
Examiner's Report

Paper I
Financial Reporting

(The main purpose of the following report is to summarise candidates' common weaknesses and make recommendations to help future candidates improve their performance in the examination.)

General Comments

The overall performance in this session was less satisfactory than in the June 2008 Session. A lot of candidates did not attempt all five questions completely. Disproportionate allocation of time made it difficult for many to pass the examination. Candidates generally performed well in the computational questions but seemed reluctant to answer the essay questions. Some of them did not provide relevant answers to the questions.

Specific Comments

Section A – Compulsory Questions

Question 1

The general level of performance in this compulsory question was a little disappointing. Only two-thirds of the candidates were able to complete both parts of the question.

Part (a)

Many candidates were able to state the requirement for certified public accountants to comply with the standards of behaviour and competence and observe the fundamental principles as set out by the Hong Kong Institute of Certified Public Accountants.

Part (b)(i)

Candidates who attempted this part were generally able to explain whether Joyce should take up the expenses or capitalize them as assets according to HKAS 23 (Revised) *Borrowing Costs*. However, some of them spent too much time on defining qualifying asset but did not answer the question completely.

Part (b)(ii)

Many candidates spent too much time on parts (a) and (b)(i) and left this part unanswered. Generally, this part was not well-answered by those who attempted it. Some wrongly advised Joyce to take up the cheque-in-transit, which would only be dispatched by the customer on 2 January 2008, as receipt in 2007. Candidates should read the question carefully and make sure they understand the details before giving their answers.

Question 2

Part (a)

This part required candidates to prepare a consolidated statement of comprehensive income and statement of financial position for a holding company and its subsidiary. The performance in this part was generally very good. However, a few candidates did not understand the rationale for consolidation and non-controlling interest and wrongly applied 70% apportionment on all items in the statement of comprehensive income and statement of financial position of the subsidiary in the consolidated financial statements.

Part (b)

Many candidates spent disproportionate time in other questions and did not answer this part.

Section B – Optional Questions

Question 3

Part (a)

Many candidates did not read this question carefully and did not notice that the lease commenced on 1 April 2007. This gave rise to a wrong calculation of fair value and thus not too many were able to score full marks.

Part (b)

Some candidates were only able to provide single entry for each transaction and not the workings. A number of them did not provide for depreciation on the equipment throughout the years.

Question 4

Part (a)

Candidates generally performed well in this part. However, some of them did not read the question carefully and prepared a Statement of Cash Flows. This significantly reduced the time available for answering other questions.

Part (b)

Only two-fifths of the candidates who attempted Question 4 answered this part. Candidates should not only focus on calculations in their answers but also narrative comments.

Question 5

Part (a)

This was a very straightforward question and many candidates were able to provide satisfactory answers. Again, there were those who mistakenly read the value of \$20 million equity shares as a total number of 20 millions shares in issue and as a result arrived at a wrong earnings per share (EPS).

Parts (b) and (c)

These two parts were quite poorly answered. Many candidates were unable to calculate the weighted average number of shares and a number of them did not restate EPS for the previous years.

Question 6

Less than one-third of the candidates attempted this question. The answers to part (a) were quite satisfactory. Part (b) was poorly answered and some candidates left it unanswered. They generally had problems in applying their knowledge in essay and interpretative questions.

* * END OF EXAMINER'S REPORT * *