

## Examiners Report

**Exam Name and Code:** Financial Accounting and Reporting (FAR C/2024)

**Date of exam:** 17<sup>th</sup> December 2024

### **Paper Performance Overview**

**A high level overview of areas in which candidates performed well and areas in which their performance was weaker.**

Ethics and groups well answered. Cashflows were a little bit mixed but students who made a proper attempt at it generally scored well. The standard of the written explanation in Q2 was weaker than normal with explanations being very brief. Students should be reminded that the majority of marks in this question are for the written aspects rather than calculations. Students' understanding of measurement bases and distributable profits was quite weak.

### **Question 1 Performance**

*The syllabus areas covered in this question were: 2b*

Presentation of the financial statements was poor considering that templates are provided. Many did not remove unnecessary lines and disappointingly a large proportion missed/ignored the overdraft and included it as a current asset, with some even putting it in as a negative asset.

A few candidates also did not subtotal/total their answers, which would be expected to ensure a full presentation mark was awarded.

Workings were generally ok, however a number of candidates' workings were difficult to follow and not referenced.

On the whole this question was done fairly well, which was encouraging to see. Depreciation calculations, allocations within the cost matrix, and intangibles were the stronger areas.

Common errors:

- incorrectly accounting for the over provision in Tax expense
- not accounting for the impairment correctly, but using the 'lower of FV-costs & VIU'
- accounting for the treasury shares (some calculated this correctly, but added them to equity)

in error), many deducted the adjustment from share capital and share premium.  
- incorrectly dealing with the provision correction  
- including the Bank Overdraft within Current Assets

### **Question 2 Performance**

*The syllabus areas covered in this question were: 1h, 1i, 1g 2c, 2d, 2e, 3f*

2.1 - Disappointing discussion here. Most mentioned control and that Dominic was incorrect, but only a small minority achieved full marks by discussing the points from IFRS 10. Given the candidates have access to the IFRS in the exam, it would have been expected that in-depth points were made here, with application to scenario.

2.2

Overall this part of the question was fairly brief, with many not appreciating the question requirement of 'explain'.

Issue 1 was dealt with fairly well, however not all identified that acquisition costs need to be expensed under IFRS, and often missed the date of acquisition and therefore the mid-year apportionment of loss.

Issue 2 - By far the most challenging, with very few identifying that the asset did not qualify as HFS until October. Most appreciated the general accounting requirements of HFS assets and that the extra repairs could not be capitalised however.

Issue 3 - Generally well done with some good lease accounting discussion, although some did just prepare a lease table with no/very little commentary. Stronger candidates appreciated the need to discount the restoration cost to PV and calculated it accordingly, however very few mentioned this would be added to the ROU asset. A common error was to include as part of the lease liability.

2.3 - Good answers on ethics on the whole here with most getting close to full marks

2.4 - Good appreciation of differences between UK Gaap and IFRS for those who attempted this

2.5 - This part of the question was poor. It was clear that candidates were not fully aware of the measurement bases, but those who had a vague awareness did not utilise the permitted text to support the framework discussion for measurement bases.

### **Question 3 Performance**

*The syllabus areas covered in this question were: 2b, 2f*

Most candidates struggled with this requirement, however there were a few strong candidates who achieved close to full marks.

3.1 - the standard of presentation was poor in this part of the question, with workings on the revaluations very unclear and difficult to decipher.

Those who scored well here, adopted a methodical approach to each separate issue and worked through the information, paying close attention to dates. A number of candidates incorrectly counted the years and/or ignored that some years had elapsed.

3.2 - Candidates were asked for extracts from a Statement of Cash Flows and this part of the question was done pleasingly well on the whole, although quite a number of candidates did not show the outflows correctly (either in brackets or a minus), losing marks as a result.

The most common error here was including the full £1.5m for the acquisition of the new building, when only half had been paid in the year.

3.3 - Those who attempted this element scored a couple of marks, however quite a few confused answers were given.

A common issue was stating that the 'reserves transfer' was not distributable.

#### **Question 4 Performance**

*The syllabus areas covered in this question were: 3c, 3d*

On the whole, this question was fairly well answered with most candidates adopting the standard working format and following a methodical approach.

The majority of candidates made their workings clear, as well as showing consolidation adjustments on the face of the CSFP.

A large proportion were able to correctly deal with common issues such as the FV adj, PURP and goodwill impairment.

The revaluation gain and contingent liability presented a few problems for a large number, but it did not impact too much, given the application of the 'own figure' rule.

The investment in the JV was dealt with extremely well, with a lot of candidates obtaining full marks on this area. Common issues were not time apportioning the profits and/or multiplying the PURP by the parent's % shareholding.

#### **Summary and Helpful Hints**

Students must make sure that there is more explanation in their answers to question 2.

Students can also use the open book text to answer areas that they are weak on. For example this would have helped their discussion on measurement bases as much of the detail is within the framework section of the open book.

Students must read the requirements carefully and pay attention to dates. They must also identify how to correct an incorrect accounting treatment given in a question rather

than just simply record what should have been done in the first place.  
If a question asks for a revised figure, start with the figure in the question and then clearly show in your workings how it needs to be adjusted.