

# Financial Reporting

## Sample Questions – September/December 2021 (21/22 syllabus)

### Get to know your exam

*These graphical representations are intended to give an indication of past exam requirements and associated question content.*

*Please note that you will not be able to complete answers within these documents and in isolation they will not sufficiently prepare you for your exam.*

*We encourage you to visit the ACCA Practice Platform in order to attempt up to date practice exams within the computer-based exam environment.*

## Introduction screen

FR September/December 2021 exam (21/22 syllabus)

### ACCA Think Ahead

#### Introduction

These sample questions show the likely style and range of **constructed response questions** that could be asked in the live exam. You should use these questions to become familiar with the question types and the features and functionality contained within the live exam. The practice exam is reflective of the constructed response section of the live exam but has some differences:

- The live exam will be timed however there is no time limit in this exam.
- Once you have started this exam you are able to leave at any time by closing the browser window. When you return, anything you have entered into the response options will be saved and you can continue sitting the exam.
- In the live exam your answers to the constructed response questions will be expert-marked. At the end of this exam, you should use the solution material provided to assess your performance in the constructed response questions.
- You will be able to access solution material at the end of this exam when using the Self-Marking resources which include a Marking Guide and/or Sample Answer for each question. If you wish to access these without completing the questions, click on **End Exam** on the Item Review Screen and navigate to the Marking tab on the Dashboard to Self-Mark.

Next →

# Instruction screens

FR, September/December 2021 exam (21/22 syllabus)




## Instructions (1 of 4)

The instructions displayed below are representative of those displayed in the live exam. Where there are differences between this exam and the live exam these are explained.

### General Instructions

- In this exam, the instruction screens are not timed however in the live exam they will be available for a maximum of 10 minutes prior to the exam starting.
- In the live exam, the stated exam time will automatically start once the 10 minute period has passed (or earlier if you choose to start the exam within the 10 minute period).
- A copy of the instruction screens can be accessed at any time during the exam by selecting the Help button provided.

### Answering and Navigating

- Please read each question carefully.
- The question number you are viewing is displayed in the top display bar. You can hide or restore this display by selecting .
- You can navigate between screens by selecting **Next**  or **Previous** , or by clicking on a question number from the Navigator or Item Review screens.
- A warning message will display to remind you that you cannot navigate away from a question if you have not viewed all of the question content. Ensure that you use all scrollbars and/or open any on-screen exhibits before navigating from each question.
- Some questions have the scenario and answer area divided by either a horizontal or vertical splitter bar. You can move this splitter bar to see more or less of the scenario or answer area.
- Please ensure you provide an answer for all elements of each question.
- You can revisit questions and change your answers at any time during the exam.

### Flag for Review

- If you wish to revisit/review a question later in the exam, click  **Flag for Review**
- Click the button again if you no longer wish to revisit/review the question later in the exam.

## Instruction screens (continued)

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### Instructions (2 of 4)

#### Help

- Click the Help button provided to access:
  - A copy of these exam instructions.
  - Help and guidance on constructed response questions.
  - Formulae sheets/tax tables if your exam requires these. Note that the name of the Help button will indicate if formulae sheets/tax tables are available i.e. [Help](#), [Help](#), [Help/Formulae Sheet](#) Or [Help/Tax Tables](#)

#### Calculator

- You have the option to use the on-screen standard or scientific calculators by selecting [Calculator](#)
- Note that in the live exam you are also permitted to use your own calculator providing it does not have the facility to store or display text.

#### Highlight and Strikethrough

- You can highlight key phrases or figures in the question scenario by selecting [Highlight](#)
- You can strikethrough text in the question scenario by selecting [Strikethrough](#)
- Highlighted and strikethrough text will be displayed on all questions relating to the scenario.

#### Workings/Scratch Pad

- You may use an on-screen Scratch Pad to make notes/workings by selecting [Scratch Pad](#)
- The Scratch Pad retains all notes/workings entered for all questions and these are available for the duration of the exam. They will not be submitted for marking after your live exam.
- You will also be provided with paper for notes/workings for your live exam, should you prefer to use it. This will not be submitted for marking. It will be collected at the end of the exam and must not be removed from the exam room.
- **Important:**
  - The notes/workings entered onto the Scratch Pad or your workings paper during the live exam will not be marked.
  - If you want the marker to see any notes/workings for questions in the constructed response section of the live exam you must show them within the answer areas.

## Instruction screens (continued)

FR, September/December 2021 exam (21/22 syllabus)

### Instructions (3 of 4)


#### Copy and Paste

- You can copy and paste from the Scratch Pad or question scenario into your answers in the constructed response section of the exam by using the Ctrl-C (Copy) and Ctrl-V (Paste) shortcuts. **Note:** When pasting into a spreadsheet in the live exam you must double-click the cell or paste directly into the formula bar. In this exam you can also paste into the spreadsheet by selecting the cell.

#### Symbol

- You can add a selection of currency symbols to your answers in the constructed response section of the exam by selecting  **Symbol** on the top toolbar.


#### Navigator Screen

- The Navigator screen can be accessed at any time during the exam by selecting  **Navigator**
- This screen allows you to jump to any question number in the exam.
- It also allows you to see the status of questions and whether they have been viewed, are complete or incomplete, or have been flagged for review.

#### Close All

- You can close each window (eg. Calculator or Scratch Pad) individually or you can close multiple windows by selecting  **Close All** on the top toolbar.

#### Reviewing the Exam

- You can review your exam once you have attempted any, or all, of the questions.
- To do this:
  - Navigate to the **last question** in the exam.
  - Click  **Next** →
- This takes you to the Item Review screen.

## Instruction screens (continued)

FR, September/December 2021 exam (21/22 syllabus)

### Instructions (4 of 4)

#### Item Review Screen

- This screen gives you an opportunity to see the flag and completion status of all questions before you exit the exam.
- You can select individual questions you wish to revisit, or quickly access groups of questions from the Item Review screen.
- During the item review period Navigator is not available however you can navigate to questions by selecting **Next** → , ← **Previous** or → **Review Screen**
- When reviewing questions you can change your answer and click → **Review Screen** to view any updated status on the Item Review screen.

#### Ending the Exam

- Once you have completed your item review and wish to finally end the exam click **End Exam**
- Once you end the exam, you cannot revisit any questions.

Select **Next** to move to the Exam Summary screen.

## Exam summary screen

FR, September/December 2021 exam (21/22 syllabus)

### Exam Summary

**Time allowed:** This sample exam is not timed.

- You will be presented with **two constructed response questions**, each containing a scenario which relates to one or more requirement(s). The requirements may be split over multiple question screens.
- Each constructed response question is worth **20 marks** in total.
- **40 marks** in total.
- All questions are compulsory.

**Important:** In your live exam you must:




1. Enter your answer for each question in the response area provided for that question. Any answers entered into a response area provided for a different question will not be marked.
2. Show all notes/workings that you want the marker to see within the response area provided for the question. Remember, any notes/workings made on the Scratch Pad or on your workings paper will not be marked.

Select **Next** to start your exam.

## Sample exam questions

### Scenario 1

FR September/December 2021 exam (21/22 syllabus)

\$ Symbol  ▼ Highlight  Strikethrough  Calculator  Scratch Pad

**This scenario relates to three requirements.**

The following is an extract from the trial balance of Mims Co for the year ended 31 December 20X5:

	\$'000	\$'000
Revenue		24,300
Cost of sales	11,600	
Administrative expenses	10,900	
Distribution costs	7,300	
Income tax (note (3))	140	
Deferred tax liability 1 January 20X5 (note (3))		7,700
Provision at 1 January 20X5 (note (2))		4,600
Retained earnings at 1 January 20X5		43,200
Equity share capital (\$1) at 1 January 20X5		60,000
Intangible assets (note (6))	3,300	
Investment property (note (5))	19,000	
Finance costs	1,400	
Investment income		500
Suspense account		46,500



## Scenario 1 (continued)

The following information is relevant:

- (1) Mims Co noted there was an error in the inventory count at 31 December 20X4, meaning that the closing inventory balance in the 20X4 financial statements was overstated by \$0.7m. No entries have yet been made to correct this error.
  - (2) The provision relates to a court case in existence since December 20X4. Mims Co settled this case on 31 December 20X5 for \$6m. The full amount was credited correctly to cash, with a corresponding debit entry being made in the suspense account.
  - (3) The income tax figure in the trial balance relates to the under/over provision from the previous year. The current year tax is estimated to be a tax refund of \$1.2m. In addition to this, the deferred tax liability at 31 December 20X5 is estimated to be \$8.2m.
  - (4) On 30 September 20X5, Mims Co made a 1 for 4 rights issue. The exercise price was \$3.50 per share. The proceeds were correctly accounted for in cash, with a corresponding credit entry being made in the suspense account.
  - (5) Mims Co acquired an investment property for \$20m cash on 1 January 20X5 and decided to use the fair value model to account for investment properties. As the property is expected to have a 20 year useful life, depreciation was recorded on this basis. The fair value of the property at 31 December 20X5 has been assessed at \$22m but no accounting has taken place in relation to this. All depreciation and amortisation is charged on a pro-rata basis to administrative expenses. There were no other acquisitions or disposals of non-current assets.
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- (6) Mims Co incurred a number of expenses in relation to brands during the year and has capitalised the following costs as intangible assets:
    - \$1.3m cash was paid on 1 April 20X5 to promote one of its major brands which is deemed to have an indefinite life.
    - \$2m cash was paid on 1 October 20X5 to acquire a brand from one of its competitors. Mims Co expect the brand to have a useful life of five years. Mims Co intends to sell it after five years. At the point of sale, it is estimated that the value of the brand will have increased and so no amortisation has been accounted for in the current year.
  - (7) Mims Co paid a dividend of \$0.04 per share on all existing shares 31 December 20X5, recording the dividend paid in administrative expenses.

## Requirements for Scenario 1

(a) Prepare the statement of profit or loss for Mims Co for the year ended 31 December 20X5.

(12 marks)

(b) Prepare the statement of changes in equity for Mims Co for the year ended 31 December 20X5.

(5 marks)

(c) Prepare the following extracts from the statement of cash flows for Mims Co for the year ended 31 December 20X5:

(i) Cash flows from investing activities; and

(ii) Cash flows from financing activities.

(3 marks)

(20 marks)

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
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## Scenario 2

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\$ Symbol  ▼ Highlight  Strikethrough  Calculator  Scratch Pad

**This scenario relates to four requirements.**

The Pinardi group operates in the fragrance and cosmetics industry. On 1 January 20X7 Pinardi Co disposed of one of its subsidiaries, Silva Co, for cash of \$42m. Silva Co manufactures jewellery and was sold because the Pinardi group wanted to exit this particular sector.

Extracts from the consolidated financial statements of the Pinardi group for the years ended 31 December 20X6 and 20X7 are as follows:

Statement of profit or loss	20X7	20X6
	\$'000	\$'000
Revenue	98,300	122,400
Cost of sales	(47,600)	(71,800)
<b>Gross profit</b>	<b>50,700</b>	<b>50,600</b>
Operating expenses	(33,700)	(37,400)
<b>Profit from operations</b>	<b>17,000</b>	<b>13,200</b>
Finance costs	(3,200)	(5,500)
<b>Profit before tax</b>	<b>13,800</b>	<b>7,700</b>
<b>Statement of financial position</b>		
Inventories	13,300	22,400
Cash	31,400	14,600
Non-current liabilities	42,000	61,000

The following information is relevant:

- (1) The accounting assistant has not accounted for Silva Co as a discontinued operation because the disposal occurred on 1 January 20X7. No figures from Silva Co have been included in the 20X7 financial statements extracts above. The proceeds from the disposal have been recorded in cash, with all net assets and goodwill derecognised. The balancing figure was held in a suspense account.

## Scenario 2 (continued)

- (2) Pinaridi Co acquired 100% of Silva Co on 1 January 20X1 and goodwill was calculated as \$6m. The goodwill had been impaired by 30% in 20X5. The net assets at 1 January 20X7 were \$35m.
- (3) As part of the sales agreement, the Pinaridi group will receive an annual fee of \$2m for the use of the Silva Co brand. The 20X7 annual fee has been included in the Pinaridi group revenue for the year ended 31 December 20X7.
- (4) Results obtained from Silva Co's individual published financial statements show the following key information:

	<b>20X7</b>	<b>20X6</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenue	39,000	36,000
Gross profit	18,800	12,600
Profit from operations	8,000	6,000

- (5) Prior to the disposal Silva Co used to use some property belonging to the Pinaridi group. Following the disposal, the Pinaridi group moved its cosmetic division into this property.

Previously the cosmetic division had leased external facilities for \$2.5m a year. At 1 January 20X7 the lease had ten years remaining. To exit the lease, the Pinaridi group made a one-off payment of \$3m to the lessor and recorded it as operating expenses.

- (6) The Pinaridi group acquires raw materials from overseas. In 20X6 the group recorded foreign exchange gains of \$3m, and in 20X7 the group made a foreign exchange loss of \$1m. Both items were recognised within operating expenses.

## Requirements for Scenario 2

(a) Calculate the gain on disposal of Silva Co that would need to be included in the consolidated statement of profit or loss for the Pinardi group for the year ended 31 December 20X7.

(2 marks)

(b) Explain whether or not the disposal of Silva Co is likely to constitute a discontinued operation, and the correct accounting treatment for this.

(3 marks)

(c) Calculate the following ratios, using the pre-formatted table, for the Pinardi group for 20X7 and 20X6:

- Gross profit margin;
- Operating profit margin;
- Interest cover; and
- Inventory turnover days.

(4 marks)

(d) Analyse the performance and position for the Pinardi group for the year ended 31 December 20X7 compared to the year ended 31 December 20X6.

(11 marks)

(20 marks)

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Ratio	Working	20X7	Working	20X6
Gross profit margin				
Operating profit margin				
Interest cover				
Inventory turnover days				

(d)

## Example view of full CBE constructed response workspace

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Symbol Highlight Strikethrough Calculator Scratch Pad Close All Flag for Review

This scenario relates to four requirements.

The Pinaridi group operates in the fragrance and cosmetics industry. On 1 January 20X7 Pinaridi Co disposed of one of its subsidiaries, Silva Co, for cash of \$42m. Silva Co manufactures jewellery and was sold because the Pinaridi group wanted to exit this particular sector.

Extracts from the consolidated financial statements of the Pinaridi group for the years ended 31 December 20X6 and 20X7 are as follows:

Statement of profit or loss	20X7	20X6
	\$'000	\$'000
Revenue	98,300	122,400
Cost of sales	(47,600)	(71,800)
<b>Gross profit</b>	<b>50,700</b>	<b>50,600</b>
Operating expenses	(33,700)	(37,400)
<b>Profit from operations</b>	<b>17,000</b>	<b>13,200</b>
Finance costs	(3,200)	(5,500)
<b>Profit before tax</b>	<b>13,800</b>	<b>7,700</b>

Statement of financial position	
Inventories	13,300
Cash	31,400
Non-current liabilities	42,000
	64,000

(a) Calculate the gain on disposal of Silva Co that would need to be included in the consolidated statement of profit or loss for the Pinaridi group for the year ended 31 December 20X7. (2 marks)

(b) Explain whether or not the disposal of Silva Co is likely to constitute a discontinued operation, and the correct accounting treatment for this. (3 marks)

(c) Calculate the following ratios, using the pre-formatted table, for the Pinaridi group for 20X7 and 20X6:  
 - Gross profit margin;  
 - Operating profit margin;  
 - Interest cover; and  
 - Inventory turnover days. (4 marks)

(d) Analyse the performance and position for the Pinaridi group for the year ended 31 December 20X7 compared to the year ended 31 December 20X6. (11 marks)

(20 marks)

(a)

← Previous Navigator Next →