

Diploma in International Financial Reporting (DiplFR) December 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 December 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 time and is likely to arise in future sittings of the examination.

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 function 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 that were done correctly. Candidates are encouraged to fully cross reference all workings to the relevant 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](#). This is even more important now that candidates are provided with a pre-populated spreadsheet that 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. It is better not to use the spreadsheet 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 has been a reason for relatively poor marks in these questions. There was some pleasing evidence this time that candidates appear to have been taking note 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 that 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. Candidates who set out parts of a relevant IFRS Accounting Standard that are not directly applicable to the scenario will not receive credit for such statements. An example of this issue can be found in question two of the December 2025 exam. Part of this question included a requirement for candidates to identify the amount and timing of the recognition of revenue relating to the construction of an asset for a customer. Some candidates made general references to the five-step model for revenue recognition set out in IFRS 15 *Revenue from Contracts with Customers* with little or no application to the specific scenario that was presented. An unstructured approach of this nature will earn candidates very few marks.
- iv. Where the question requires extracts from 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, another requirement of question two of the December 2025 exam was to identify the financial reporting implications of the reporting entity (Green) providing a defined benefit retirement plan for senior employees. Most candidates were able state that the contributions payable by Green were not charged as an expense in the statement of profit or loss, the relevant expenses being the current service cost and the finance cost on the net liability associated with the plan. 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 are likely to be able to 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 scenario in the question. This approach will not attract any marks. Others miss this part out altogether. Candidates should look at the published questions and answers and refer to the [technical article on the ACCA website](#).

Specific comments

Question one

Using exhibits 1 - 5, and the pre-formatted spreadsheet response option, prepare the consolidated statement of financial position of Alpha as at 30 June 20X8.

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 as at 30 June 20X8. Aside from 'routine' consolidation adjustments, the question required candidates to deal with the following issues:

- The accounting treatment of acquisition costs relating to the investments in Beta and Gamma in the consolidated financial statements.
- The impairment review relating to the goodwill arising on acquisition of Beta (Beta had two cash-generating units).
- The impact of inter-company trading between Alpha and both Beta and Gamma.
- The accounting treatment of a zero-coupon bond issued by Alpha on 1 January 20X8 – six months prior to the reporting date.

On the whole, this question was answered 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. It was particularly pleasing to note that the majority of candidates were able to make an acceptable attempt at a relatively complex goodwill impairment calculation.

Relatively common errors that were apparent are summarised below:

- Concluding that Beta had been a subsidiary for five years rather than six. This meant that the post-acquisition adjustment relating to the fairvalue of plant and equipment was incorrectly computed, with a consequential impact on the closing figures for plant and equipment, retained earnings, non-controlling interest and deferred tax in the consolidated statement of financial position at 30 June 20X8.
- Attributing the whole of the post-acquisition movement in net assets to retained earnings, rather than allocating some of this increase to 'other components of equity'.

- Including the acquisition costs of Beta and Gamma in goodwill and investment in associate respectively rather than deducting these costs from consolidated retained earnings.
- Adjusting the trade receivables and cash figures for the cash in transit from Gamma (the associate) to Alpha as well as the cash in transit from Beta (the subsidiary) to Alpha.
- Adjusting for 100% of the unrealised profit on the sale of products to Gamma rather than just the group share of one-third.
- Failing to accrue for six-months finance cost on the zero-coupon bond issued by Alpha on 1 January 20X8 (six-months prior to the year-end).

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 for demonstrated understanding and application of knowledge, even where the final figure is incorrect. 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 that were done correctly. 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 30 June 20X8. 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 two retirement plans established by Green for the benefit of its employees and the second issue involved the treatment of the construction of an asset for a particular customer.

The trainee accountant was being told by the finance director of Green 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 when deciding whether to employ the trainee accountant's brother.

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.

In part (a) the majority of candidates were able to distinguish between the two retirement plans – correctly identifying plan A as a defined contribution plan and plan B as a defined benefit plan. Descriptions of the accounting treatment of plan A were generally satisfactory. Descriptions of the accounting treatment of plan B were more variable in quality. The majority of candidates were able to correctly state that a net pension liability was required regarding plan B in the financial statements of Green. However, a significant minority did not mention the fact that there would be an actuarial gain or loss in the other comprehensive income of Green regarding plan B. Some candidates attempted to reconcile the opening and closing net pension liability of Green (the most common way of computing the actuarial gain or loss) without appearing to realise why this was required. This indicates only a partial understanding of the topic.

In part (a) answers to the accounting treatment of the asset constructed for the customer were overall less satisfactory than those presented regarding the retirement benefit plans. A minority of candidates attempted to apply the provisions of IAS 16 *Property, Plant and Equipment* to this scenario, despite the question clearly stating that the asset was being constructed for sale to customer C. Where candidates did realise that the issue was one of revenue recognition some candidates simply set out the five-step model for revenue recognition set out in IFRS 15 *Revenue from Contracts with Customers* without any significant attempt to apply the model to the scenario presented. This has been commented on in previous examiner's reports where the same issue was noted in other IFRS 15 questions. It is worth repeating that general references of this nature will not attract marks.

Where candidates did attempt to apply the IFRS 15 model to the given scenario, most appreciated that the revenue from the sale with right of return could not be recognised until 31 March 20X8, when the right of return expired. However, very few candidates were able to state that when the asset was transferred to customer C on 1 January 20X8 Green would recognise a right of return asset until 31 March 20X8. Most candidates appeared to realise the fact that the revenue recognised on 31 March 20X8 should take account of the time value of money. However, only a minority of candidates were able to correctly identify the revenue that should have been recognised on 31 March 20X8 (\$40 million) and calculate the finance income for the three months to 30 June 20X8 (\$1 million).

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.

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 ACCA website and the [CBE specimen exam](#) also reflects this component.

Question three

(a) Answer Trainee F's two questions that are set out in exhibit 1.

(12 marks)

(b) Using the information in exhibit 2, explain and show how these transactions should be accounted for and presented in the financial statements of Epsilon for the year ended 31 March 20X6.

Notes:

- In requirement (b), marks will be awarded for BOTH figures AND explanations.
- You can ignore deferred tax in your answer.
- The mark allocations for each transaction are shown in exhibit 2.

(13 marks)

(25 marks)

Part (a) of the question required candidates to provide answers to specific questions asked by a trainee accountant relating to the recognition and measurement of intangible assets. Part (b) asked for an explanation and illustration of the accounting treatment of two specific transactions involving intangible assets:

- The acquisition of a subsidiary with existing intangible assets at the date of acquisition.
- A research project to improve the efficiency of a major production process.

As far as part (a) of this question was concerned, the quality of the answers depended on whether candidates addressed the specific questions the trainee had asked. Where candidates did address these specific questions, answers were generally satisfactory, although only a minority of such candidates addressed the 'identifiability' criterion set out in IAS 38 *Intangible Assets* which needs to be satisfied for the recognition of an intangible asset to occur. A significant minority of candidates did not address the specific questions asked by the trainee but made general references to the issue of the recognition and measurement of intangible assets. This approach did not generally lead to high marks. When specific questions are asked it is highly desirable that candidates make an attempt to answer them.

The first scenario referred to in part (b) involved the acquisition of a subsidiary with both tangible and intangible assets at the date of acquisition. Most candidates realised that the carrying amount of the tangible asset (property, plant and equipment) should have been based on its fair value at the date of acquisition rather than the carrying amount in the individual financial statements of Frankie. As far as the intangible asset (brand names) was concerned, most candidates were able to conclude that it should be recognised in the consolidated financial statements based on its fair value at the date of acquisition. However, explanations of the further accounting treatment of the brands were generally disappointing. A significant number of candidates stated that the brands should be shown at their recoverable amount in the closing

consolidated statement of financial position. This would not be acceptable under IAS 38 because there is no active market in brand names. Other candidates stated that the brands had suffered impairment because their recoverable amount was higher than their carrying amount. This shows a misunderstanding of how an impairment review works. A few candidates attempted a computation relating to the impairment of goodwill on consolidation. The question did not give enough information to enable candidates to do this.

The second scenario in part (b) involved a research project to improve the efficiency of a major production process. Most candidates appreciated the basic principle that costs in the development phase (the four months ended 31 October 20X5) could be recognised as an intangible asset but those in the research phase (the three months ended 30 June 20X5) could not. However, four specific errors were relatively commonplace:

- Failure to include depreciation of the plant purchased for use on the project in the development phase as part of the intangible 'development asset'.
- Inclusion of general fixed overheads 'allocated' to the project as part of the intangible asset.
- Inclusion of training costs as part of the intangible asset.
- Failure to amortise the intangible asset from the date the process was brought into use (1 December 20X5).

Question four

Provide answers to the queries raised by the assistant detailed in exhibits 1, 2 and 3, relating to the consolidated financial statements for the year ended 30 June 20X9. You should justify your answers with reference to relevant IFRS Accounting 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 an assistant who was involved in preparing the consolidated financial statements of Omega. Questions related to the financial reporting of three separate issues in the consolidated financial statements that were currently being prepared:

1. Events occurring after the end of the reporting period.
2. The recognition and measurement of potential liabilities (or provisions).
3. The treatment of a newly acquired subsidiary in the consolidated financial statements.

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 4 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 that the financial reporting issue was governed by the provisions of IAS 10 *Events after the Reporting Period*. That said, there was considerable variation in the quality of application of IAS 10 to the two different events referred to in issue 1. A pleasing number of candidates were able to demonstrate complete understanding of the difference between adjusting and non-adjusting events and achieve virtually full marks for this part of the question. At the other end of the spectrum, some candidates did little more than making general, fairly brief, references to IAS 10 with little or no application to the events referred to in the question. This approach generated very few marks.

Issue 2 included two separate situations. The first situation was the recognition, or otherwise, of a provision in respect of two separate legal claims, one with a 60% chance of success and one with a 25% chance. Most candidates were able to correctly apply IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* to this situation, realising that a provision was required in respect of the first claim, but not the second. The second situation was the recognition and measurement of a provision for the restoration of a site from which minerals were being extracted, the potential restoration expenditure occurring at the end of the extraction process. Answers to this situation were of more variable quality. Only a minority of candidates were able

to clearly identify that the provision was required in this case because of a constructive obligation, and to explain what a constructive obligation was. Most candidates did appear to realise that where the provision is in respect of future expenditure it should be measured at its present value where the time value of money is material. A significant number of candidates did not appreciate that the debit entry to accompany the recognition of a restoration provision is to property, plant and equipment, rather than to profit or loss.

Issue 3 required candidates to explain why the policy for recognising borrowing costs used by Minnie, the newly acquired subsidiary, differed from the group policy. Candidates were further asked to explain how these policy differences should be reflected in the consolidated financial statements. Most candidates were able to make appropriate references to IAS 23 *Borrowing Costs* and conclude that the group policy complied with IAS 23. Explanations for the likely reason for the differences in the treatment by Minnie were of more variable quality. Some candidates stated that the rules in Minnie's accounting jurisdiction must have been different to those applying to Omega. This was despite being told that Minnie and Omega were in the same accounting jurisdiction. That said, a pleasing number of candidates correctly concluded that Minnie, being a 'non-publicly accountable entity', was likely to be applying the provisions of the *IFRS for SMEs*. Most candidates correctly stated that, where individual group components follow accounting policies in their own financial statements that differ from the group policy, then appropriate adjustments need to be made at consolidation level.

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.