

SINGAPORE CA QUALIFICATION (FOUNDATION) EXAMINER'S REPORT

MODULE: Principles of Financial Reporting (PFF)

EXAMINATION DATE: 6 Dec 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.

The overall performance for the December 2023 examinations was satisfactory. 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 well attempted, and Candidates were able to prepare both the Statement of Comprehensive Income and the Statement of Financial Position.

Most of the Candidates struggled with Question 2, especially the part relating to the topic of revenue from contracts with customers.

Candidates performed fairly for Question 3. A majority of the Candidates were not able to prepare journal entries relating to the effects of changes in foreign exchange rates, including revaluing monetary assets and liabilities, correctly.

The last question covering the conceptual framework of financial reporting and ethics for accountants was fairly well-attempted.

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 (<https://www.isca.org.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 (www.asc.gov.sg). 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 this question which required them to prepare both the Statement of Comprehensive Income and the Statement of Financial Position.

Some Candidates were not able to compute the depreciation and prepayments correctly. However, it is commendable that most Candidates correctly classified the fair value gain on FVOCI equity instruments under OCI instead of P/L.

Question 2

Many Candidates failed **Part I** because Candidates were unable to prepare the required journal entries relating to revenue recognition. Candidates are encouraged to show their workings so that marks can be awarded accordingly.

For **Part II (a)**, many Candidates were able to explain the indicators of impairment and prepare journal entries for impairment. Candidates performed fairly on the preparation of journal entries for provisions. The common errors noted were that the Candidates failed to identify the possible penalty as a contingent liability which needed to be disclosed in the notes to the accounts.

Question 3

Most Candidates performed well for **Part I**; they were able to explain the factors that determine the functional currency of Company Orange, and applied the case facts to draw their conclusion.

However, **Part II** was a challenge for many Candidates. In particular, the following observations were made:

- Most Candidates did not revalue the monetary liabilities, namely refundable deposit and interest payable.
- A few Candidates incorrectly revalued unearned rent, inventories and investment properties. These are not monetary items and should not be revalued.
- A few Candidates misinterpreted the exchange rates and computed the translation wrongly.
- A number of Candidates did not record the entries pertaining to unearned rental income and have erroneously recognised the rental income in full.

Question 4

For **Part I**, most Candidates were able to explain the primary purpose of preparing financial statements and identify the qualitative and enhancing characteristics of financial statements. However, Most Candidates were not familiar with the two measurement bases for liabilities.

The majority of the Candidates did well for **Part II** and were able to identify the fundamental principles being threatened, make appropriate recommendations and explain the consequences of not upholding the code of ethics.