

## Examiners Report

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

**Date of exam: 8th July 2024**

### **Paper Performance Overview**

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

Overall presentation of workings was well set out making answers easy to follow. Ethical considerations were as usual well answered. Cash flows continue to be answered either very well or very poorly/completely ignored by students.

It was disappointing to see sustainability issues answered poorly given that this has been a significant addition to the syllabus for 2024. Consolidation was probably not as well answered as in previous sittings although most students were still able to achieve reasonable marks on this question.

### **Question 1 Performance**

*The syllabus areas covered were: 1e, 1f, 2a.*

Presentation on this question was done well and most had workings referenced, however a few candidates did not show the expenses as negative or in brackets and/or incorrectly summed the totals.

The technical elements on this question were fairly well attempted.

Adjustments to revenue and COS were often correctly done, although the resulting impact on b/f retained earnings for the closing inventory error was not done by the majority.

Calculations of the PPE elements were ok, however there was a bit of confusion (or lack of reading the question) regarding dates, so the in-year depreciation charge was often incorrectly calculated. Follow through marks were awarded accordingly.

Weaker areas:

The calculation of the initial issue for the Redeemable Preference Shares, with only a few candidates deducting the discount on issue. A larger proportion did however deduct the transaction costs. The client error regarding the coupon dividend was ignored by most.

Tax - disappointingly a lot were unable to deal with the b/f overprovision, which is brought forward knowledge from Accounting.

The EPS element was done well by a majority with most who attempted this scoring full marks.

Sustainability, as identified, was poorly answered - students are urged to read the requirement rather than just simply jot a few notes down about what sustainability is.

## **Question 2 Performance**

*The syllabus areas covered were: 1j, 2b, 2c, 2d, 2e.*

As a general rule, answers were again too brief, with many not fully explaining the accounting treatments, relying on the numbers to 'talk' for them.

(1) Borrowing costs were understood by the majority and many were able to identify that they needed to be capitalised, along with a correct calculation of the weighted average cost of borrowing.

There was however a lot of confusion regarding the calculation of the directly attributable borrowing costs, with only a minority actually multiplying by the expenditure incurred.

The testing costs and sales of the by product income were poorly dealt with or ignored.

(2) This was a straightforward Government grant issue and was dealt with well by most.

(3) The foreign transaction, namely the initial purchase and the corresponding payable retranslation were dealt with well. A large number ignored the error within the inventory, or incorrectly concluded it was the correct treatment.

(4) The deferred consideration was fairly poorly answered, with a lot of candidates stating that it should be classed as deferred income.

Students struggled to adjust the financial statements figures often producing numbers inconsistent with their discussion. Students should attempt this as they are dealing with the discursive elements of the question.

UK GAAP discussions were good, with most securing the few marks available here for the

differences.

Ethics discussions were pleasingly strong and a large proportion scored full marks on this element by clearly explaining the ethical issues/threats, along with corresponding actions required.

Some weaker candidates failed to appreciate who they were in the scenario and discussed issues and actions from the perspective of an auditor.

### **Question 3 Performance**

*The syllabus areas covered were: 3d.*

Despite group cash flow statements often being disliked by candidates, this part of the question was attempted well by most candidates. Weaker candidates failed to attempt it at all.

The main areas of confusion often lay with calculation of the dividends paid to NCI and the Purchase of intangibles. These were some of the more difficult components of the question, requiring a deeper understanding of the impact of the subsidiary acquisition, however some good attempts at the required workings were made.

Those candidates who adopted a methodical approach, such as T account workings, did well.

### **Question 4 Performance**

*The syllabus areas covered were: 3c, 3d.*

Presentation of the final statement and workings were well done here by the majority, which was pleasing to see.

Again, 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 disappointing number of candidates deducted the gain on bargain purchase arising from one subsidiary from the goodwill on acqn of another, presenting a net figure in the CSFP.

A few areas that challenged candidates were:

-Calculations of the initial FV of consideration for Milan – many not sure what to do here

- FV adjustment in the Associate, many getting confused and trying to include the FV itself as opposed to just the resulting depreciation, along with omitting time apportionment and/or P's % invt in A.

-Inventory PURP on Associate - forgetting to multiply by P's % invt in A and/or incorrectly omitting it from the group RE's calculation.

- Time apportionment of the share of A's post acqn profits

### **Summary and Helpful Hints**

Students should read the requirements carefully to ensure they are answering the question set.

Students cannot question spot - cashflows will be on every paper for a varying degree of marks so it is important that they at least understand the basics and attempt the question.

Similar comments can be made for EPS where it was either completely omitted or answered very well.

The majority of explain question marks in general are for discussing the accounting treatment and why the treatment is appropriate rather than just simply doing calculations.