

**EXAMINERS' REPORT**  
**MIA QUALIFYING EXAMINATION MARCH 2020**  
**PAPER: ADVANCED FINANCIAL ACCOUNTING AND REPORTING**

<b>Question no.</b>	<b>Question's Requirement</b>	<b>Expected Answer</b>	<b>Weaknesses in the Answer Provided</b>	<b>How answer should be written to get more marks</b>
1	Consolidated Statement of Financial Position (25 marks).	The consolidated FS and related workings such as goodwill calculation, retained earnings with adjustments, calculation of investment in associates company.	<ol style="list-style-type: none"> <li>1. In determining the goodwill, most candidates failed to correctly identify the purchase consideration given in the financial statement of the parent company.</li> <li>2. Candidates did not incorporate the adjustment figures in determining the final consolidation figure.</li> </ol>	<ol style="list-style-type: none"> <li>1. "Investments in subsidiaries" or associates company are the purchase consideration for all purchases (1<sup>st</sup> and subsequent purchases). This is also true for indirect consideration transferred.</li> <li>2. Many just add the figures (including the associates) to get the consolidation figures. Need to include adjustments amount. Need to exclude associates amount.</li> </ol>
2 A	Related party transactions (8 marks).	Identify in the case presented, any related party transaction with reason(s).	4 cases were presented (independent of each other). The cases were clear based on provision in MFRS 124. Those not getting the full marks were confused that related party was applicable to parent-sub/associates only. Close family relationship was also a factor. It had nothing to do with unethical practice. Some candidates thought that only when transactions were done not in arm's length, it has to be reported.	Candidates need to read through and understand the standard. Cases are given to test the understanding of the application of the standard.

Question no.	Question's Requirement	Expected Answer	Weaknesses in the Answer Provided	How answer should be written to get more marks
2 B a	Explain treatment of impairment for subsidiary as CGU (10 marks).	Identify the amount and allocation of impairment.	Generally, candidates were unable to either understand the case, the non-relevant information or the allocation rule.	The case is a parent-sub scenario. There is information which is not related to the impairment calculation and need to be excluded. Impairment is charged to the specific asset, the goodwill and on pro-rate to remaining assets, excluding trade receivables, inventories and cash.
2 B b	Explain impairment due to product withdrawal from the market (7 marks).	Need to identify the CGU, to exclude the non-related info and apply the carrying value vs value in use rule.	The CGU is the plant and not the products because the products are not independent of each other due to Process 1. The replacement product (Buzz Isotonic) is not produced at the plant, hence its exclusion.	Candidates need to identify the CGU correctly. Almost all included the replacement product in the calculation of the value in use even though the question mentioned that this product is produced at another plant.
3a,3b &3c	The question requires candidate to prepare SOFP and SOPL & OCI as well as note to PPE.	Candidates should prepare published Statement of Financial Position and Statement of Profit or Loss by incorporating all the adjustments provided in additional information with necessary workings.	Some candidates were not able to incorporate the adjustments either due to miscalculations (especially on amortised development expenditure) or unable to understand the adjustments required. Some candidates were also having difficulties in providing published notes on PPE, hence unable to incorporate even simple adjustment regarding PPE.	Candidates should provide the necessary workings required especially on notes to PPE as some of them did not provide the appropriate workings, hence less marks were given. Candidates should also understand the adjustments as the adjustments being incorporated correctly would give them more marks.

Question no.	Question's Requirement	Expected Answer	Weaknesses in the Answer Provided	How answer should be written to get more marks
4A	The question requires candidate to discuss the treatment of an investment property and explain the classification of a non-current asset.	This involves MFRS 140 Investment Property and MFRS116 Property, Plant and Equipment. The candidates should be able to discuss the accounting treatment on IP and to derive the carrying value of the building. The candidate also should be able to classify into IP and PPE correctly following the situation given.	Some of the candidates did not get the carrying value correctly, hence lost some marks on calculation. Some of them also were not able to classify the building into IP and PPE correctly. It might be due to lack of understanding on classification of IP matters.	Candidates should provide discussion on the treatment of an IP with regards to the situation given, not merely provide calculation. With good discussion and explanation, they should be able to attain maximum marks.
4B	The question requires candidate to identify and explain on the functional currency of 2 foreign operations. They also required to discuss the accounting entries on a foreign exchange transaction	This involves MFRS 121 The Effects of Changes in Foreign Exchange Rates. The candidates should be able to identify the functional currency of the 2 foreign operations based on situations given. They should also be able to translate the foreign transactions using correct exchange rates and discuss on the accounting entries.	Some candidates were not able to identify the functional currency of the 2 foreign operations based on the situations given. Instead, they provide general explanations on the factors to determine the functional currency. Most of the students also did not discuss on the accounting entries of the foreign transactions, but merely provide the journal entries.	Candidates should provide explanation on the specific functional currency of the foreign operations based on the situations given, not in general. They should also provide discussion on the accounting entries on foreign transactions, not only translating them. With good discussion and explanation, they should be able to attain maximum marks.

## General Recommendation

<b>To Facilitators</b>	<p>Keeping the candidates' motivation during ODL classes is important. Shorter and frequent sessions are recommended.</p> <p>If possible, it will be good if the facilitators can refresh the candidate in preparation of financial statements (standard format) for publication purposes together with the notes to financial statement (especially on PPE), as some of the candidate were unable to provide correct format of financial statements for publication (SOFP and SOPL &amp; OCI).</p>
<b>To Candidates</b>	<p>Candidates are advised to stay focus during workshop. The answers provided should be aligned with the requirements of the question.</p> <p>The candidates should practise more on preparation of financial statements since it is necessary for an accountant to know how to prepare the statements. Few of the candidates were not able to prepare the correct format of financial statements. This might be due to less exposure in their jobs regarding preparations of financial reporting or simply due to lack of time in examination. They should also need to comprehend the requirement of specific MFRS discussed in the workshops.</p>