

## SINGAPORE CA QUALIFICATION (FOUNDATION) EXAMINER'S REPORT

**MODULE:** Principles of Financial Reporting (PFF)

**EXAMINATION DATE:** 7 June 2021

### **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 2021.

PFF examinations is an e-Exam format and candidates took the exam remotely. The paper is a restricted-book examination, Candidates can bring in a double-sided A4 page of personal notes for reference.

The overall performance for the June 2021 examinations was moderately satisfactory - Candidates struggled with certain topics.

The first question relating primarily to the preparation of financial statements was well attempted. Candidates demonstrated the ability to prepare the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity.

The second question relating to financial assets, property, plant and equipment and income tax was fairly attempted. However, many Candidates struggled with how provisions, contingent liabilities and contingent assets should be accounted for and disclosed.

The third question tested Candidates' knowledge and understanding of revenue from contracts with customers and ethics. Unfortunately, the former was very poorly attempted – many Candidates failed this question.

The last question covering several topics, including impairment testing, inventories and the conceptual framework for financial reporting, was fairly attempted.

To do well for 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 the SAC website (<https://www.sac.gov.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 are available from the Accounting Standards Council website ([www.asc.gov.sg](http://www.asc.gov.sg)). Candidates are also strongly encouraged to use these documents as additional practice resources to build their foundation on the topics covered in this module.

**Section 2**  
**Analysis of individual questions**

**Question 1**

Overall, a significant majority performed well for all three parts of this question, which required Candidates to prepare the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity.

Pleasingly, Candidates showed detailed workings and computations on how line-item figures were obtained in the face of the financial statements. However, several common mistakes were noted, in particular, relating to calculation of finance costs (only six months should be accrued for) and income tax (where a decline in deferred tax liability should decrease the income tax expense).

**Question 2**

Many Candidates struggled with **part (a)**, which required them to explain how provisions, contingent liabilities and contingent assets should be accounted for and disclosed. While many Candidates managed to define the principles of when a provision should be recognised, a majority were unable to explain whether a provision relating to the accident should be recorded or disclosure as a contingent liability would have been appropriate.

**Part (b)** required Candidates to account for financial assets in accordance with SFRS(I) 9 Financial Instruments. Generally, this part was well attempted – Candidates could account for dividends, fair value gain/loss, and transaction costs correctly.

**Part (c)** required Candidates to prepare extracts of income statement and balance sheet relating to depreciation and income tax, including current and deferred tax. Candidates who did poorly either did not compute the tax base correctly or did not understand the concept of taxable/deductible temporary differences.

**Question 3**

**Part (a)** was very poorly attempted. Most Candidates struggled with the application of SFRS(I) 15 *Revenue from Contracts with Customers*. Commonly mistakes included:

- Inability to allocate the transaction price to the performance obligations in the contract;
- Omitting input/output tax relating to GST; and
- Omitting journal entries relating to the revaluation of trade payables.

A majority of the Candidates did poorly for **part (b)** too. Many Candidates were unable to discern whether the three-year warranty constituted an additional obligation.

**Part (c)** was fairly attempted, and a majority of the Candidates were able to identify that confidentiality was one of the five fundamental principles, and confidential information should not be disclosed unless required by law.

#### Question 4

Most Candidates were able to identify indicators of impairment correctly, and **part (a)** was generally well attempted.

**Part (b)** relating to impairment testing was poorly attempted. Common mistakes include erroneously including retrenchment benefits when deriving fair value less cost of disposal and deducting interest from the cash flows when computing value in use.

Overall, **part (c)** testing Candidates on the FIFO perpetual method was reasonably attempted.

While a majority of Candidates were able to define an asset and a liability correctly in **part (d)**, many Candidates were unable to articulate why a rental agreement qualified as an asset and a liability for a lessee.