

## Examiners Report

**Exam Name and Code - Financial Accounting & Reporting (FAR A/2020)**

**Date of exam - 3rd December 2020**

### **Paper performance overview**

**what worked well with candidates and areas that they were weak on, how they responded etc**

Students performed well on ethics and basic consolidation adjustments for a consolidated statement of financial position. Most candidates were able to make sensible comments at explaining the accounting treatment on a range of issues for the individual financial statements. Students struggled to produce any meaningful extracts of cash flow statements and there was also evidence that the students found the exam time pressured.

### **Question 1 performance (also include the breakdown of syllabus area covered)**

*The syllabus areas covered were: 1d 4 marks; 2b 25 marks*

Performance on question 1 was disappointing. Candidates were asked to adjust a trial balance for a range of issues including development costs, revaluation, bonus issues and revenue. There was evidence that many students wasted time struggling with the more difficult aspects of the question and thus didn't always get some of the very straightforward marks that were available in this question. It was disappointing to see that very few candidates were able to account for a bonus issue correctly despite it being covered in past examinations and candidates are reminded that such calculations are assumed knowledge.

Part 2 asked for an EPS calculation which most students struggled with or didn't attempt. Part 3 asked for an explanation of substance over form. Those candidates who attempted it scored well.

### **Question 2 performance (also include the breakdown of syllabus area covered)**

*The syllabus areas covered were: 1i 5 marks; 2b 4 marks; 2d 20 marks*

Candidates were asked to explain the accounting treatments of a range of issues for an individual entity including borrowing costs, provisions and assets held for sale. Students were able to identify the issues in the scenarios and made a reasonable attempt at explaining the accounting treatment. Candidates struggled at times to calculate the correct figures for each scenario but those who attempted to do this still scored well even where the numbers were not correct.

Part 2 asked students to revise the profits of the entity. Answers here were very disappointing with a significant number of candidates either missing out the requirement or barely

attempting it. Candidates are reminded that they don't need their calculations from part a to be correct to score full marks on this requirement providing their adjustments are sensible and agree to their discussion. Part 3 on ethics was well answered with many candidates scoring full marks.

### **Question 3 performance (also include the breakdown of syllabus area covered)**

*The syllabus areas covered were: 2c 12 marks; 3d 2 marks; 3f 4 marks*

Question 3 performance was extremely disappointing. Part a asked for a group profit on disposal of a subsidiary which only a minority of candidates calculated correctly despite all the numbers being given to candidates in the scenario. Students were also asked to comment on how a disposal would impact on the group cash flows with only the very strongest candidates seemingly aware that adjustments needed to be made for each of the assets and liabilities at the date of disposal so that only cash flows were included in the consolidated statement of cash flow.

Part 2 asked for extracts from a statement of cash flow. Candidate performance here was again extremely disappointing with many candidates either ignoring or barely making any reasonable attempt at the question. Whilst there were 1 or 2 tricky aspects to this part of the question there were a huge number of marks for basic knowledge of cash flow covered in accounting and for being able to slot numbers, often given in the question, into the right area of a cash flow statement. Those candidates who focused on the easy aspects and showed workings on the more difficult aspects scored well.

### **Question 4 performance (also include the breakdown of syllabus area covered)**

*The syllabus areas covered were: 3e 19 marks; 3g 5 marks*

Candidates were asked to produce a consolidated statement of financial position. Candidate performance was generally strong on this question. Candidates had clearly practiced this type of question, were able to set out their answers in clear workings and generally made a decent attempt at the adjustments.

Most students were able to identify the most significant differences relating to goodwill between UK and IFRS, although not many picked up on the different treatment of acquisition costs.

### **Summary and helpful hints**

Candidates are reminded to show clear workings and to attempt all parts of the question. This is important even if you don't believe you have accounted for something correctly in an earlier part of the question. Candidates will not be penalised twice with full marks available where incorrect numbers are used correctly in a later requirement.

Many candidates seemed to spend a lot of time on the more difficult aspects of the exam, often scoring relatively few marks and consequently missed out on lots of the easy marks. It is important that you allocate your time appropriately across the questions.