

FINANCIAL REPORTING – PAPER 13

1.0 General Performance

- The pass rate was 22.83% up from 22.25% in the December 2010 examinations diet. This was a slight improvement from the previous sitting. However, this pass rate is still very low.
- Candidates performed dismally in questions relating to IPSAS 23; Revenue from Non-Exchange Transactions. The average in this area was 4 out of the 20 possible marks.
- Section A was also inadequately answered with almost all candidates obtaining less than 50% of the allocated marks.
- Generally almost all candidates displayed below average performance. At this level, candidates are expected to display well written answers; and are expected to attempt all parts of questions in order to score reasonable marks to enable them pass the examination.

2.0 PERFORMANCE IN INDIVIDUAL QUESTIONS

2.1 Question 1

- Required candidates to: (a) explain to management (i) the meaning of a derivative instrument, (ii) the accounting treatment of a forward contract transaction and (iii) effects of the foreign currency contracts in financial statements; (b) (i) explain and quantify how the oil platform can be treated in the financial statements (examined candidates' ability to explain how a financial asset should be accounted for in group accounts) and (ii) its effect in the financial statements of both subsidiary and parent; (c) tested on IAS 37: Provisions, Contingent Assets and Contingent Liabilities; and part (d) tested on IAS 16: Property Plant and Equipment.
- The question was poorly answered; the majority of candidates scored an average of 10 marks only.
- Candidates exhibited shallow knowledge on the requirements of the various standards which was a sign of inadequate preparation for the examination.

2.2 Question 2

- Tested candidates' ability to apply IFRS 3: Business combinations in the preparation of financial statements specifically a consolidated statement of financial position.
- The question was straight forward and was attempted by many candidates. It was fairly done.

2.3 Question 3

- Tested on the requirements of IFRS for small and medium-sized enterprises (SMEs).
- The question was not attempted by most of the candidates. Those who attempted it did not clearly distinguish between the requirements of this standard with the other standards.
- Candidates generally exhibited lack of knowledge of the IFRS for SMEs.

2.4 Question 4

- Tested candidates' ability to apply IFRS 3: Business combinations in the preparation of financial statements and IAS 7 Statement of Cash flows. The question required preparation of a consolidated statement of cash flows.
- Most candidates attempted this question and scored poor marks. Some candidates failed to prepare the necessary adjustments for consolidation.

2.5 Question 5

- The question tested on International Public Sector Accounting Standard (IPSAS) 11: Construction Contracts.
- It required candidates to: (a) explain (i) fixed price contracts and (ii) cost-based contracts; (b) show the requisite circumstances a contractor needs to consider in order to determine when to recognize contract revenue and expenses as per cases in (a) above and (c) (i) explain the requirements when a contract covers a number of assets; the circumstances for the construction of each asset to be treated as a separate contract and (ii) explain the requirements when a group of contracts whether with a single customer or with several customers should be treated as a single construction contract.
- Many candidates made an attempt at this question. Candidates who had adequately prepared generally performed it satisfactorily.

2.6 Question 6

- This question tested candidates on IPSAS 22: Disclosure of Information about the General Government Sector.
- It required candidates to: (a) (i) explain the term 'general government sector'; (b) describe the characteristics of a general government business; and (c) give the disclosures made in respect of the general government sector.
- The question was attempted by many candidates who generally demonstrated the requirements, except for those who could not adequately explain the characteristics of a government business enterprise.

2.7 Question 7

- This question tested candidates on IPSAS 23: Revenue from Non-Exchange Transactions.
- It required candidates to: (a) explain the terms: (i) 'non-exchange transactions' and (ii) exchange transactions; b) illustrate how an entity would recognize and treat revenue arising from a concessional loan.
- Candidates demonstrated satisfactory understanding of the requirements of part (a), but failed completely part (b).
- The average mark for this question was 4 out of the 20 marks allocated. Indeed, this was the worst attempted question in the exam. This again demonstrated candidates' preference for essay-type questions to computational ones.