

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

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

**EXAMINATION DATE:** 18 June 2020

### 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 2020.

The overall performance for June 2020 sitting was satisfactory, and Candidates were generally adequately prepared. Similar to the last sitting, about three-quarter passed this examination. 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. However, due to the COVID-19 situation, Candidates sat for the e-Exam remotely.

A significant majority of the Candidates performed reasonably well for the first question relating to the preparation of the Statement of Cash Flows in accordance with SFRS(I) 1-1 *Presentation of Financial Statements*.

Candidates' performance for the second question, which covered several topics including property, plant and equipment, effects of changes in foreign exchange rates, basic financial instruments and income taxes, was fair.

The third question tested Candidates' knowledge and understanding of impairment review and theories relating to the Conceptual Framework. Candidates' performance, in general, was mixed.

Possibly due to poor time management and inadequate understanding of the relevant standards, the last question testing Candidates on revenue from contracts with customer, employee benefits and ethics was poorly attempted with a majority of the Candidates who failed this question.

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](http://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

Overall, Candidates did fairly well for Question 1 **part (a)** by demonstrating competence in preparing Statement of Cash Flows for a stand-alone entity in the appropriate format. This question tested Candidates on the concepts and application of SFRS(I) 1-1 *Presentation of Financial Statements*.

It was generally observed that Candidates showed detailed workings and computations on how line-item figures were obtained in the face of the Statement of Cash Flows. However, a handful of Candidates were not able to compute the purchase of property, plant and equipment and dividends paid correctly. Several Candidates omitted the purchase of intangible assets.

For **part (b)**, many Candidates did not seem to understand the requirement of the question. There appears to be a misconception that the Accounting Standards Council Singapore (ASC) sets the accounting standards – this is incorrect.

#### Question 2

Candidates' performance for this question, which covered several topics including property, plant and equipment, effects of changes in foreign exchange rates, basic financial instruments and income taxes, was fair.

For **part (a)**, many Candidates seem to struggle with revaluation of monetary items (including investment in financial assets, i.e. Tango) and incorrectly accounting for GST. Some Candidates made the fundamental error of incorrectly converting RM\$ to S\$.

Many Candidates performed well for **part (b)** to identify factors which should be considered when determining an entity's functional currency.

#### Question 3

This question tested Candidates' knowledge and understanding of impairment review and theories relating to the Conceptual Framework. Overall performance was mixed.

For **part (a)**, most Candidates were able to correctly identify at least two circumstances which Beta Pte Ltd was required to perform an impairment review.

For **part (b)**, some Candidates misunderstood the meaning of leasehold warehouse and applied FRS 116 *Leases* to this question, which was incorrect. When performing the impairment review, several Candidates failed to deduct the stamp duty when computing the fair value less costs of disposal.

Reversal of impairment loss in Dec 20x4 should not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss has been recognised. Accordingly, some Candidates computed the reversal of impairment loss incorrectly.

Most Candidates did not attempt **part (c)**. This may be a case where Candidates have not studied and covered the entire syllabus for this module. Under the Conceptual Framework, the cost is a pervasive constraint on the information that can be provided by general purpose financial reporting. Reporting such information imposes costs, and those costs should be justified by the benefits of reporting that information.

#### Question 4

Revenue from contracts with customers, employee benefits and ethics was poorly attempted. A majority of the Candidates failed this question. This may be a case where Candidates did not spend adequate time on this question due to poor time management.

**Part (a)** required Candidates to record the journal entries related to SFRS(I) 15 *Revenue from Contracts with Customers*. Candidates were required to calculate the contract bundled price in a two-step process. But many Candidates used a one-step process and therefore did not derive the correct figures. Notwithstanding, journal entries were generally competently handled by most Candidates.

**Part (b)** required Candidates to record the journal entries relating to employee benefits. Most Candidates were able to account for accumulating benefits and discretionary bonus correctly. However, the common mistake made related to the wrong treatment and/or accounts used to record non-accumulating benefits (namely sick leave) taken during the year.

For **Part (c)**, most of the Candidates were able to discuss the consequences may face by an ISCA member if he/she breaches any of the fundamental principles. However, those who did poorly made the mistake of discussing the ethical principles in the ISCA Code of Professional Conduct and Ethics.