

SINGAPORE CA QUALIFICATION (FOUNDATION) EXAMINER'S REPORT

MODULE: Principles of Financial Reporting (PFF)

EXAMINATION DATE: 8 December 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.

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

The first question relating primarily to the preparation of financial statements, specifically the Statement of Profit or Loss and Other Comprehensive Income and Statement of Financial Position, was generally well attempted.

The second question relating to investment property and the effects of changes in foreign currency was fairly attempted. However, many Candidates struggled to explain how borrowing costs should be accounted for in connection with the construction of the real property.

Many Candidates failed the third question, which tested Candidates' knowledge and understanding of revenue from contracts with customers, ethics and the different measurement bases for financial statements.

The last question covered leases and property, plant and equipment and was also poorly 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 available from the Accounting Standards Council website (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.

If the candidate aims to do complete the Singapore CA Qualification, candidates need to do well for the Principles of Financial Reporting module which covers the foundation of financial reporting.

Section 2
Analysis of individual questions

Question 1

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

While most Candidates showed detailed workings and computations on how line-item figures were obtained in the face of the financial statements, there are still a handful of Candidates who did not. It is worth highlighting that fair value reserve should be shown as a separate line-item instead of combining it with retained earnings.

Question 2

Many Candidates demonstrated the ability to account for investment property and the effects of changes in foreign exchange rates correctly. However, some Candidates either omitted the journal entries relating to the revaluation of monetary items at the end of the financial year or could not compute the foreign exchange gain/(loss) correctly.

Generally, most Candidates were able to correctly identify the factors in determining functional currency. But many Candidates could not explain clearly how borrowing costs for a qualifying asset that takes a substantial period of time, such as real property, should be accounted for.

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; and
- Omitting input/output tax relating to GST.

A majority of the Candidates did poorly for **part (b)** too. Many Candidates failed to relate professional competence and due care with preparing financial statements in accordance with SFRS(I).

Part (c) was equally poorly attempted – most Candidates were unaware that value in use and current costs are other measurement bases that could be used in financial statements.

SFRS(I) 15 *Revenue from Contracts with Customers* is a very important topic. Candidates will struggle with more advanced Financial Reporting topics if they are

not well-versed with this standard. It is critical for Candidates to grasp the full understanding and application of this standard if they will to eventually take the Advanced Financial Reporting module.

Question 4

Generally, Candidates struggled with **part (a)** relating to leases and property, plant and equipment. Common mistakes made when computing the right-of-use asset included omitting reinstatement costs and inclusion of security deposit.

Part (b) relating to impairment testing was reasonably attempted. Candidates could have improved their answers by explaining how the recoverable amount should be determined, how impairment loss is computed and disclosures required.