

EXAMINER'S REPORT
MIA QE SEPTEMBER 2019
PAPER: ADVANCED FINANCIAL ACCOUNTING AND REPORTING

Question no.	Question's Requirement	Expected Answer	Weaknesses in the Answer Provided	How answer should be written to get more marks
1	See note below	See note below	<ol style="list-style-type: none"> 1. Error in basic consolidation knowledge in a vertical group structure. 2. Did not prepare consolidated statement of changes in equity 	<p>Understand control for all group structure.</p> <p>Need to prepare this statement. Understand the layout (format) of the statement.</p>
2A i	This is a question about share-based payment of goods.	The reasons why a company may want shares as opposed to cash as settlement	Many candidates answer the different types of settlement.	Need to understand what the question asks.
2A ii	The question is about journal entries for purchase of PPE and settlement by shares.	Complete journal entries at the correct dates.	Date(s) given was wrong. The amounts were also wrong.	Need to understand when transactions need to be recorded. Need to understand which share price to be used.
2B i	The question is about recording entries for research and development of product.	Entries over the period stated and reason for such.	Many recorded the right answer except for the impairment part. Few candidates may be confused between R&D company and normal company creating R&D items.	To master how to calculate impairment amount.
2B ii	The question is about the difference between market capitalization and total assets of two advanced IT companies.	Address the difference between market capitalization and total assets. Hint was given as their comments should be based on MFRS138 Intangible Assets.	Candidates compare between the two companies performance.	Similar to question 2A i, understand the requirement of the question.

Question no.	Question's Requirement	Expected Answer	Weaknesses in the Answer Provided	How answer should be written to get more marks
2b iii	The question is whether data is an intangible asset or not	Explanation of assets recognition criterion	Many candidates answered correctly.	Good that they go back to the basic of asset recognition criterion
3	To prepare published financial statements (SOFPI & SOPL) and notes on PPE	Published financial statement with a note to PPE and EPS and incorporating all adjustments from additional information	Most candidates were not able to incorporate the adjustment on the amount of operating lease. Some calculations were incorrect, and some did not take up the adjustment at all	Candidate should be able to incorporate all adjustment as those were all within the syllabus. Most marks were given on the adjustments. The format of published FS also need to be complied.
4A	To discuss whether the PPE can be classified to NCAHFS and to determine the value to be presented as NCAHFS	Discussion on the situation provided on the PPE that is intended to be classified as NCAHFS. Computation of carrying amount and FVLCTS is needed in order to determine the value to be presented as NCAHFS	Few candidates were unable to identify whether the PPE can be classified as NCAHFS. Therefore, their discussions were wrong Some candidates made mistakes on calculation of carrying amount and FVLCTS which had reduced the marks.	Candidate should be able to explain the criteria to be fulfilled in order to classify PPE to NCAHFS according to MFRS 5.
4B	To measure on the initial recognition and subsequent measurement of financial assets that were classified as measured at FVTOCI and FVTPL and to discuss on classification under MFRS9	Computation on initial recognition and subsequent measurement and the treatment on the changes of FV. Explain on classification of redeemable debentures according to MFRS 9	Most candidates were able to compute correctly however there were few of them did not answer the question at all, thus reduced the overall marks. However, on the discussion of classification of redeemable debentures, most candidates were either did not answer the question or explained wrongly.	Candidate should be able to answer this question as it is part of the syllabus. They should show the workings on the computation and should be able to explain the classification of financial liability according to MFRS 9.

General Recommendation

To Facilitators	Maybe need to harness candidates' reasoning ability. Keep on reminding the candidates to understand the MFRS in order to be able to answer the questions according to the Standards.
To Candidates	The candidates should attend all classes and practice more on preparation of financial statements since it is necessary for an accountant to be able to prepare the financial statements. A few of the candidates were not able to prepare even the basic financial statements. This might be due to lack of time in examination or simply because they were not exposed to prepare the financial statements as part of their job scope. Thus, candidates should allocate the exam time wisely. They should also need to comprehend the requirement of specific MFRS discussed in the workshops.

Note

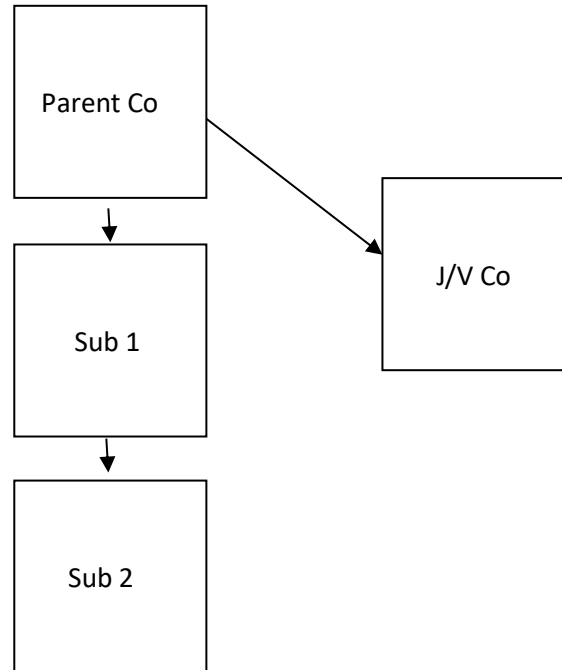
This is question about preparing consolidated statement of profit or loss for a parent company which has two subsidiaries and a joint-venture business. The group structures before and after restructuring are as below:

Before (1.1.18 to 30.8.18)

Parent control Sub 1: 75%

Sub 1 control Sub 2: 80%

Parent has 60% indirect share in Sub 2



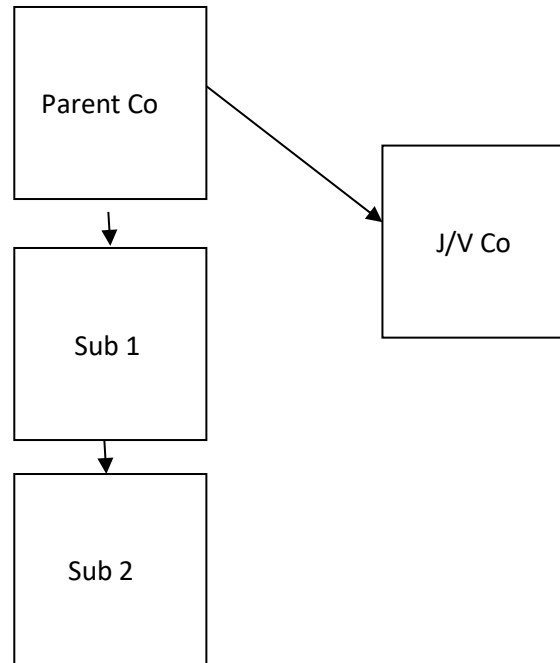
After (1.9.18 to 31.12.18)

Sub 1 disposed 20% shares in Sub 2 and keeps the balance of 60%.

Parent control Sub 1: 75%

Sub 1 control Sub 2: 60%

Parent has 45% indirect share Sub 2



Quite a number of candidates thought that Parent lost control of Sub 2 on 1.9.18 because its indirect control is now 45%. This basic consolidation error explains partly the low marks they got.

Secondly, many candidates also did not prepare consolidated statement of changes in equity. This has been observed in past sittings as well.