

Diploma in International Financial Reporting (DipIFR) June 2025 Examiner's report

The examining team share 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.

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General comments

The exam consisted of four compulsory questions, each worth 25 marks. This report should be used in conjunction with the published June 2025 exam, which can be found on the [DiplIFR past exams library](#).

In previous examiner's reports, it has been highlighted that the performance on question one has tended to be stronger than in the other questions (in the other questions more explanation and analysis is required, but less computation). This was apparent again this exam session.

Question one will always be a question involving consolidation, with some additional adjustments to the draft financial statements of the parent prior to consolidation.

It is clearly appropriate to use the spreadsheet functionality to perform numerical workings for question one. Care should be taken, however, to ensure that a full trail of workings is available for the marker to follow. Although markers will look in cells for workings, if an incorrect number is included in a cell with no formulae and no obvious reference to a working, then it can be very difficult for the marker to reward those parts of the calculation which were in fact done correctly. Candidates are encouraged to fully cross reference all workings to spreadsheet cells, where appropriate.

Candidates are encouraged to ensure they are familiar with the CBE functionality and layout and should use the CBE specimen exam and guides available on the [ACCA website](#). Overall, the use of the spreadsheet function in question one indicated that, despite many references to this issue in previous examiner's reports, many candidates need to improve their level of proficiency in this area. This is even more important now that candidates are provided with a pre-populated spreadsheet which should make the basic sum function very straightforward (the logical starting point for a consolidation question).

When a spreadsheet is provided in addition to the word processing response area for questions two and three, this is to assist candidates with the computational components of these questions. The same principles of using the spreadsheet functionality and showing adequate workings, therefore, apply to questions two and three. These supporting calculations should then be cross referenced to the final answers in the word processing response area. The spreadsheet should not be used for the narrative component of these questions. The typing of narrative into spreadsheet cells makes the marking of such narrative quite difficult and should be avoided. However, a candidate can of course provide detailed workings and calculations in the word processing area if preferred.

Questions two, three and four require a mixture of computations and explanations (question four is almost entirely explanations). Previous examiner's reports have stated that, in many cases, the explanations provided often lack depth and focus. This is a key cause of relatively poor marks in these questions. There was some pleasing evidence this time that candidates and tutors appear to have been taking notes of these comments. There was certainly evidence of some

improvement in the quality of explanations provided in these questions. That said, it is still worth repeating the following general advice regarding the approach to questions two, three and four:

- i. Read the relevant scenario and requirements thoroughly. It appears that, often, this is not done in sufficient depth, which leads to ‘general’ answers which lack application to the scenario.
- ii. Identify the relevant IFRS® Accounting Standards. Candidates who state the incorrect IFRS Accounting Standard number will not be penalised, but it should be clear which standard is being referred to.
- iii. Set out the **relevant** requirements of each IFRS Accounting Standard you identify. However, candidates who set out parts of a relevant IFRS Accounting Standard which are not directly applicable to the scenario will not receive credit for such statements. An example of this issue can be found in question four of the June 2025 exam. The first part of this question required candidates to answer a series of specific questions regarding the disclosure of operating segments in financial statements. A significant minority of candidates made very general references to the requirements of IFRS 8 *Operating Segments*, rather than addressing the specific queries raised in the question. An unstructured approach of this nature will earn candidates very few marks.
- iv. Where the question requires candidates to ‘**explain and show** how the transactions should be accounted for in the financial statements’, candidates should calculate the relevant numbers and state how they should be reported (i.e. where they should be presented) in the financial statements. Candidates often lose marks here for not comprehensively following this approach. For example, question two of the June 2025 exam required candidates to identify the financial reporting implications of the revaluation of two properties. One of the properties was owner-occupied and one was an investment property. Many candidates were able to calculate the numbers which needed to be recorded in the financial statements. However, easy marks were missed by failure to fully describe the presentational requirements relating to these numbers. This was very unfortunate, because candidates who can correctly calculate the numbers can almost certainly describe the related presentational requirements.
- v. Question two will always include an ethics component with a maximum of 5 marks allocated to that part of the question. Despite references in previous examiner’s reports some candidates are not providing an appropriate answer to this aspect of the question. Such candidates simply reproduce content from the ethical guide without relating it in any way to the context of the actual scenario in the question. Others miss this part out altogether. Candidates should look at the published questions and answers and refer to the [technical article on the website](#). Failing to address this component is a missed opportunity to score valuable marks.

Specific comments

Question one

Using exhibits 1 - 5, and the pre-formatted spreadsheet response option, prepare the consolidated statement of financial position of Alpha at 31 March 20X7.

Notes:

- No explanations of consolidation adjustments are required. Marks will not be awarded for explanations.
- You do not need to consider the deferred tax effects of any adjustments unless specifically referred to in the exhibit.
- You should show all workings to the nearest \$'000.

(25 marks)

The scenario for the question was based around a parent entity, Alpha, with one subsidiary, Beta, and an associate, Gamma. The question required candidates to prepare the consolidated statement of financial position of Alpha at 31 March 20X7. Aside from 'routine' consolidation adjustments, the question required candidates to deal with the following issues:

- The accounting treatment of an investment measured at Fair Value Through Other Comprehensive Income in accordance with the provisions of IFRS 9 – *Financial Instruments*.
- The impact of inter-company trading between Alpha and both Beta and Gamma.
- The determination of the net realisable value of a new product

On the whole, this question was answered reasonably well. Candidates know that question one will always be a consolidation question and so they understandably study the topic thoroughly. Routine consolidation procedures were generally performed satisfactorily.

Relatively common errors which were apparent are summarised below:

- Failure to realise that the post-acquisition change in net assets of the subsidiary Beta were partly due to changes in other components of equity rather than being wholly due to changes in retained earnings.
- Failure to appreciate that the parent had a residual 'investment in equity instruments' to include in the consolidated statement of financial position after accounting for its investments in its subsidiary and associate.
- Failure to conclude that the change in the fair value of the 'residual investment' would be reflected in other components of equity rather than retained earnings.
- Errors made in computing the net realisable value of the new product. A number of candidates were unable to treat the 'costs of completion' correctly in the net realisable value calculation.

As stated earlier in this report, it is very important to give clear workings for question one in support of figures in the financial statements. This is good exam technique, as partial marks can be awarded even when the final figure may be incorrect if understanding and application of knowledge is demonstrated. If figures are calculated incorrectly and no workings are provided, it is very difficult for the marker to award partial credit for parts of the calculation which were done incorrectly. Candidates should practise these types of questions using a spreadsheet and consider how best they can layout clear workings and make efficient use of the spreadsheet functionality. Candidates should look at the [CBE guides for DipIFR that are available on the ACCA website](#) so they are prepared adequately for the CBE environment.

Question two

(a) Using the information in exhibits 2 and 3, explain and show how the transactions described there should be accounted for in the financial statements of Green for the year ended 31 March 20X7. Your answer to (a) should NOT include discussion of any ethical issues.

Notes:

- The mark allocations are indicated in each exhibit.
- Marks will be awarded for BOTH figures AND explanations.

(20 marks)

(b) Using the information in exhibit 1, explain THREE ethical issues confronting you as a result of the email from the FD and the email attachments.

(5 marks)

(25 marks)

This question placed the candidate as a trainee accountant, working for Green, who was presented with two financial reporting issues. The first issue involved the treatment of the revaluation of two properties and the second issue involved the treatment of a research and development project. The IFRS Accounting Standards were IAS 16 *Property, Plant and Equipment*, IAS 40 *Investment Property* and IAS 38 *Intangible Assets*.

The trainee accountant was being told by the finance director of Delta to recognise the transactions in such a way as to maximise reported profits but did not follow the relevant requirements of IFRS Accounting Standards. The stated objective of this process was to ensure that the financial statements showed a healthy profit in order to facilitate the payment of a performance related bonus. The finance director stated that cooperation with the given instructions would be taken into account in the upcoming performance appraisal of the trainee.

Candidates were required to identify the appropriate financial reporting treatments of the issues described and explain the ethical issues confronting the trainee as a result of the scenario.

Overall, answers to this question showed a pleasing improvement on the equivalent question from December 2024. That said, the following matters are worthy of mentioning:

A common error in the ‘property revaluation’ part of the question was failure to appreciate that the first property, being owner-occupied, was subject to the accounting requirements of IAS 16, whilst the second one, being an investment property, was subject to IAS 40.

A number of good answers were seen to the ‘research project’ part of the question. Poorer candidates, though, tended to simply state the requirements of IAS 38 without applying IAS 38 to the scenario.

Generally speaking, candidates seemed to find the application of deferred tax to the transactions somewhat challenging. A significant minority of candidates did not attempt the deferred tax aspects of the question at all.

Answers to the ethics part of the question were variable. Where candidates attempted to apply the principles of the ethical code to the scenario, they generally gained very reasonable marks. However, a minority of candidates are still simply stating the principles of the ethical code without any attempt at application. Such candidates are scoring very few marks.

Tutors and candidates should be aware that knowledge of the Code of Ethics and its application to a specific scenario will always feature in question two. The Ethics in DipIFR exam questions [technical article](#) is available on the website and the [CBE specimen exam](#) also reflects this component.

Question three

Using the information in exhibits 1 and 2, explain and show how the transactions described there should be accounted for and reported in the financial statements of Delta for the year ended 30 September 20X2.

Notes:

- The mark allocations are indicated in each exhibit.
- Marks will be awarded for BOTH figures AND explanations.

(25 marks)

The question required candidates to provide answers to specific questions relating to the accounting treatment of:

- The issue of redeemable preference shares and a foreign currency bank borrowing (part (a)).
- The purchase of a machine from an overseas supplier and the use of a derivative to hedge the currency risk associated with the purchase.

Overall, performance level on this question was disappointing. Most candidates showed a lack of knowledge of the relevant requirements of IFRS 9 *Financial Instruments* and IAS 21 *The Effects of Changes in Foreign Exchange Rates*.

In part (a), many candidates attempted to compute the present value of the future payments to the preference shareholders and the bank. This was unnecessary. A significant number of candidates failed to realise that the preference shares would be treated as financial liabilities rather than equity instruments. Attempts to split the liabilities into their current and non-current components were generally unsatisfactory.

In part (b) most candidates appreciated that gains or losses on effective cash-flow hedging instruments were generally initially recognised in other comprehensive income rather than profit or loss. However, candidates were less successful in determining the subsequent treatment of the derivative when Delta takes delivery of the machine. A surprising number of candidates computed the depreciation charge on the purchased machine incorrectly by starting to depreciate from the wrong date. The machine was available for use from 1 November 20X1, and the year-end was 30 September 20X2. A significant minority of candidates computed depreciation for a 10-month period. The correct depreciation period is 11 months.

Question four

Provide answers to the queries raised by one of Zeta's directors detailed in exhibits 1 - 3, relating to the financial statements for Zeta and Epsilon for the year ended 31 March 20X5. You should justify your answers with reference to relevant IFRS Accounting Standards and IFRS Sustainability Disclosure Standards.

Note: The mark allocations are indicated in each exhibit.

(25 marks)

In this question, the candidate was placed in the position of being the financial controller of Omega who was being questioned by a director who was not an accountant. Questions related to the financial reporting of three separate issues in the financial statements which were currently being prepared:

- disclosures relating to operating segments;
- sustainability practices; and
- prior period errors.

In each case, candidates were required to answer the questions that the director was asking.

A number of candidates did not complete all parts of this question. This has been a recurring theme for question fours and could well be due to cumulative time allocation issues from earlier questions. For each of the required treatments candidates were asked specific questions. Those candidates who performed well, made sure that their responses were framed around the answers to those questions. Candidates who made general, unstructured comments around the issues performed less well.

For issue 1 candidates were usually able to identify differences between operating segments and reportable segments. However, many struggled with identifying which segments needed to be reported. While the theoretical understanding of the 10% and 75% rules was evident, candidates often misapplied them. For example, the 10% revenue test was frequently based only on external revenue. Additionally, some candidates were unaware that meeting just one of the three 10% tests is sufficient for a segment to be reportable.

For issue 2 many candidates adopted a 'here's everything I know' approach, resulting in knowledge-dumping rather than focused responses. There was excessive reference to IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*, despite the requirement specifically asking for a focus on IFRS S2 *Climate-related Disclosures*. Some candidates even referred to The *IFRS for SMEs*® Accounting Standard, which was entirely irrelevant in this context.

Issue 3 was the best-answered issue. Candidates generally demonstrated a solid understanding of prior period adjustments, correctly identifying that policy changes are retrospective while changes in accounting estimates are applied prospectively.

A common theme emerging here is that candidates should be sure to answer specific questions when they have been asked, rather than making general references to IFRS Accounting Standards. This sentiment has been expressed in previous examiner's reports, and it continues to have relevance.