



Singapore CA Qualification (Foundation) Examination

8 June 2022

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 **EIGHTEEN (18)** pages (including this instruction sheet, Appendix A and Appendix B). Each question may have **MULTIPLE** parts and **ALL** questions are examinable.
3. This is a restricted open book examination. You are allowed to have only the following materials with you at your 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 SAC's regulations. Please note that watches, mobile phones, tablets, and all other electronic devices **MUST NOT** be used during the examination.
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 Singapore Accountancy Commission.

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 2022.
9. 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 6100 0516

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

Question 1 – (a), (b) and (c)

Mango Pte Ltd's (Mango) Statement of Comprehensive Income for the financial year and Statement of Financial Position for the financial years ended 31 December 20x1 and 20x2 are shown below:

	20x2	20x1
	\$'000	\$'000
Revenue	6,097	5,996
Cost of sales	(2,666)	(2,665)
Gross profit	<hr/> 3,431	<hr/> 3,331
Other income	312	332
Distribution and selling expenses	(2,433)	(2,417)
Administrative expenses	(921)	(809)
Interest expense	(92)	(54)
Profit before tax	<hr/> 297	<hr/> 383
Income tax expense	(114)	(110)
Profit for the year	<hr/> 183	<hr/> 273
Other Comprehensive Income:		
Gain / (loss) on financial assets	(15)	14
Total comprehensive income for the year	<hr/> 168	<hr/> 287

Mango Pte Ltd
Statement of Financial Position
As at 31 December

	20x2	20x1
	\$'000	\$'000
Non-current assets		
- Property, plant and equipment	1,734	1,691
- Intangible assets	61	60
- Financial assets @ FVTOCI	831	846
	2,626	2,597
Current assets		
- Inventories	113	97
- Trade and other receivables	579	519
- Prepayments	59	68
- Cash and cash equivalent	849	412
	1,600	1,096
Total assets	4,226	3,693
Non-current liabilities		
- Notes payable	995	750
- Deferred tax liability	46	42
	1,041	792
Current liabilities		
- Trade and other payables	975	903
- Notes payable	750	600
- Tax payable	121	107
	1,846	1,610
Equity		
- Share capital	333	303
- Fair value reserve	45	60
- Accumulated profits	961	928
	1,339	1,291
Total equity and liabilities	4,226	3,693

You are provided with the following information:

- (1) Property, plant and equipment is accounted for using the cost model. During FY 20x2, plant and equipment carried at a net book value of \$216,000 was sold for \$255,000.
- (2) Intangible assets are accounted for using the cost model. No intangible assets were disposed of during FY 20x2.
- (3) Other payables do not include interest payable and dividend payable. There are no interest payable and dividend payable balances.
- (4) 'Other income' for FY 20x2 comprises a gain on disposal of plant and equipment and dividends earned from financial assets only.
- (5) Fair value gain/(loss) relates entirely to financial assets measured at fair value through other comprehensive income (FVTOCI). There are no purchases and sales of FVTOCI financial assets in FY 20x2.
- (6) During the financial year ended 31 December 20x2, distribution and selling expenses and administrative expenses include depreciation and amortisation recorded amounted to \$283,000 and \$15,000, respectively.
- (7) Notes payable (both current and non-current) are payable to financial institutions.

**e-Exam
Question
Number**

Question 1 required:

- 2** **(a)** Prepare the Statement of Cash Flows for Mango Pte Ltd for the financial year ended 31 December 20x2 in accordance with SFRS(I) 1-7 *Statement of Cash Flows*. You are required to use the indirect method when preparing the operating cash flows section. Show all necessary workings.
(19 marks)
- 3** **(b)** Prepare the Statement of Changes in Equity for Mango Pte Ltd for the financial year ended 31 December 20x2 in accordance with SFRS(I) 1-1 *Presentation of Financial Statements*. Show all necessary workings.
(7 marks)
- 4** **(c)** Explain the main purposes of SFRS(I) *Conceptual Framework for Financial Reporting*.
(3 marks)
(Total: 29 marks)

Question 2 – (a), (b) and (c)

The management of Guava Pte Ltd (Guava), a GST registered company, decided to expand its production capacity. After spending \$75,000 on a feasibility study on 1 February 20x4, Management decided to acquire a standard machine from overseas and pay a specialist to modify the asset to meet Guava's specific needs.

The standard machine was purchased on 1 April 20x4. The list price was \$630,000, and the supplier extended a trade discount of \$30,000. During April 20x4, delivery and installation costs of \$28,000 were incurred. In addition, a specialist was engaged to modify the asset. Work began on 1 May 20x4 and was completed on 30 September 20x4 at a cost of \$322,000.

Total GST incurred amounted to \$66,500, and the machine was ready for use on 1 October 20x4.

The purchase of the machine and all subsequent costs (including modification) were met by way of a general term loan (where the principal amount was drawn down when required and equals to the amount needed to purchase the standard machinery, delivery and installation costs and modification costs excluding GST), which attracted an annual interest rate of 8%. Principal and interest of the term loan were settled on 31 December 20x4.

**e-Exam
Question
Number**

Question 2 required:

- 5** **(a)** Calculate and explain the cost of the machine as of 1 October 20x4 in accordance with SFRS(I) 1-16 *Property, Plant and Equipment*. Show all necessary workings and explain the reasons for including or excluding each item. **(12 marks)**
- 6** **(b)** Advise the management of Guava on how the machine can be depreciated as of 31 December 20x4 in accordance with SFRS(I) 1-16 *Property, Plant and Equipment*. No computations are required. **(4 marks)**
- 7** **(c)** Describe how the machine should be tested for impairment as of 31 December 20x5 in accordance with SFRS(I) 1-36 *Impairment of Assets*. No computations are required. **(6 marks)**
- (Total: 22 marks)**

Question 3 – Part I and Part II

Part I

On 1 January 20x2, Papaya Pte Ltd (Papaya) entered into an agreement with Durian Pte Ltd (Durian) for the use of a lorry for three years, which has a remaining useful life of five years. Papaya has the right to dictate when the lorry is used and the delivery routes. Straight-line depreciation is applied.

The terms of the agreement state that Papaya is responsible for servicing the lorry and is allowed to dictate when the lorry is used and on what delivery routes.

An initial payment to Durian of \$3,000 is required upfront, and thereafter an annual amount of \$10,000 shall be paid each year in arrears. An additional \$1.50 per kilometre (KM) is payable for annual mileage over 20,000 KM. Management of Papaya has estimated the mileage of the lorry as follows:

- 31 December 20x2 = 24,000 KM
- 31 December 20x3 = 28,000 KM
- 31 December 20x4 = 21,000 KM

Papaya's incremental borrowing cost is 5% p.a..

**e-Exam
Question
Number**

Question 3 Part I required:

- 8** **(a)** Explain why the agreement between Papaya and Durian is classified as a lease under SFRS(I) 16 *Leases*.
(4 marks)
- 9** **(b)** Record the journal entries for Papaya relating to the lorry from 1 January 20x2 to 31 December 20x3 in accordance with SFRS(I) 16 *Leases* and SFRS(I) 1-16 *Property, Plant and Equipment*. Ignore the effects of income tax arising from these transactions and events. Show all necessary workings. Round your answers to the nearest dollar.
(14 marks)

Part II

During 20x5, Papaya purchased intangible assets costing \$300,000. At the end of 20x5, the amortisation on financial statement and writing-down allowances claimed on tax basis are \$30,000 and \$100,000, respectively.

Papaya's taxable profits for the financial year ended 31 December 20x5 is \$450,000 (which has been adjusted for tax deduction on the intangible assets), and the corporate tax rate is 17%. In the previous year (i.e. FY 20x4), income tax was estimated and recorded to be \$25,000, but was subsequently agreed with the local tax authority during FY 20x5 to be \$29,000.

**e-Exam
Question
Number**

10

Question 3 Part II required:

- (a)** Record the journal entries for Papaya relating to the intangible asset, current tax and deferred tax arising the transactions from 1 January 20x5 to 31 December 20x5 in accordance with SFRS(I) 1-38 *Intangible Assets* and SFRS(I) 1-12 *Income Taxes*. Show all necessary workings. Round your answers to the nearest dollar.

(8 marks)

(Total: 26 marks)

Question 4 – (a) and (b)

A customer entered into a 12-month mobile phone contract with Grapes Pte Ltd (Grapes) on 1 January 20x0. The terms of the mobile phone plan are as follows:

- The customer received a free handset on 1 January 20x0; and
- The customer needs to pay a quarterly fee of \$500 in arrears, which includes 30-gigabytes of data and unlimited talk time.

The same handset may be purchased for \$600 without any plan, and the same mobile phone plan (without the handset) may be purchased for \$750 per quarter.

On 8 March 20x0, Grapes purchased 120,000 shares of Kiwi Berhad (Kiwi, a company listed on the stock exchange of Malaysia) at RM\$18 per share. Transaction costs amounting to RM\$4,000 were incurred on the same day. These shares were held for trading purposes. Functional currency of Grapes is Singapore dollars (S\$).

A dividend of RM\$1.20 per share was declared on 15 September 20x0 by Kiwi, and Grapes received dividend distribution on 1 October 20x0. On 31 December 20x0, Kiwi shares were trading at RM\$21 per share.

Exchange rates:

Date	1 S\$ to RM\$
1 January 20x0	3.090
8 March 20x0	3.230
15 September 20x0	3.105
1 October 20x0	3.020
31 December 20x0	2.990

Grapes does not have a bank account denominated in RM\$. All foreign currencies received are credited into its S\$ bank account based on spot rate.

Foreign currency monetary balances are translated at the end of the year. Revenue that is recognised over time is recorded at the end of each quarter. Ignore the effects of income tax arising from these transactions and events.

**e-Exam
Question
Number**

Question 4 required:

11

- (a)** Record the journal entries for Grapes Pte Ltd from 1 January 20x0 to 31 December 20x0 in accordance with SFRS(I) 15 *Revenue from Contracts with Customers*, SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* and SFRS(I) 9 *Financial Instruments*. Show all necessary workings. Round your answers to the nearest dollar.

(18 marks)

12

- (b)** Describe the obligations of accountants for responding to Non-Compliance with Laws and Regulations (“NOCLAR”) under the Ethical Pronouncement 100 and its purpose.

(5 marks)

(Total: 23 marks)

END OF PAPER

Appendix A - Common verbs used by the Examiners

Verb	Description
Advise / Give advice	This type of question requires you to give specific guidance to an individual or a group (e.g. a taxpayer, audit client, management, etc.), so your answer must provide specific information or make a recommendation tailored to the individual or group and justify you position.
Calculate / Compute	Do the number crunching and derive the correct answer. Make sure that you write down your workings and crosscheck your numbers.
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.
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.
In accordance with	This instruction requires you to relate your answer back to a specific document. Failure to make specific mention of the document in your answer will result in a loss of 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.
Record	Record is similar to prepare in that you may need to perform a calculation and show the specific components in an appropriate format.

Appendix B - Future Value and Present Value Tables

Present value interest factor of \$1 per period at i% for n periods (T), PVIF(i,n).										
T	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%
1	0.990	0.980	0.971	0.962	0.952	0.943	0.935	0.926	0.917	0.909
2	0.980	0.961	0.943	0.925	0.907	0.890	0.873	0.857	0.842	0.826
3	0.971	0.942	0.915	0.889	0.864	0.840	0.816	0.794	0.772	0.751
4	0.961	0.924	0.888	0.855	0.823	0.792	0.763	0.735	0.708	0.683
5	0.951	0.906	0.863	0.822	0.784	0.747	0.713	0.681	0.650	0.621
6	0.942	0.888	0.837	0.790	0.746	0.705	0.666	0.630	0.596	0.564
7	0.933	0.871	0.813	0.760	0.711	0.665	0.623	0.583	0.547	0.513
8	0.923	0.853	0.789	0.731	0.677	0.627	0.582	0.540	0.502	0.467
9	0.914	0.837	0.766	0.703	0.645	0.592	0.544	0.500	0.460	0.424

Future value interest factor of \$1 per period at i% for n periods (T), FVIF(i,n).										
T	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%
1	1.010	1.020	1.030	1.040	1.050	1.060	1.070	1.080	1.090	1.100
2	1.020	1.040	1.061	1.082	1.103	1.124	1.145	1.166	1.188	1.210
3	1.030	1.061	1.093	1.125	1.158	1.191	1.225	1.260	1.295	1.331
4	1.041	1.082	1.126	1.170	1.216	1.262	1.311	1.360	1.412	1.464
5	1.051	1.104	1.159	1.217	1.276	1.338	1.403	1.469	1.539	1.611
6	1.062	1.126	1.194	1.265	1.340	1.419	1.501	1.587	1.677	1.772
7	1.072	1.149	1.230	1.316	1.407	1.504	1.606	1.714	1.828	1.949
8	1.083	1.172	1.267	1.369	1.477	1.594	1.718	1.851	1.993	2.144
9	1.094	1.195	1.305	1.423	1.551	1.689	1.838	1.999	2.172	2.358

Present value interest factor of an (ordinary) annuity of \$1 per period (T) at i% for n periods (T), PVIFA(i,n).										
T	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%
1	0.990	0.980	0.971	0.962	0.952	0.943	0.935	0.926	0.917	0.909
2	1.970	1.942	1.913	1.886	1.859	1.833	1.808	1.783	1.759	1.736
3	2.941	2.884	2.829	2.775	2.723	2.673	2.624	2.577	2.531	2.487
4	3.902	3.808	3.717	3.630	3.546	3.465	3.387	3.312	3.240	3.170
5	4.853	4.713	4.580	4.452	4.329	4.212	4.100	3.993	3.890	3.791
6	5.795	5.601	5.417	5.242	5.076	4.917	4.767	4.623	4.486	4.355
7	6.728	6.472	6.230	6.002	5.786	5.582	5.389	5.206	5.033	4.868
8	7.652	7.325	7.020	6.733	6.463	6.210	5.971	5.747	5.535	5.335
9	8.566	8.162	7.786	7.435	7.108	6.802	6.515	6.247	5.995	5.759

Future value interest factor of an ordinary annuity of \$1 per period (T) at i% for n periods (T), FVIFA(i,n).										
T	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%
1	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
2	2.010	2.020	2.030	2.040	2.050	2.060	2.070	2.080	2.090	2.100
3	3.030	3.060	3.091	3.122	3.153	3.184	3.215	3.246	3.278	3.310
4	4.060	4.122	4.184	4.246	4.310	4.375	4.440	4.506	4.573	4.641
5	5.101	5.204	5.309	5.416	5.526	5.637	5.751	5.867	5.985	6.105
6	6.152	6.308	6.468	6.633	6.802	6.975	7.153	7.336	7.523	7.716
7	7.214	7.434	7.662	7.898	8.142	8.394	8.654	8.923	9.200	9.487
8	8.286	8.583	8.892	9.214	9.549	9.897	10.260	10.637	11.028	11.436
9	9.369	9.755	10.159	10.583	11.027	11.491	11.978	12.488	13.021	13.579