

## SINGAPORE CA QUALIFICATION EXAMINER'S REPORT

**MODULE:** Financial Reporting (FR)

**EXAMINATION DATE:** 4 December 2025

### Section 1

#### General comments

The paper tested Candidates on their understanding and application of Singapore Financial Reporting Standards (International) (SFRS(I)).

In **Question 1**, Candidates were required to demonstrate their understanding and application of SFRS(I), mainly SFRS(I) 3 *Business Combinations*, SFRS(I) 10 *Consolidated Financial Statements*, SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates*, SFRS(I) 1-28 *Investments in Associates and Joint Ventures* and SFRS(I) 1-38 *Intangible Assets*.

Most Candidates displayed a good understanding of the preparation of basic consolidation journal entries. However, Candidates did not perform as well in **Part (b)**, **Part (d)** and **Part (e)**, as compared to **Part (a)** and **Part (c)**.

In **Question 2**, it assessed Candidates' ability to apply SFRS(I) to practical scenarios, including measurement, recognition, and presentation. Overall, most Candidates demonstrated a reasonable grasp of core principles; however, performance varied significantly when Candidates were required to translate concepts into accurate calculations and journal entries, supported by clear workings and narrations.

Although the questions were relatively straightforward, majority of the Candidates did not perform well. A significant number of Candidates did not attempt the questions at all, and among those who attempted them, overall performance was below expectation.

For **Question 3**, it was generally poorly answered by most Candidates. Candidates who performed better were typically able to obtain either the correct numerical amounts or prepare the appropriate journal entries; however, few Candidates were able to achieve both.

Overall, Candidates demonstrated a weak understanding of the accounting treatment for financial derivatives that are not designated as hedging instruments, particularly in relation to the timing of recognition and the events that trigger journal entries throughout the life of the contract.

Financial Reporting examinations frequently integrate questions that require the application of multiple SFRS(I)s to the facts of a case. Candidates are therefore expected to demonstrate more than basic technical knowledge; they must also show competency in analysing facts, selecting the relevant standards, and applying them correctly to complex transactions.

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

**Question 1**

In this question, Candidates were required to demonstrate their understanding and application of SFRS(I), mainly SFRS(I) 3 *Business Combinations*, SFRS(I) 10 *Consolidated Financial Statements*, SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates*, SFRS(I) 1-28 *Investments in Associates and Joint Ventures* and SFRS(I) 1-38 *Intangible Assets*.

**Part (a)** required Candidates to prepare consolidation journal entries relating to a company's (P Co's) interest, in its subsidiary, S Co.

Most Candidates performed quite well for this part. Most Candidates were able to correctly furnish the consolidation journal entries pertaining to the elimination of investment in S Co, allocation of post-acquisition retained earnings to non-controlling interests (NCI) and elimination of dividends declared by S Co, except for the common errors identified below.

Common errors included the following:

- The change of ownership interests – many Candidates were unable to derive the NCI balance divested. Some calculated the remaining amount of intangible asset (after tax) wrongly while others calculated the NCI's goodwill wrongly. As a result, they were unable to derive the correct amount to be adjusted to equity or capital reserve. It should be noted that this is an equity transaction, and the difference should be taken to equity or capital reserve, not profit & loss or goodwill.
- The adjustment for past and current amortisation of intangible asset – some Candidates were unable to derive the correct amortisation amount; some using an incorrect useful life.
- The adjustment for unrealised profit in inventory – some Candidates wrongly adjusted the 10% of inventory applied by P Co for its own research expense to cost of sales.
- The adjustment to eliminate intra-group contract revenue, contract expense and contract asset and to adjust intangible asset in progress – some Candidates omitted the elimination of contract liability for work not done and hence resulted in the wrong amount adjusted to intangible asset in progress. It should be noted that contract liability has to be eliminated as it represents internal liability to S Co for work not done.
- The allocation of share of current year income to NCI of S Co – While most Candidates were able to furnish the correct consolidation adjustment, many were unable to work out the correct amount. They either did not adjust or adjusted the wrong amount, for after-tax amortisation of intangible asset and

after-tax unrealised profit in inventory. Some Candidates applied the wrong NCI percentage.

- Some Candidates omitted the following consolidation adjustments:
  - Change of ownership interests
  - Elimination of intra-group contract revenue, contract expense and contract asset and to adjust intangible asset in progress

Overall, for this question part, Candidates are reminded to understand the common consolidation adjustments required, including but not limited to, intra-group sale of assets, past and current adjustments related to undervalued fixed assets, etc.

**Part (b)** required Candidates to perform an analytical check (proof of balance) of NCI of S Co.

The performance for this part was fair. While some Candidates demonstrated that they understood and correctly applied the concept of performing an analytical check (proof of balance) of NCI of S Co, other Candidates need to have a better understanding of how to perform an analytical check of NCI, especially the adjustment for after-tax remaining intangible asset and after-tax unrealised profit in inventory.

Some Candidates correctly included goodwill in the analytical check of NCI, but the amounts were wrong.

The analytical check is a way of determining the consolidated balances of key figures independently of the process of passing elimination and adjusting entries. It serves as a method of analytically validating key consolidated numbers. Candidates are encouraged to understand the logic behind the analytical check of NCI.

**Part (c)** required Candidates to translate the financial statements of A Co to S\$ in accordance with the requirements of SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates*.

Many Candidates performed quite well for this part. Most Candidates were generally able to use the appropriate exchange rates to translate the financial statements of A Co to S\$. However, only a minority of Candidates applied the correct exchange rates for all the financial statement line items.

The common errors included the following:

- Using the wrong exchange rates for the following financial statement line items:
  - Expected credit loss on receivables (average rate was used) – year-end rate should be used, as the question stated that impairment loss and its related tax effect arose at year-end
  - Tax expense (average rate was used) – year-end rate should be used, as the question stated that impairment loss and its related tax effect arose at year-end
  - Share capital (year-end rate was used) – the rate as at acquisition date should be used

- Revaluation reserves (only one rate was used) – the revaluation reserves comprised of (i) revaluation surplus as at acquisition date (hence the rate as at acquisition date should be used), and (ii) revaluation surplus arising on 31 December 20x6 (hence, the 31 December 20x6 rate should be used)
- Not reconstructing the Statement of Financial Position as at 31 December 20X5 to determine the retained earnings in S\$ at the beginning of the year, 1 January 20x6.

**Part (d)** required Candidates to prepare equity accounting entries for associate A Co.

Although a lot of Candidates were able to furnish the equity accounting entries pertaining to recognition of share of post-acquisition retained earnings, share of current year profit after tax of A Co and reclassification of dividends, their figures for the entries might not be correct. Moreover, only a minority of Candidates were able to derive the correct amount for the adjustment of settlement of provision for claims (after-tax). Many Candidates omitted the equity accounting entries on recognition of share of OCI and recognition of share of foreign currency translation reserve.

**Part (e)** required Candidates to perform an analytical check (proof of balance) of the balance of investment in associate A Co.

The performance for this part was fair. While some Candidates demonstrated that they understood and correctly applied the concept of performing an analytical check (proof of balance) of the balance of investment in associate A Co, other Candidates need to have a better understanding of how to perform an analytical check. Most Candidates were able to work out the share of book value of A Co. However, many Candidates were generally unable to derive the correct implicit goodwill in A Co.

The analytical check is a way of determining the balance of investment in associate independently of the process of passing equity accounting entries. It serves as a method of analytically validating this key figure. Candidates are encouraged to understand the logic behind the analytical check of the balance of investment in associate.

## **Question 2**

### **Question 2 Case A - SFRS(I) 15 Revenue from Contracts with Customers**

#### **Case A**

Case A assessed candidates' understanding of SFRS(I) 15 Revenue from Contracts with Customers. **Part (a)** required candidates to calculate expected advertising fee revenue for the relevant periods, while **Part (b)** required the preparation of appropriate journal entries to account for the transactions.

Overall performance was mixed. While most candidates were able to answer a significant portion of the question, there were common misunderstandings of key concepts, particularly in **Part (b)**.

#### **Part (a): Expected Advertising Fee Revenue**

Most candidates correctly applied the expected value method as the most predictive measure in calculating the expected advertising fee revenue. Performance in this part was generally satisfactory.

#### **Part (b): Journal Entries and Contract Accounting**

Performance in this part was weak. Common errors included:

- Recording the non-refundable deposit as “deposit received” instead of recognising a contract liability.
- Confusion between contract assets and contract liabilities, including the use of incorrect terminology and amounts.
- Recognising monthly revenue without revising cumulative revenue to reflect updated expectations and revised probabilities in the subsequent reporting period.

Consistent with observations in previous examinations, some Candidates did not provide narrations for journal entries, resulting in unnecessary loss of marks. In addition, the absence of clear workings limited Candidates’ ability to earn marks, even where their approach was partially correct.

### **Question 2 Case B - SFRS(I) 1-19 Employee Benefits and SFRS(I) 1-12 Income Taxes**

#### **Case B**

Case B assessed Candidates’ understanding of employee benefits and income taxes in accordance with SFRS(I) 1-19 *Employee Benefits* and SFRS(I) 1-12 *Income Taxes*. **Part (a)** required candidates to evaluate whether a profit-based bonus should be recognised, **Part (b)** tested the calculation and journal entries for remuneration expense relating to vesting and non-vesting paid leave, and **Part (c)** examined the accounting for the related tax effects.

Overall performance was weak, particularly in **Parts (b) and (c)**.

#### **Part (a): Profit-based Bonus**

Most candidates performed reasonably well in this part. Candidates were generally able to explain that the profit-based bonus should be recognised in the current financial year, with appropriate reference to the relevant SFRS(I) requirements.

#### **Parts (b) and (c): Paid Leave Liabilities and Tax Effects**

Performance in these parts was poor. Common weaknesses included:

- A lack of understanding of the distinction between vesting and non-vesting paid leave, with many candidates producing similar treatments for both.
- Incorrect calculation of remuneration expense, including confusion between annual leave entitlement and unused leave when determining the liability for paid leave.
- Failure to adjust the deferred tax asset balance to reflect changes in tax rates during the financial years.

### **Key Observations Across Both Cases**

Candidates who performed well demonstrated a clear and structured approach to their work. Candidates presented step-by-step workings that reflected a sound understanding of the concepts being tested. In answering theoretical requirements, these Candidates used appropriate terminology and applied standard-based reasoning, which showed depth of knowledge. Additionally, their journal entries were supported by clear and concise narrations, enhancing the logic of their entries and making it easier for markers to follow their thought processes.

In contrast, Candidates who performed less well often omitted narrations for journal entries, resulting in avoidable loss of marks. Many provided no workings to support their answers, and some relied on copying information directly from the question without attempting the required calculations or applying relevant standards. Time management also appeared to be a common issue, with some candidates failing to attempt parts of the question, which further impacted their overall performance.

### **Question 3**

Many Candidates appeared to misunderstand the requirements of the question. A number of Candidates incorrectly assumed that the notional value of the forward contract should be recognised on the balance sheet at inception, while others treated the physical delivery of the equipment as irrelevant to the financial reporting process. Candidates were generally unable to describe the correct accounting treatment for forward contracts that are not designated as hedges, and many failed to identify the necessary accounting entries required on 31 July 20X6, when the equipment was delivered.

Overall, Candidates tended to rely on accounting frameworks with which they were more familiar, rather than analysing the facts presented and applying the appropriate standards. Consequently, the quality of answers and marks awarded varied considerably, depending on the candidate's understanding of the relevant concepts.

### **Part (a): Recording Foreign Currency Transactions**

A number of Candidates made errors in calculating the fair value gain or loss on the forward contract. Some incorrectly recognised fair value movements in other comprehensive income or reserves instead of profit or loss, demonstrating a misunderstanding of the appropriate treatment under the accounting standards. Candidates also frequently failed to recognise or properly account for the firm's commitment, and in several cases, the equipment and accounts payable were

recorded at incorrect amounts due to the failure to correctly account for related foreign exchange gains or losses.

**Part (b): Liability for Obligations under a Financial Guarantee**

Most Candidates failed to consider both the contract liability and the expected credit loss (ECL) assessment and did not correctly apply the requirement to recognise the higher of the two where applicable.