



Examiners' report

DiplFR

June 2009

The examination consisted of one compulsory question for 25 marks and four optional questions for 25 marks each. Candidates were required to attempt three of the optional questions.

In general performance in this examination was less satisfactory than in December 2008, with a lower pass rate and average mark. This was mainly because the average mark in (compulsory) question 1 was lower than in December. However both the overall pass rate and the average mark compared reasonably well with that achieved in June 2008. As usual the performance of candidates in computational aspects of questions was generally superior to that in written aspects.

It is difficult to make too many statistical inferences where the number of students sitting the paper worldwide – around 550 – is fairly small. However it is notable that the performance of students across the larger centres was in general better than in centres with a smaller number of candidates. Therefore the availability of tuition could well be a key factor in the overall results achieved.

Unfortunately there remains a notable minority of candidates who produce performances that are way below pass standard. All candidates should be aware of the need to undergo thorough preparation before attempting this examination. Readers of previous reports will know that I have made such comments before but they bear repetition because they are still valid.

Question 1:

This question required the preparation of a consolidated statement of comprehensive income and a consolidated statement of changes in equity for a group that contained one subsidiary and also had an interest in an associate that had been acquired during the accounting period

On the whole the preparation of the consolidated statement of comprehensive income was satisfactory. However a minority of candidates seemed unaware of basic consolidation procedures and a number of instances of the use of proportional consolidation for both the subsidiary and the associate were seen.

Candidates coped less well with the preparation of the consolidated statement of changes in equity. This reflects previous experience of examining this topic. Candidates and tutors should not that the preparation of this statement will continue to be examined from time to time and therefore its preparation should be mastered. It is notable that I made very similar comments when a similar question was set in June 2008 but they have not been universally heeded.

Question 2:

This question required the preparation of a statement of comprehensive income and a statement of financial position for a company from a trial balance. As usual this question was very well answered by the majority of students who attempted it. The only technical issue that caused any real problems was the correct treatment of the convertible loan. A number of candidates seemed completely unaware of the 'split presentation' issue and those that were aware of the issue often made errors in the computation of the 'loan element'.

Question 3:

This question required candidates to explain two issues:

- a. The requirements of IFRS 8 – Operating segments – and their application to a particular scenario
- b. The treatment of the closure of a business component.

On the whole this question was answered satisfactorily. The majority of candidates were aware of the new rules on segment reporting that were introduced under IFRS 8 and produced satisfactory answers. In part (b) a number of candidates confused the issue of whether there should be a provision for the closure costs (which there should have been) and whether the results of the closed component should have been reported as discontinued (which would not have been appropriate until the following accounting period).

Question 4:

This question required candidates to explain key requirements of IAS 19 – Employee benefits – and apply them to a given scenario. The majority of candidates attempting this question showed a pleasing knowledge of the subject matter and scored high marks. A minority of candidates who attempted the question seemed to have little or no knowledge of the subject matter and scored very few marks – indicating that perhaps this question proved popular with very weak candidates.

Question 5:

This question required candidates to prepare financial statement extracts in respect of two events:

- a. The construction of a property.
- b. A construction contract

Answers to part (a) were generally satisfactory although not all candidates appreciated that a ‘rent free’ period in an operating lease did not mean no rental charge in the financial statements. All but the very weakest candidates appreciated the issue of capitalising direct costs of construction only.

The main error made by candidates in part (b) was in differentiating between contract insurance costs (that could be allocated to construction contracts on a reasonable basis) and general administrative costs, which cannot be.