ACCA

Strategic Business Reporting (SBR) March / June 2026 Examiner's report

The examining team share their observations from the marking process to highlight strengths and weaknesses in candidates' performance, and to offer constructive advice for those sitting the exam in the future.

Contents

General comments

This examiner's report should be used in conjunction with the published March/June 2026 sample exam which can be found on the ACCA Practice Platform.

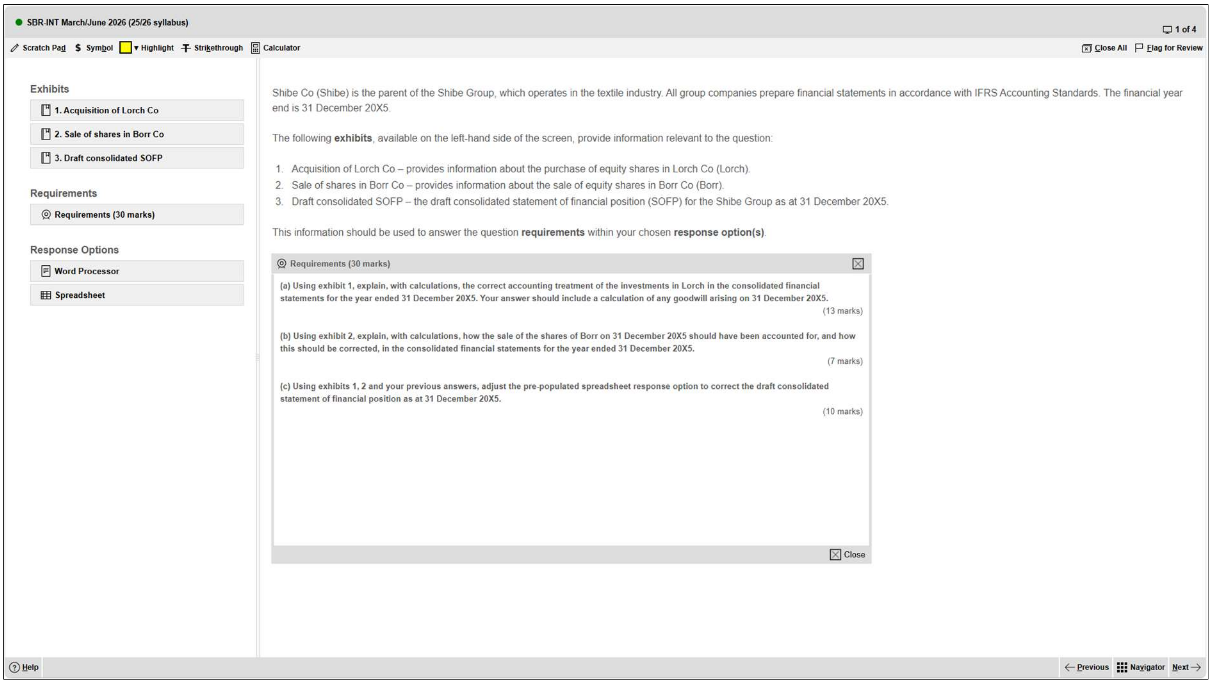
This report provides constructive guidance from the examining team on how to answer the questions, based on their observations from the marking process. It highlights the strengths and weaknesses of candidates who attempted these questions. Future candidates can use this examiner's report as part of their exam preparation, practising questions on the ACCA Practice Platform and reviewing the published answers alongside this report.

To achieve a successful outcome in the Strategic Business Reporting (SBR) exam, candidates must develop their technical and non-technical skills. Question 1 involves technical workings and candidates often spend too long on it, leading to a rushed approach for their final question in which relatively straightforward marks may be lost simply by running out of time. By translating each mark into minutes, candidates can plan how long to spend answering each part of each question. Sticking to this time limit is vital to ensure that marks are not lost by failing to answer each question fully.

Candidates must be familiar with the format of the exam, particularly for Question 1. The format for Question 1 provides draft content in a spreadsheet which then requires adjusting, based on information provided in the exhibits. Previous examiner's reports have provided feedback and advice on the approach to answering Question 1, and candidates are recommended to familiarise themselves with this advice. In this session, as in past sessions, some candidates were insufficiently prepared to present an answer in a manner which maximises opportunities for marks. A good spreadsheet answer should ensure workings are easy to follow and mark. Candidates must avoid entering unreferenced numbers into a cell as part of a formula or typing over the original figures presented in the draft statement. Spreadsheet answers for Question 1 should present a progression of columns to explain the movement from draft to final figures. Where corrections involve more detailed calculations, these can be made in separate workings, below the pre-populated data.

Candidates should be clear on which exhibit(s) they need to refer to before answering any part of the question.

Question 1 – Shibe Co



This question included a pre-populated spreadsheet response presenting draft extracts from a consolidated statement of financial position (CSOFP). Three exhibits provided details on an associate-to-subsidiary step acquisition, details on a sale of shares in a subsidiary (retaining control), and a draft CSOFP.

(a) Using exhibit 1, explain, with calculations, the correct accounting treatment of the investments in Lorch in the consolidated financial statements for the year ended 31 December 20X5. Your answer should include a calculation of any goodwill arising on 31 December 20X5.

(13 marks)

The requirement referred to "investments" – this means that candidate's answers should have explained the treatment of both the initial 30% investment (as an associate) and the additional 45% investment (as a subsidiary) on the final day of the reporting period. Well-planned answers ensured that sufficient detail was given to both aspects and began with an overview of the step acquisition process (from associate to subsidiary).

Marks were available for describing the equity accounting method and calculating the carrying amount of the investment just before the step acquisition. However, a surprising number of answers failed to calculate the correct carrying amount up to 31 December 20X5.

Marks were available for describing how the carrying amount of the associate should be revised to fair value on 31 December 20X5 once control was obtained. Better answers used the previous working as the starting point for the calculation of the gain, and when this was done, marks were gained relatively easily. However, a common fault for many candidates answering this question was to concentrate purely on the calculations and thereby miss marks for relatively straight-forward explanation. For example, fewer candidates provided a rationale for why the initial 30% holding should be restated at fair value, or the process that is undertaken in a step acquisition.

Most answers correctly incorporated the fair value of the share exchange in the goodwill calculation, but weaker answers failed to explain the need to increase share capital and other components of equity. Likewise, a deferred consideration amount should have been included as part of the consideration in the goodwill calculation, but also as a liability. It was surprising to see some answers miscalculate this liability. Weaker answers wasted time explaining the subsequent treatment of the liability which was not a requirement of the question as it related to the following year.

A more challenging aspect of the goodwill calculation appeared to be the fair value adjustment for land. While most answers explained that land needed to be recognised at fair value, marks were lost by failing to apply the principle of highest and best use.

Failing to explain the dual effect of the two forms of consideration, the fair value adjustment, and the introduction of NCI at fair value often had a knock-on impact when answering part (c), where corrections were needed for both sides of each transaction.

(b) Using exhibit 2, explain, with calculations, how the sale of the shares of Borr on 31 December 20X5 should have been accounted for, and how this should be corrected, in the consolidated financial statements for the year ended 31 December 20X5.

(7 marks)

The scenario explicitly mentioned that control was not lost, and most answers explained how this meant that Borr should continue to be accounted for as a subsidiary. Candidates with sufficient technical knowledge then explained how the transaction would not result in a gain or loss reported in profit or loss. Goodwill would also not be altered by this transaction, although very few answers mentioned this.

A significant number of candidates struggled with this part of the question, failing to calculate the net assets of Borr at the transfer date, or omitting one or more of the consolidation adjustments (the goodwill and the depreciated fair value adjustment). Weaker answers suggested a gain/loss be reported in profit or loss.

To answer the requirement in full, candidates should have explained how to correct this transaction in the consolidated financial statements. This was often overlooked, making it more challenging to make corrections in part (c) of the question.

Marks were awarded using the “own figure” rule which avoids double penalising a mistake from an earlier calculation. This means that candidates who overlooked one or more of the consolidation adjustments when calculating the 5% of net assets increase to NCI were not penalised again, provided the resulting explanations were correct in principle.

(c) Using exhibits 1, 2 and your previous answers, adjust the pre-populated spreadsheet response option to correct the draft consolidated statement of financial position as at 31 December 20X5.

(10 marks)

In common with previous sittings, weaker answers to part (c) showed fundamental errors which restricted opportunities to gain marks. For example, candidates who recorded workings/ adjustments in $000s would lose marks as their figures were incompatible with totals in the draft CSOFP (in $m).

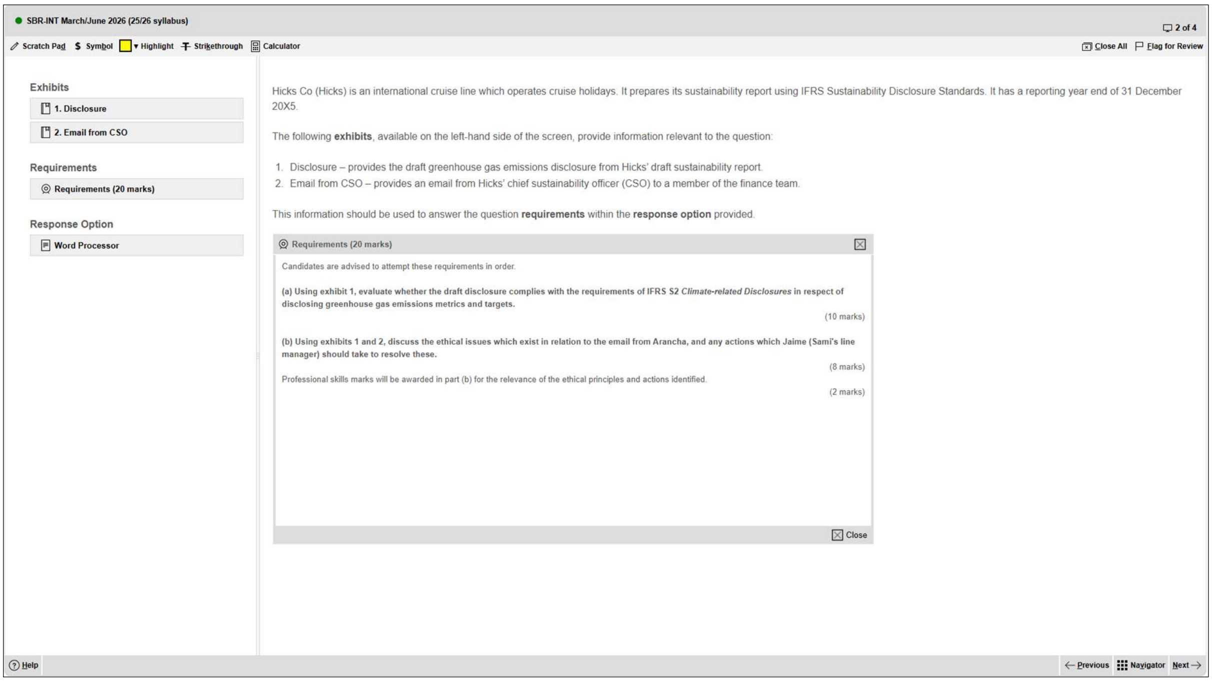
As with previous sittings, weaker answers merely typed figures into cells in the spreadsheet with no clear reference to their narrative answer. Candidates are free to make use of the spreadsheet to perform their workings from parts (a) and (b); an area was provided for workings below the draft CSOFP. When candidates used the spreadsheet in this way, marks were much easier to trace onto the CSOFP.

Basic corrections for the share issue (part a) were commonly omitted – this was a relatively easy correction to make for which two marks were available. Other relatively straightforward corrections often omitted included the NCI at acquisition, the removal of the associate carrying amount, and the gain on restatement to fair value of the associate.

It was again disappointing to see few candidates following through the corrections from part (b) into part (c).

Finally, candidates should take care to include adjustments in the correct line of the CSOFP. For example, the liability for deferred consideration should have been reported as a current liability (not non-current), as it was payable at the end of the following year.

Question 2 – Hicks Co



Question 2 required candidates to consider both reporting and ethical implications of specific events in a contemporary scenario.

(a) Using exhibit 1, evaluate whether the draft disclosure complies with the requirements of IFRS S2 Climate-related Disclosures in respect of disclosing greenhouse gas emissions metrics and targets.   **(10 marks)**

Candidates should be aware that, in the financial reporting part of this question, they may be tested on specific aspects of one or more reporting standards, including sustainability reporting standards. IFRS® Sustainability Disclosure Standards are embedded within the SBR syllabus. Candidates should therefore be prepared to apply these alongside financial reporting standards.

In part (a), candidates' performance was generally very weak, with some failing to attempt this section completely. Where provided, answers varied depending on the extent of knowledge of the IFRS S2 disclosure requirements.

Where candidates had knowledge of IFRS S2 and then attempted to apply this knowledge to the question, they were able to pick up marks. Comments on the need for gross GHG emissions across all three scopes earned a mark but simply mentioning that Scope 1 and 2 metrics and targets were missing was too simplistic. Credit was awarded for broader comments over the lack of disclosure of measurement methodology, particularly where comments extended to critically review the narrative as being too vague or requiring more specific detail.

When candidates discussed the disclosure of targets, answers which applied a common-sense approach and suggested a lack of reference to a base year earned a mark. The same applied to a lack of setting/monitoring of targets, and performance against the targets.

Better answers involved more specific reference to the draft disclosure, such as the use of carbon credits in achieving net emission targets, noting that users would be interested in the extent to which carbon credits are relied on, their type, and how they are certified. Other areas for discussion, which were often overlooked, were the need for industry-based metrics, and the insufficient disclosure of categories relating to Scope 3 emissions.

Candidates who applied general common sense to the question could achieve a pass in part (a). However, very few had the technical knowledge required to achieve full marks.

(b) Using exhibits 1 and 2, discuss the ethical issues which exist in relation to the email from Arancha, and any actions which Jaime (Sami's line manager) should take to resolve these.

(8 marks)

Professional skills marks will be awarded in part (b) for the relevance of the ethical principles and actions identified.

(2 marks)

In part (b) the discussion of ethical issues was often well-answered by candidates who are, generally, well-prepared to discuss threats to fundamental ethical principles. In this case, the exhibit contained an email from the chief sustainability officer asking for the junior member of the finance team to draft the greenhouse gas emissions disclosure note. This linked with part (a) of the question and most candidates who made a good attempt at part (a), were then able to identify the key ethical points and achieve a good score for (b). Even where part (a) was less well-answered, candidates were still able to identify the ethical issues and recommend actions and score relatively well.

Candidates should not expect to earn marks by merely presenting a summary of the Code's ethical principles and threats. Candidates must apply their knowledge to the circumstances described in the exhibit. Weaker answers tended to start with general comments about the need for relevance and faithful representation, or a list of ethical threats without application to the scenario. Some very weak answers simply repeated issues from the scenario without linking these issues to ethical threats or actions. Other threats to objectivity (intimidation, advocacy) were sometimes referenced without any evidence in the scenario to support their relevance.

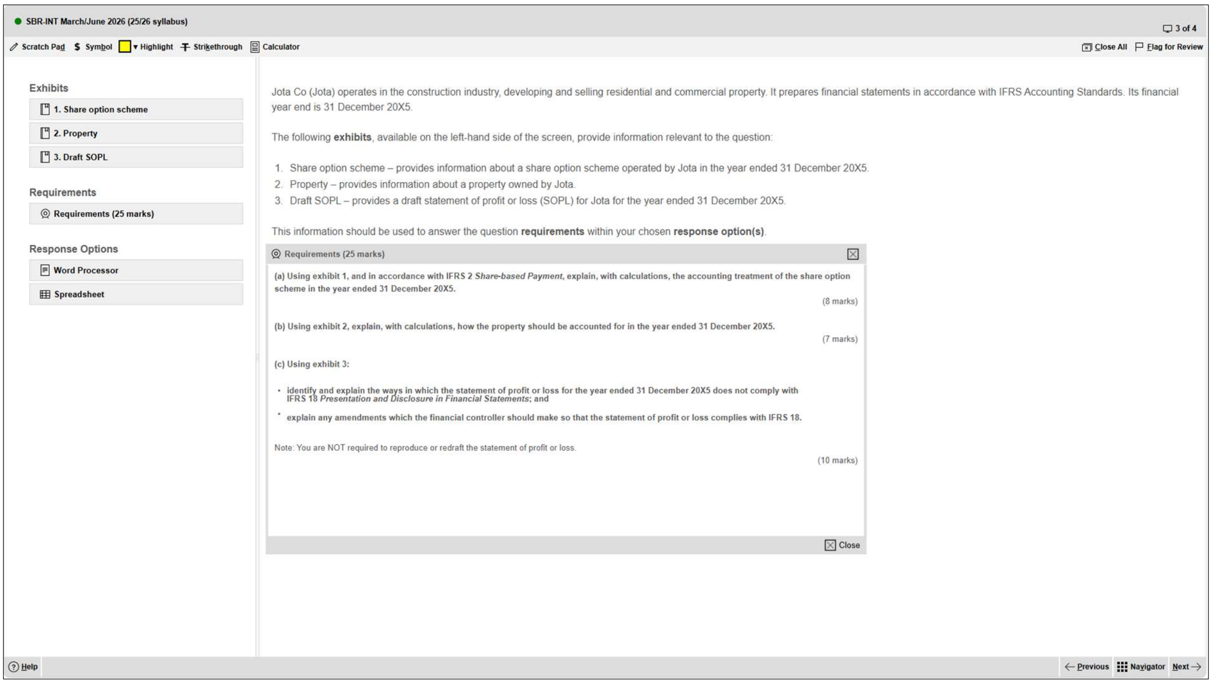
Candidates must stick to the information provided and not create or enhance the scenario to suit their answer. For example, no mention is made of a bonus, and answers which suggested this might be a threat "if a bonus was payable" did not earn marks.

It was surprising to see how few candidates mentioned greenwashing, given the scenario. To earn full credit, candidates should have contextualised why greenwashing was relevant.

Sometimes the requirement will specify an individual for whom recommended actions are needed – this was the case here. Candidates must ensure that they recommend actions which relate to the specific person mentioned in the requirement as there is a big risk they will lose relatively straightforward marks if the actions relate to another person.

Concise answers which focussed on each issue in the scenario and explained which ethical principles had been breached earned marks relatively quickly.

Question 3 – Jota Co



Question 3 examines candidates' knowledge and application of a range of IFRS Accounting Standards.

Question 3 is often the worst-performing question across the paper. While some excellent answers were submitted, a significant number of candidates lacked the depth of understanding and application skills required to achieve satisfactory marks. The following were evident in this sitting:

- A disproportionate amount of time spent on Questions 1 and 2, leaving insufficient time and focus for Question 3;

- Not reading the question and exhibits carefully, leading to answers which focused on irrelevant standards or issues; and

- Inadequate preparation across the full breadth of the syllabus, with some candidates demonstrating weakness in areas which should be considered fundamental at Strategic Professional level.

Conversely, some candidates were very well prepared and produced strong, well-structured answers.

This 25-mark question followed Jota Co, a company operating in the construction industry.

(a) Using exhibit 1, and in accordance with IFRS 2 *Share-based Payment*, explain, with calculations, the accounting treatment of the share option scheme in the year ended 31 December 20X5.

(8 marks)

This was the strongest-answered part of the question, with a reasonable proportion of candidates achieving high marks or full marks.

Stronger responses demonstrated a clear understanding that the scheme was an equity-settled share-based payment and correctly applied IFRS 2 by measuring the transaction based on the fair value of the options at the grant date. These candidates typically presented clear calculations, correctly estimating the number of awards expected to vest, applying time apportionment over the vesting period and adjusting the cumulative expense as estimates changed. Many also correctly identified that the resulting charge (or reversal) should be recognised within staff costs in the operating category of the statement of profit or loss, with a corresponding entry in equity.

Weaker answers revealed gaps in knowledge and understanding of basic IFRS 2 concepts. Some candidates stated the rule to "use fair value at grant date" but then proceeded to use alternative figures, including fair values at subsequent dates, intrinsic values or averages of different amounts presented in the exhibit. The presence of multiple fair values in the scenario proved confusing for some, suggesting that the underlying principle had not been fully understood.

A common limitation in otherwise reasonable answers was the absence of workings. A single unexplained figure cannot attract marks if it is incorrect. Candidates are reminded that clear workings allow credit to be awarded even if final figures are incorrect.

Further weaknesses included failing to spread the expense over the vesting period, omission of the cumulative approach to recognition, and confusion over the dual impact of the transaction. Some candidates suggested recognising the share-based payment expense as both a liability and equity, or placing amounts in OCI rather than profit or loss. A small number treated the year-end balance as a liability rather than an as an equity reserve.

Overall, part (a) rewarded candidates who combined sound technical knowledge with clear application and presentation.

(b) Using exhibit 2, explain, with calculations, how the property should be accounted for in the year ended 31 December 20X5.

(7 marks)

Performance on this part was variable, with marks often reflecting candidates' underlying understanding of asset classification.

Stronger candidates recognised that Jota operates in the construction industry and that property developed for sale forms part of its ordinary course of business. These candidates correctly identified that the property would have been initially classified as inventory under IAS 2 and measured at cost during development. Many candidates then went on to explain the subsequent transfer to investment property when there was evidence of a change in use, correctly identifying the commencement of the operating lease as the relevant trigger.

Candidates who performed well clearly tracked the sequence of events during the year, explaining why remeasurement was required at specific dates and applying the correct fair values. Strong candidates also correctly identified where gains should be recognised in profit or loss, distinguishing between operating and investing categories in accordance with IFRS 18.

Weaker responses often demonstrated confusion around basic definitions, particularly between inventory, investment property, owner-occupied property, and assets held for sale. Several candidates appeared to be distracted by terminology in the exhibit, such as "owner-occupied", and attempted to apply IAS 16 or IFRS 5, neither of which was relevant to the scenario. Others focused on lessee accounting and discussed right-of-use assets and lease liabilities, suggesting that the exhibit had not been read carefully and that the property was being accounted for from the wrong perspective.

There was also evidence of a weak understanding of basic double-entry principles, with some candidates stating that development costs should be expensed but then simultaneously increasing the carrying amount of the property. Some candidates failed to analyse the significance of the different dates during the year and instead produced lists of revaluations without clear justification.

(c) Using exhibit 3:

- **identify and explain the ways in which the statement of profit or loss for the year ended 31 December 20X5 does not comply with IFRS 18 *Presentation and Disclosure in Financial Statements*; and**
- **explain any amendments which the financial controller should make so that the statement of profit or loss complies with IFRS 18.**

Note: You are NOT required to reproduce or redraft the statement of profit or loss.

(10 marks)

This was the weakest-answered part of the question.

A significant number of candidates either did not attempt this requirement or provided very brief, under-developed answers. Given that IFRS 18 is a new and significant standard which has now been examined across several sittings, and is the subject of a recent technical article, the level of preparation demonstrated by many candidates was disappointing.

Stronger answers showed a clear understanding of the new structure of the statement of profit or loss, correctly identifying the three required subtotals and explaining the need to disaggregate operating expenses. These candidates were able to identify specific areas of non-compliance in the draft statement and propose appropriate amendments, without attempting to redraft the statement itself.

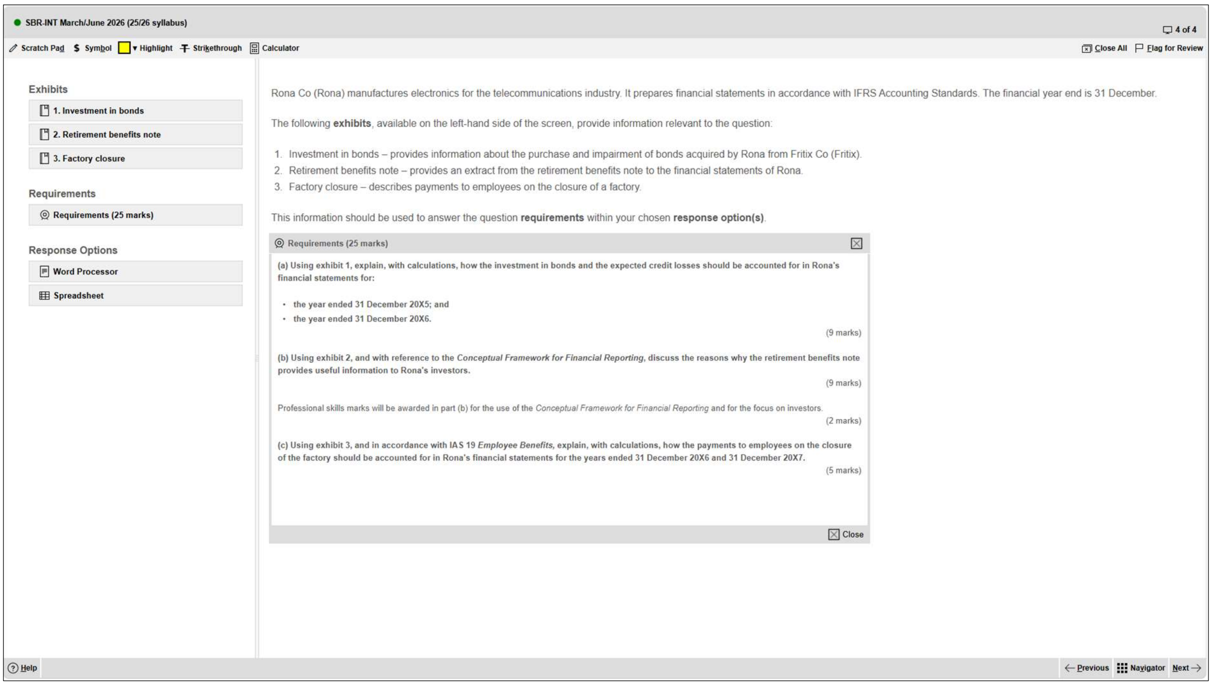
Weaker answers frequently lacked structure and focus. A common issue was confusing the investing and financing categories, particularly in relation to the loan notes. Many candidates failed to notice that the loan notes were a financial asset rather than a liability, resulting in incorrect classification of interest income and impairment losses. Some answers discussed finance costs while also referring to investment income in respect of the same item.

Some candidates repeated the same point multiple times, while others ignored the instruction not to reproduce the statement of profit or loss and instead attempted to redraft it.

Future candidates would benefit from:

- taking more time to read and analyse the detail in each exhibit;
- ensuring that calculations are supported by clear workings; and
- investing sufficient preparation time in newer standards, such as IFRS 18.

Question 4 – Rona Co



Question 4 tests candidates' knowledge and application of a range of IFRS Accounting Standards and will usually involve a stakeholder focus.

This specific question primarily examined IAS 19 *Employee Benefits* and IFRS 9 *Financial Instruments,* as well as the *Conceptual Framework for Financial Reporting*. The requirements spanned both technical accounting and investor-focused discussion.

(a) Using exhibit 1, explain, with calculations, how the investment in bonds and the expected credit losses should be accounted for in Rona's financial statements for:

- **the year ended 31 December 20X5; and**
- **the year ended 31 December 20X6.**

(9 marks)

Performance on this requirement was generally stronger than in the other requirements, with many candidates securing a significant proportion of the marks available. If candidates submit clear workings, they can still gain credit for application of appropriate principles, even if there are earlier numerical errors.

Stronger answers demonstrated a clear understanding of amortised cost accounting, often supported by well-presented calculations. Many candidates correctly identified the bond's initial recognition at fair value, calculated interest income using the effective interest rate, and adjusted the carrying amount for the coupon interest received. A significant number of candidates also recognised that the deterioration in credit risk during the first year required a move from 12-month expected credit losses to lifetime expected credit losses.

However, even where the key figures were identified, some candidates did not consistently apply them correctly within the amortised cost workings. Common errors included deducting the expected credit loss allowance from the gross carrying amount when calculating interest income and incorrectly calculating interest in the second year based on the net carrying amount rather than the gross carrying amount.

While many candidates appropriately identified when the bond became credit-impaired, relatively few calculated the present value of the expected future cash flows at that stage. Other common errors included:

- Calculating the lifetime credit loss to be expensed as $2m as opposed to $2.45m;
- Adding the coupon interest received and deducting the effective interest in amortised cost workings; and
- Incorrectly identifying the instrument as a liability.

Candidates are reminded of the importance of clearly identifying the nature of a financial instrument from the perspective of the reporting entity before applying detailed measurement requirements.

(b) Using exhibit 2, and with reference to the *Conceptual Framework for Financial Reporting*, discuss the reasons why the retirement benefits note provides useful information to Rona's investors.

(9 marks)

Professional skills marks will be awarded in part (b) for the use of the *Conceptual Framework for Financial Reporting* and for the focus on investors.

(2 marks)

Performance on part (b) was mixed. While many candidates produced excellent, well-structured answers, a considerable proportion struggled to address the requirement set.

Strong answers were clearly framed around the *Conceptual Framework for Financial Reporting*, usually beginning with a discussion of relevance and faithful representation, and then applying these concepts directly to the information in the retirement benefits note. The most effective responses followed the structure of the note itself, explaining why each area would matter to investors in assessing future cash flows and management stewardship.

In contrast, many weaker candidates either reproduced large parts of the scenario or provided generic descriptions of defined benefit pension plans without explaining why the information was useful. Some candidates listed concepts from the *Conceptual Framework for Financial Reporting* with little or no application, while others spent time attempting calculations which were neither required nor possible from the information given.

A common weakness was a failure to maintain an investor focus. Several answers discussed the pension plan from the perspective of employees or other stakeholders, which limited the marks which could be awarded, particularly for the professional skills element. Candidates are reminded that professional skills marks are awarded not only for structure and clarity, but also for addressing the specified user group in the requirement.

(c) Using exhibit 3, and in accordance with IAS 19 *Employee Benefits,* explain, with calculations, how the payments to employees on the closure of the factory should be accounted for in Rona's financial statements for the years ended 31 December 20X6 and 31 December 20X7.

(5 marks)

This part of the question was the weakest overall. While a small number of candidates achieved full marks, many secured only limited credit.

Stronger candidates correctly identified the need to distinguish between termination benefits and other employee benefits under IAS 19. These candidates explained that the payment payable to all employees met the definition of a termination benefit and correctly identified when the obligation should be recognised. Many also correctly identified the separate short-term employee benefit contingent on future service and allocated this to the appropriate reporting period.

Weaker answers often focused almost exclusively on provisions, with little reference to IAS 19 or the definitions of termination and short-term employee benefits. Many candidates did not address the requirement to explain the impact on the financial statements across both reporting periods, instead stating only a single total amount.

Explanations of the accounting entries were frequently vague, with limited discussion of the impact on the operating section of the statement of profit or loss. A small number of candidates appeared to confuse this requirement with part (b) on retirement benefits, treating the closure costs as if they related to a defined benefit pension plan.

As with many SBR questions, candidates who answered the question being asked, structured their responses clearly, and applied principles directly to the scenario performed well. Those who relied on rote learning, generic explanations or incorrect standards struggled to gain marks.

Candidates are reminded of the importance of:

- reading each requirement carefully and addressing all elements;
- applying accounting standards accurately to the facts given;
- maintaining a clear focus on the specified users of the financial statements; and
- supporting numerical answers with clear workings.

Future candidates would benefit from practicing questions which integrate technical accounting with communication and investor-focused analysis, as this remains a core skill required for the SBR examination.