rates of S\$ to US\$1 are shown below.

	<b>S\$ to US\$1</b>
1 May 20x4: Purchase of fixed assets	1.25
23 December 20x4: Revaluation of fixed assets	1.28
1 January 20x5: Acquisition of Associate	1.30
5 December 20x5: Purchase of opening inventory	1.34
31 December 20x5	1.35
Average rate for 20x6	1.32
6 August 20x6: Date of dividend declaration	1.37
19 November 20x6: Purchase of closing inventory	1.29
31 December 20x6	1.27

**e-Exam  
Question  
Number**

**Question 1 required:**

- 2** (a) Prepare the consolidation journal entries in respect of P Co and its subsidiary S Co for the year ended 31 December 20x6. Show workings clearly.  
**(28 marks)**
- 3** (b) Analytically determine the balance of non-controlling interests (proof of balance) of S Co as at 31 December 20x6 in the consolidated financial statements. The compilation of the listing of consolidation journal entries is **not** required.  
**(4 marks)**
- 4** (c) Using the appropriate rates, translate the 20x6 financial statements of A Co to S\$ in accordance with the requirements of SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates*. Reconciliation of the translation gain or loss is **not** required. You may use the EXCEL spreadsheet in Appendix 1.  
**(9 marks)**
- 5** (d) Prepare the equity accounting entries for A Co in S\$ for the year ended 31 December 20x6. Show workings clearly.  
**(9 marks)**
- 6** (e) Analytically determine the balance of the investment in associate A Co (proof of balance) as at 31 December 20x6 in the consolidated financial statements. The compilation of the listing of equity accounting entries is **not** required.  
**(3 marks)**
- (Total: 53 marks)**

## Question 2 – Case A and Case B

### Case A

Company AZ is a social media company that provides advertising services to clients. The case facts relate to transactions of Company AZ for the year ended 31 December 20x6. Company AZ charges a fee that is based on the number of cumulative views on its social media platform at the end of 6 months from the date of contract inception. The company provides a series of distinct services that are substantially the same and have the same pattern of transfer. As the transfer of services is evenly occurring over time, a time-based measure based on number of months is applied to recognise the fee revenue across the 6 months.

Company AZ has sufficient historical data to assess the probabilities of outcomes before the end of the 6 months and concludes that it is highly probable that a significant reversal in revenues will not occur. It uses the expected value approach in recognising variable consideration.

Company AZ has many contracts with similar characteristics. One such contract is with Client X. Details of the contract with Client X are shown in Table A.

<b>Table A: Details of contract with Client X</b>	
Date of contract inception with Client X	1 April 20x6
Non-refundable deposit paid by Client X on 1 April 20x6 to be set off against final payment (if any)	\$3,000
Date of final assessment of fees	30 September 20x6
Date of billing of final fees	30 September 20x6
Date of settlement of fees (if any) in excess of the non-refundable deposit	15 October 20x6

The probabilities of the number of cumulative views of the advertisement for Client X assessed as at 1 April 20x6 and 30 June 20x6 and the actual outcome on 30 September 20x6 are shown in Table B.

<b>Table B: Probabilities assessed and fees for cumulative views</b>				
		←---Probabilities assessed ---→		
<b>Number of cumulative views</b>	<b>Fees \$</b>	<b>1 April 20x6</b>	<b>30 June 20x6</b>	<b>30 Sept 20x6</b>
100,000 or more	100,000	30%	25%	0%
50,000 to 99,999	50,000	50%	55%	100%
10,000 to 49,999	10,000	15%	10%	0%
5,000 to 9,999	5,000	3%	10%	0%
Less than 5,000	0	2%	0%	0%
		<b>100%</b>	<b>100%</b>	<b>100%</b>

Company AZ prepares quarterly accounts for its shareholders. Hence, it is necessary that revenue recognised in accordance with SFRS(I) 15 *Revenue from Contracts with Customers* are properly recognised during the year.

Ignore taxes and discounting.

**e-Exam  
Question  
Number**

**Question 2 Case A required:**

**7**

- (a)** Assuming that the expected value basis is the most predictive measure of the advertising revenue for Company AZ, calculate the expected fee from Client X on 1 April 20x6 and 30 June 20x6.

**(5 marks)**

**8**

- (b)** Using your calculations from (a) above and other information in the question, prepare the journal entries to record the transactions for Company AZ in accordance with SFRS(I) 15 *Revenue from Contracts with Customers* for 1 April to 30 June 20x6, 1 July 20x6 to 30 September 20x6 and 15 October 20x6. Monthly transactions of a similar nature may be aggregated.

**(10 marks)**

## **Case B**

Company B needs to ensure that its liabilities with respect to employee benefits are properly accounted. The financial year end is on 31 December. Two issues require attention.

### ***Additional profit-based bonus***

Company B has an established past practice of paying an additional one-month bonus salary (“bonus”) if actual audited profit for the year exceeds the budgeted profit by equal or more than 5%. This bonus is over and above the 13<sup>th</sup> month bonus payment that is documented in the staff policy. There is no written policy for the additional one-month bonus payment, but employees have always looked forward to the bonus if there is no announcement to the contrary.

The audited profit in 20x6 exceeded the budgeted profit by 20%. Management announced the bonus in February 20x7 before the issue of the audited financial statements. The bonus was paid in April 20x7 after the issue of the audited financial statements.

### ***Liability for paid leave***

Company B pays employees for any unused leave on resignation (i.e., the accumulated leave is vesting). The staff details of Ms S K Chan, one of Company B’s employees, are shown in Table A. Company B needs to determine the liability for paid leave as at 31 December 20x5 and 31 December 20x6, and their tax effects, for Ms Chan arising from her leave entitlement in 20x5. Tax deduction is given only on actual utilisation of the leave. The tax rate for 20x5 is 20% and the tax rate for 20x6 is 18%<sup>1</sup>.

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<sup>1</sup> Tax treatment and tax rates are hypothetical and do not necessarily reflect current tax regulation in Singapore.

<b>Table A: Employee Details of Ms S K Chan</b>	
Employee	Ms S K Chan
Date of start of employment	1 July 20x4
Number of working days per year	260
Annual leave entitlement	24 days
Annual salary (constant throughout the periods)	\$120,000
Unused leave, 31 December 20x4	0 days
Unused leave, 31 December 20x5	8 days
Expected utilisation rate in 20x6 assessed on 31 December 20x5	80%
Unused leave from 20x5 as at 31 December 20x6	3 days

**e-Exam  
Question  
Number**

**Question 2 Case B required:**

**9**

- (a) Should the provision for the additional profit-based bonus be recognised in 20x6 or 20x7? Explain.

**(3 marks)**

**10**

- (b) Prepare the journal entries for Company B with respect to the liability for paid leave and their tax effects as at 31 December 20x5 and 31 December 20x6 in accordance with SFRS(I) 1-19 *Employee Benefits* and SFRS(I) 1-12 *Income Taxes* arising from Ms S K Chan's leave entitlement for 20x5. Ignore employer's Central Provident Fund and other mandatory payments relating to the liability.

**(8 marks)**

**11**

- (c) **Ignore (b) above.** If the accumulated leave is non-vesting and will expire at the end of 12 months from the end of the year of the leave entitlement, prepare the journal entries for Company B with respect to the liability for paid leave as at 31 December 20x5 and 31 December 20x6 arising from Ms S K Chan's leave entitlement for 20x5. Ignore tax effects and employer's Central Provident Fund and other mandatory payments relating to the liability.

**(4 marks)**

**(Total: 30 marks)**

**Question 3 – (a)**

Company J is a manufacturing company in Singapore. The functional currency of Company J is the Singapore dollar (S\$). Company J entered into a non-cancellable purchase agreement on 1 July 20x6 to buy machinery of US\$5 million. The date of delivery of the machinery is 31 July 20x6 and expected payment to the supplier of the machinery is 30 September 20x6. To hedge the foreign currency risk from the payment for the machinery, Company J entered a forward purchase contract to buy US\$5 million at the forward rate of S\$1.29 to US\$1, with net settlement to be made on maturity date of 30 September 20x6. The actual events for Company J are shown below.

<b>Date</b>	<b>Event</b>
1 July 20x6	Enters a non-cancellable order to purchase equipment for US\$5 million
	Enters a forward purchase contract to buy US\$5 million at the contracted forward rate of S\$1.29 to be settled at maturity date on 30 September 20x6
31 July 20x6	Delivery of the equipment
30 September 20x6	Settlement of US\$5 million owing to the equipment vendor
	Net settlement of the forward purchase contract

The exchange rates of S\$ to US\$1 in the spot and forward markets are shown below.

<b>Date</b>	<b>Spot rates S\$ to US\$1</b>	<b>Forward rate for purchase of US\$1 on 30 September 20x6 S\$ to US\$1</b>
1 July 20x6	1.28	1.29
31 July 20x6	1.27	1.275
30 September 20x6	1.3	1.3

The forward contract met the hedge effectiveness criteria of Company J's risk management policies, in accordance with SFRS(I) 9 *Financial Instruments*. Company J's policy is to recognise the fair value of the forward contract in its entirety and not to separate the spot element and forward element of the forward contract. The company does not account for the hedge of the foreign currency risk of the firm commitment as a cash flow hedge.

Ignore discounting on the forward contract.

**e-Exam  
Question  
Number**

**Question 3 required:**

**12**

- (a)** Using the closest exchange rate available, prepare journal entries to record the transactions in 20x6 in Singapore dollars for Company J, including entries for foreign exchange gains or losses in accordance with SFRS(I) 9 *Financial Instruments* and SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates*. Ignore tax effects. Show workings where appropriate.

**(13 marks)**

### Question 3 – (b)

On 1 July 20x6, Co J provided a guarantee to an unrelated bank on behalf of its subsidiary Co S on the loan of \$3,000,000 obtained by Co S from the bank. For this service, Co J as guarantor charged Co S an annual fee based on market rates, payable at the start of each guarantee period. The guarantee was provided for two consecutive years from 1 July 20x6 with the annual fee as follows:

- For 12 months from 1 July 20x6      \$24,000
- For 12 months from 1 July 20x7      \$30,000

On 31 December 20x7, Co S showed significant signs of financial distress resulting in its bankruptcy during 20x8. Expected credit loss assessed by Co J on its obligations under the guarantee at the end of each financial year is as follows:

- As at 31 December 20x6                  \$6,000
- As at 31 December 20x7                  \$2,500,000

**e-Exam  
Question  
Number**

**Question 3 required:**

**13**

**(b)** What is the account name and amount of the liability of Co J arising from the obligations under the guarantee on 31 December 20x6 and 31 December 20x7 as determined by SFRS(I) 9 *Financial Instruments* and SFRS(I) 15 *Revenue from Contracts with Customers*? The account name of the liability should best describe its nature. Ignore tax effects. Show workings where appropriate. Journal entries are not required.

**(4 marks)**

**(Total: 17 marks)**

**END OF PAPER**

## Appendix

<b><i>Abridged Income Statement and Statement of Changes in Equity for the year ended 31 December 20x6</i></b>			
	<b>A Co US\$</b>	<b>Rate</b>	<b>S\$</b>
Gross profit	730,000		
Operating expenses	(260,000)		
Depreciation	(15,000)		
Expected credit loss on receivables	(23,000)		
Profit before tax	432,000		
Tax expense	(86,400)		
Profit after tax	345,600		
Dividends declared	(60,000)		
Profit retained	285,600		
Retained earnings, 1 January 20x6	435,000		
Retained earnings, 31 December 20x6	720,600		
<b><i>Abridged Statement of Financial Position as at 31 December 20x6</i></b>			
	<b>A Co US\$</b>	<b>Rate</b>	<b>S\$</b>
Fixed assets	525,600		
Inventory	280,000		
Other net assets	540,000		
<b><i>Net assets</i></b>	<b><i>1,345,600</i></b>		
Share capital	520,000		
Retained earnings	720,600		
Revaluation reserves	105,000		
Foreign currency translation reserve			
<b><i>Shareholders' equity</i></b>	<b><i>1,345,600</i></b>		