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Chartered Accountant SINGAPORE

Singapore CA Qualification Examination

18 June 2026

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 **NINETEEN (19)** pages (including this instruction sheet). 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 2026.

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.

e-Exam Question Number	
1	

****VERY IMPORTANT NOTICE****

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.

Other important information:

3. 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.

4. You are **NOT ALLOWED** to access any websites during the exam.

5. You are **NOT ALLOWED** to print the question paper.

6. You are **NOT ALLOWED** to use any artificial intelligence (AI) tools or systems during the exam

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), (e), (f) and (g)

P Co acquired an interest of 90% in S Co on 30 June 20x3 and an interest of 80% in A Co on 15 March 20x4. On 31 December 20x5, P Co divested interest of 50% in A Co and retained interest of 30% in A Co. P Co has control in S Co from the date of initial investment to the current date. However, P Co has control in A Co only from the date of initial investment to 31 December 20x5. After the partial divestment of its interest in A Co on 31 December 20x5, P Co has only significant influence over A Co.

The abridged financial statements of P Co, S Co and A Co for the year ended 31 December 20x6 are shown below.

Abridged Income Statement and Statement of Changes in Equity			
For the year ended 31 December 20x6			
	P Co	**S Co**	**A Co**
Profit before tax	1,250,000	520,000	120,000
Tax	(250,000)	(104,000)	(24,000)
Profit after tax	1,000,000	416,000	96,000
Dividends declared	(200,000)	(100,000)	(20,000)
Profit retained	800,000	316,000	76,000
Retained earnings, 1 January 20x6	2,500,000	790,000	460,000
Retained earnings, 31 December 20x6	3,300,000	1,106,000	536,000
Abridged Statement of Financial Position as at 31 December 20x6			
	P Co	**S Co**	**A Co**
Receivable from S Co	150,000		
Receivable from A Co	68,000		
Payable due to P Co		(150,000)	(68,000)
Other net assets	5,082,000	2,006,000	1,104,000
Net assets	***5,300,000***	***1,856,000***	***1,036,000***
Share capital	2,000,000	750,000	500,000
Retained earnings	3,300,000	1,106,000	536,000
Equity	***5,300,000***	***1,856,000***	***1,036,000***

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

Table A: Information relating to the investment in S Co and A Co		
	S Co	**A Co**
Date of initial investment	30 June 20x3	15 March 20x4
Interest initially acquired by P Co	90%	80%
Interest in A Co divested by P Co on 31 December 20x5		50%
Shareholders' equity at date of initial investment		
	$	**$**
Share capital	750,000	500,000
Retained earnings	290,000	620,000
Shareholders' equity	***1,040,000***	***1,120,000***
Fair value of non-controlling interest of S Co on 30 June 20x3	150,000	

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.

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

	S Co ------------------------→		**A Co ------------------------→**	
	Book value	Fair value	Book value	Fair value
FVTPL* equity securities	160,000	185,000		
Intangible assets			0	550,000
Other net assets	880,000	880,000	1,120,000	1,120,000
Total net assets	***1,040,000***	***1,065,000***	***1,120,000***	***1,670,000***

*Fair value through profit or loss

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. However, the effects of the loss of control of A Co are not taxable or deductible. 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 20x5, P Co, as an architect, entered a contract with S Co to design a building for S Co. The building was incomplete as at 31 December 20x6. P Co recognised revenue and profit continuously over time in accordance with the project's progress. P Co's contract revenue, contract profit and progress billings in 20x5 and 20x6 are shown in the table below.

As reported by P Co for the year ended	31 December 20x5	31 December 20x6	Total
Contract revenue for the year	290,000	610,000	900,000
Contract expense for the year	(200,000)	(420,000)	(620,000)
Contract profit for the year	90,000	190,000	280,000
Progress billings for the year	360,000	300,000	660,000

S Co recognised fixed assets work in progress based on progress billings invoiced by P Co.

Additional information relating to S Co:

1. The following transfers by P Co and related information in relation to the acquisition of S Co on 30 June 20x3 are shown below.

Cash paid to former owners of S Co	500,000
Fair value of land transferred to former owners of S Co	800,000
Book value of the above land	650,000
Contingent consideration payable in 3 years to former owners of S Co if profit targets are met	350,000
Present value of the contingent consideration payable	302,000
Probability of meeting the profit targets	80%
Due diligence costs paid to consultants	57,000

2. The probability of meeting the profit targets remains the same until settlement date on 30 June 20x6.

3. The equity securities at acquisition date were measured at fair value through profit or loss. P Co carried out due diligence on S Co's financial assets and

deemed that the equity securities were undervalued by $25,000. On 31 December 20x3 and 31 December 20x6, the fair value of the equity securities was $180,000 and $250,000 respectively.

4. S Co sold excess inventories to P Co during 20x5 at the transfer price of $90,000 when the original cost was $100,000. The net realisable value of the inventory was $96,000. Subsequently:

• % resold by P Co to third parties in 20x5	20%
• % resold by P Co to third parties during 20x6	70%
• % unsold as at 31 December 20x6	10%

Additional information relating to A Co:

1. The following information relates to the initial cost, sales proceeds and fair value of A Co on initial investment and loss of control.

Item	**$**
Cost of initial investment in A Co on 15 March 20x4	2,000,000
Retained investment of 30%, at cost, on loss of control on 31 December 20x5	750,000
Fair value of the retained investment of 30%, on loss of control on 31 December 20x5	1,650,000
Proceeds on sale of 50% interest on 31 December 20x5	2,750,000

2. On date of initial investment, A Co had internally generated intangible assets with fair value of $550,000 and an indefinite useful life. The fair value of these intangible assets was $600,000 on 31 December 20x5. The recoverable amount of the intangible assets on 31 December 20x6 was $560,000.

3. A Co sold fixed assets to P Co on 1 July 20x6. The details of the transfer are as follows:

• Transfer price	$150,000
• Original cost	$120,000
• Net book value on 1 July 20x6	$80,000
• Remaining useful life on 1 July 20x6	5 years

e-Exam Question Number	Question 1 required:
2	**(a)** Determine the fair value of consideration transferred by P Co to obtain control of S Co on 30 June 20x3. Journal entries are **<u>not</u>** required. **(3 marks)**
3	**(b)** On 30 June 20x6, the profit targets were met, and the contingent consideration was paid. Show the journal entry that must be passed on settlement of the contingent consideration. You do not need to show the unwinding of the interest expense. **(3 marks)**
4	**(c)** 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. **(23 marks)**
5	**(d)** 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 **<u>not</u>** required. **(3 marks)**
6	**(e)** Prepare the equity accounting entries for A Co for the year ended 31 December 20x6. Show workings clearly. **(8 marks)**

e-Exam Question Number	**Question 1 required:**
7	**(f)** 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. **(5 marks)**
8	**(g)** On 31 December 20x5, when P Co lost control of A Co through the divestment of 50% ownership interest in A Co, P Co recognised a profit on sale of $1,500,000 in the consolidated income statement. The profit on sale was calculated as follows:

	$	
Proceeds on sale	2,750,000	
Pro-rated initial investment	(1,250,000)	50%/80% x 2,000,000
Profit on sale	1,500,000	

No other profit or loss was recognised in respect of the loss of control of A Co in the consolidated income statement.

Evaluate qualitatively if P Co has properly accounted for the effects of the loss of control of A Co in the consolidated income statement for the year ended 31 December 20x5. You do not need to show any calculations to support your answer.

(5 marks)

(Total: 50 marks)

Question 2 – Case A and Case B

Case A

The functional currency of D Co is the Singapore dollar (S$). The following transactions in United States dollars (US$) arose in 20x6.		
Date	**Event**	**US$**
1 July 20x6	Cash proceeds from issue of convertible bonds	3,150,000
	Effective interest rate of the bonds per annum (p.a.)	5% p.a.
	Cash interest rate of the bonds per annum	3% p.a.
	Principal amount	3,000,000
	Fair value of the bond without a conversion option	2,836,605
	Payment periods	3 years
	Interest is paid on 30 June of each year Based on the terms of the issue, the conversion option meets the definition of equity in SFRS(I) 1-32 *Financial Instruments: Presentation*	
1 July 20x6	Purchase of intangible assets in cash	2,800,000
	Estimated useful life of the intangible assets	5 years
	D Co uses the cost model to carry the intangible assets in its financial statements	
1 July 20x6	Purchase of investment in a start-up entity in cash. D Co elected to measure the investment at fair value through other comprehensive income (FVOCI)	700,000

Date	Event	US$
31 December 20x6	Year end	
31 December 20x6	Fair value of the investment in the start-up entity	560,000
The exchange rates of S$ to US$1 are shown below:		
Date		**S$: US$1**
1 July 20x6		1.35
Average rate for 2nd half 20x6		1.32
31 December 20x6		1.30

e-Exam Question Number	
	Question 2 Case A required:
9	**(a)** Prepare the journal entries to recognise and measure the transactions and all consequential entries in S$ for the year ended 31 December 20x6, using the closest appropriate rates in accordance with SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* and applying the recognition and measurement requirements of the appropriate SFRS(I). Show workings clearly. Ignore tax effects. **(18 marks)**

Case B

Lessee Co contracted to lease a retail unit from a mall owner on 1 January 20x1.

The terms of the lease and details of transactions related to the lease are as follows:

Terms and features	**Details**
Lease inception date	1 January 20x1
Non-cancellable lease term	3 years
Additional period under an option for Lessee Co to extend the lease at the end of the non-cancellable lease term with the same annual lease payment. Because of the significant investment in the interior design and renovation of the retail unit, Lessee Co is reasonably certain that it would exercise the option to extend the lease.	Additional 2 years
Contracted annual lease payment, payable in advance on 1 January	$200,000
Estimated one-time variable payment pegged to estimated annual sales of Lessee Co, payable to the mall owner at the end of 20x1. The amount is adjusted in accordance with actual sales. The actual amount paid on 31 December 20x1 is as estimated.	$135,000
Incremental borrowing rate of Lessee Co	5% per annum
Implicit rate in the lease is not known	
Estimated useful life of the retail unit	15 years
Residual value at the end of the extended lease term	$620,000

Lessee Co is also obligated to restore the retail unit to its original condition when the unit is eventually returned to the mall owner. On lease inception, Lessee Co estimates the following restoration costs will be incurred at the end of the extended lease period.

Future value of the restoration costs	$30,000
Present value of the restoration costs discounted at the interest rate of 5% per annum	$23,506

e-Exam Question Number	**Question 2 Case B required:**
10	**(a)** Calculate the lease liability as at 1 January 20x1 for Lessee Co in accordance with SFRS(I) 16 *Leases* and prepare the lease amortisation table to show the lease liability balances as at 1 January 20x1, 1 January 20x2 and 1 January 20x3. Show workings clearly. **(5 marks)**
11	**(b)** Prepare the journal entries for Lessee Co to record the transactions on 1 January 20x1, 31 December 20x1, 1 January 20x2 and 31 December 20x2 in accordance with SFRS(I) 16 *Leases* **and** other relevant SFRS(I). Ignore tax effects. Show workings clearly. **(13 marks)** **(Total: 36 marks)**

Question 3 – (a), (b)

G Ltd is a publicly listed company that issued both ordinary shares and convertible preference shares. The movements of each type of share during the current year ended 31 December 20x6 and the profit details are shown below.

Ordinary shares

Date	Event	Number of ordinary shares	
1 January 20x6	Balance at start of year	5,400,000	
1 April 20x6	New issue for cash	1,000,000	
1 July 20x6	Bonus issue: One for one ratio	6,400,000	
1 October 20x6	Conversion of preference shares	800,000	Note 1
31 December 20x6	Balance at end of year	13,600,000	

Convertible preference shares

Date	Event	Number of convertible preference shares	
1 January 20x6	Balance at start of year	1,500,000	
1 October 20x6	Conversion of preference shares	(400,000)	Note 1
31 December 20x6	Balance at end of year	1,100,000	

Note 1: Each preference share is convertible to two ordinary shares. The conversion ratio has been adjusted for the bonus issue on 1 July 20x6.

Extract of the Income Statement for the year ended 31 December 20x6

	$	
Net profit before tax	550,000	
Tax expense	(110,000)	
Net profit after tax	440,000	
Convertible preference shares dividends	(84,000)	Note 2
Net profit attributable to ordinary shareholders	356,000	

Note 2: Dividends on convertible preference shares of 6% per annum are paid on outstanding preference shares at the end of each quarter.

e-Exam Question Number	**Question 3 required:**
12	**(a)** Determine the basic earnings per share for the year ended 31 December 20x6 for G Ltd in accordance with the requirements of SFRS(I) 1-33 *Earnings per Share*. Present the basic earnings per share in dollars to 5 decimal points. Show workings clearly. **(6 marks)**
13	**(b)** Determine the diluted earnings per share for the year ended 31 December 20x6 for G Ltd in accordance with the requirements of SFRS(I) 1-33 *Earnings per Share*. Present the diluted earnings per share in dollars to 5 decimal points. Show workings clearly. **(8 marks)** **(Total: 14 marks)**

END OF PAPER