ACCA

Strategic Business Reporting (SBR) September/ December 2025 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 September/December 2025 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 should adopt both technical and non-technical skills. Good time management is vital. 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 need not answer questions in the order they are presented and can choose a first question which they feel confident in answering well within the allotted time. This may reduce stress levels in the later stages of the examination. Question 1 involves technical workings and candidates often spend too long on it; relatively straightforward marks may be lost in later questions due to candidates running out of time.

Answers which solely present knowledge-based facts without applying that knowledge to the scenario are unlikely to score well. Few marks are available for presenting rote-learned knowledge without application.

Candidates must be familiar with the format of the exam and understand the techniques they need to apply to satisfy the exam requirements. This is particularly true for question 1, which requires candidates to use a spreadsheet to adjust a draft financial statement. Candidates who access and use the ACCA Practice Platform have the best chance of success.

Question 1 – Woodfleet Co

This question included a pre-populated spreadsheet response presenting draft extracts from a consolidated statement of profit and loss (CSOPL) and other comprehensive income (OCI). Three exhibits provided information about the sale of an associate, a hedging arrangement, and intragroup transactions between the parent company and a subsidiary.

(a) Using exhibit 1, and in accordance with IFRS Accounting Standards: **(i) Calculate the carrying amount of the investment in Barton at 31 December 20X4, including the exchange gain or loss arising on its retranslation, which was recognised in the consolidated financial statements of the Woodfleet Group for the year ended 31 December 20X4.** **(4 marks)**

Part (a)(i) required candidates to produce a calculation. Candidates were not required to explain the process or justify the calculation although a surprising number of candidates did this, which earned no marks and wasted valuable time. Candidates must pay attention to verbs to ensure they meet (and don't exceed) the requirement for each part.

Overall, candidates scored well on this requirement, particularly when presenting their calculations in a table.

Poorer answers applied incorrect exchange rates or only translated the cost of the investment. Some candidates failed to calculate an exchange difference.

(ii) Explain, with calculations, the accounting treatment of Barton in the consolidated financial statements of the Woodfleet Group for the year ended 31 December 20X5. **(12 marks)**

Well-prepared candidates clearly separated their answer into three stages:

- an explanation of the treatment of the associate up to the date of disposal;
- the disposal of the associate; and
- the subsequent treatment of the remaining investment, which was a financial asset.

Candidates may find that providing headings for each of these aspects helps to check that they explain each stage in sufficient detail.

Candidates who had performed less well in part (a)(i) may have felt disadvantaged in part (a)(ii). However, the mark scheme gave credit for taking an "own figure" from part (a)(i).

Weaker attempts wasted time - and the potential for marks - by copying out material provided in the exhibit without any further application.

Some candidates demonstrated a good knowledge of applicable IFRS Accounting Standards but failed to sufficiently apply these to the question. Explanation without application limited the potential for marks.

Explaining and calculating the loss on disposal was often not well attempted. A significant number of answers failed to include the fair value of the remaining 10% shareholding as well as the sales proceeds in the disposal calculation. Most answers deducted the carrying amount of the associate, but many overlooked the exchange losses relating to the associate which needed reclassifying from OCI upon disposal. Even where the OCI was correctly included in the loss calculation, many candidates then failed to make the adjustment out of OCI in their answer to part (c). Candidates should be mindful of the implications of their calculations on the draft CSOPL and OCI. Many candidates would have benefitted from completing part (c) as they worked through parts (a) and (b).

There were some relatively basic marks to earn by explaining the derecognition of the associate and recognising the resulting gain or loss in the statement of profit or loss. Candidates who are struggling with the calculation should not just skip this part of the requirement; basic explanation points are still credit-worthy.

With regards to the remaining shareholding, candidates should ensure that their explanations cover all relevant points: the gain or loss on remeasurement (including any translation impact) is recognised in the investing section of the consolidated statement of profit or loss. This needs to be included in the explanation to ensure all possible marks are earned.

Overall, part (a)(ii) was well answered, provided candidates were aware of the accounting treatment of an associate and its subsequent disposal. Associates are an important part of the SBR syllabus; candidates should not expect question 1 to always concentrate on the accounting treatment of subsidiaries.

(b) Using exhibit 2, and in accordance with IFRS 9 *Financial Instruments*, explain how to correct the treatment of the hedging arrangement in the consolidated financial statements for the year ended 31 December 20X5.

(4 marks)

Candidates struggled with this requirement, with some simply copying information from the exhibit. Candidates who did not really understand the concept of cash-flow hedges tended to write as much as possible about principles in IFRS 9, without addressing the specific issues in the exhibit. Some answers discussed how the forward contract met the criteria of a cash flow hedge, even though the exhibit clearly stated that all hedge effectiveness criteria were satisfied.

A significant number of answers did not correctly calculate the amounts to be recognised in OCI and in profit or loss.

(c) Using exhibits 1, 2 and 3 and your previous answers, adjust the pre-populated spreadsheet response option to correct the draft consolidated statement of profit or loss and other comprehensive income for the Woodfleet Group for the year ended 31 December 20X5.

Note: The calculation of profit and total comprehensive income attributable to the equity owners of Woodfleet and the non-controlling interest is not required.

(10 marks)

Part (c) required candidates to correct the draft CSOPL and OCI for the issues identified in the earlier parts of the question. A further adjustment was also needed for an intra-group trading issue.

Correcting for intra-group trading should be straightforward for a well-prepared candidate at this level, but some candidates overlooked this issue completely. A significant number of candidates put through the adjustments in the wrong direction in their spreadsheet and so missed out on basic marks.

The +/- direction of adjustments was a key issue for many candidates, and resulted in lots of easy marks being missed.

Many candidates in this session were insufficiently prepared for this requirement. Candidates should not enter unreferenced numbers into a cell as part of a formula or type over the original figures presented in the draft statement. Instead, candidates should present each adjustment in a separate column, providing a clear audit trail between the draft and final figures. Where corrections involve more detailed calculations, these can be made in separate workings, below the pre-populated data.

Question 2 – Tacoco Co

Question 2 required candidates to consider both reporting and ethical implications of specific events in a contemporary scenario. This question had two parts to it, each relating to the two separate exhibits.

(a) Using exhibit 1, discuss the ethical issues arising for the financial controller and the financial accountant. Your answer should outline appropriate actions which should be taken to resolve these issues.

(10 marks)

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

(2 marks)

In part (a), the discussion of ethical issues was often well-answered by candidates who are, generally, well-prepared to discuss threats to fundamental ethical principles. However, candidates should not expect to earn marks by merely presenting a summary of ethical principles and threats. Furthermore, candidates must not simply restate issues mentioned in the question without linking them to any recognised ethical frameworks – this, also, generates no marks. Instead, candidates must apply their knowledge to the circumstances described in the exhibit. In most questions, candidates are asked to also recommend actions to resolve the ethical issues they have identified, as was the case here. It is important that both ethical issues and actions to resolve are discussed to maximise opportunities for marks.

Part (a) was generally well answered, with most candidates successfully identifying the key ethical issues presented in the scenario. However, a significant number of responses were overly general and lacked depth. The exhibit relating to part (a) described how the financial accountant (FA) placed reliance on a system-generated inventory valuation despite noticing a misreported age of one component which had not been manufactured or sold for much longer than reported. Relatively few answers discussed the accounting issues regarding valuing inventory at the lower of cost and NRV and how inventory and profit may be overstated. A discussion as to whether the error was one-off or suggestive of wider issues was extremely rare.

In general, candidates performed less well in recommending appropriate actions. Many candidates recommended that the FA should tell the financial controller (FC) and escalate internally, although very few candidates discussed the need to document these discussions, or gave examples of how that investigation should be performed. Actions can be interspersed within an answer rather than presented separately, if candidates feel this suits the flow of their answer.

Most answers identified and explained the self-interest threat for the FC in relation to the bonus scheme and also the self-interest threat for the FA in trying to obtain a permanent position. The majority of candidates also picked up on the lack of professional competence and due care issue due to not taking notes at the meeting with the production director. References to integrity were common, but often not in the context of the information being ignored intentionally. A relatively small number of candidates suggested that the FC may have simply forgotten the conversation with the production director, which is not an issue of integrity but rather an issue of professional competence.

Despite these shortcomings, some candidates delivered exceptional responses. Stronger answers demonstrated a clear structure, mapping the identified issues to relevant ethical principles, assessing the threats involved, and recommending proportionate, actionable steps. These responses reflected a sound understanding of professional obligations and practical application of ethical decision-making models.

(b) Using exhibit 2, and in accordance with IFRS Accounting Standards:

- **discuss whether the up-front fee represents a separate performance obligation; and**
- **explain the correct accounting treatment of the $120,000 up-front fee in Tacoco's financial statements, including any deferred tax effects, for the years ending 31 December 20X7 and 20X8.**

(8 marks)

A good answer to the first bullet point would begin by defining a performance obligation under IFRS 15. However, many candidates incorrectly asserted that there was a separate performance obligation, often relying on flawed reasoning. This suggests that some candidates lacked a thorough understanding of the IFRS 15 requirements.

Provided they had answered the first part correctly, most candidates recognised the need to spread the up-front fee over the term of the contract. However, fewer candidates sufficiently described the impact in both 20X7 and 20X8. When candidates did refer to the accounting periods, the fact that one month of the contract fell into 20X7 was often overlooked. A significant number suggested that the whole fee should be deferred into 20X8.

Many candidates wasted time calculating the revenue to be recognised in respect of the computer parts themselves rather than the up-front fee. It may be tempting to provide this based on the information in the exhibit, but there are no marks for these calculations as they are not a part of the requirement.

Answers in relation to the deferred tax effects were, in general, very weak. Some candidates correctly identified the temporary differences arising from the timing mismatch between accounting and tax recognition of revenue, which led to a conclusion that a deferred tax asset should be recognised. However, in many cases this was the extent of a candidate’s answer. Fewer answers quantified the deferred tax asset by comparing tax base with carrying amount. A significant number of students suggested that no deferred tax adjustment was required, or that a deferred tax liability would arise, demonstrating a lack of understanding of the fundamental principles of IAS 12 *Income Taxes*. Weaker answers focussed on the current tax implication and failed to discuss the deferred tax impact at all.

Overall, candidates demonstrated a good awareness of the key issues in this question, although most answers had scope for improvement. In the ethical issues part of the question, candidates should be prepared to provide framework-based analysis and actionable recommendations specific to the scenario. Candidates should be aware that, in the financial reporting part of this question, they may be tested on specific aspects of one or more financial reporting standards.

Question 3 – Arundel Co

Question 3 examines candidates' knowledge and application of a range of IFRS® Accounting Standards. As would be expected, the specific IFRS Accounting Standards examined varies from sitting to sitting.

Question 3 is often the worst performing question across the whole paper. Whilst some answers are excellent, many candidates lack the knowledge and application skills to score satisfactory marks. Some reasons for this include:

- spending a disproportionate amount of time on questions 1 and 2;
- not reading the question properly; and
- not being adequately prepared.

Candidates are reminded of the need to study all areas of the SBR syllabus.

(a) Using exhibit 1, and in accordance with IFRS Accounting Standards, explain, with supporting calculations, the effect of the factory closure on Arundel's financial statements for the year ended 31 December 20X7. Your answer should cover:
(i) the plant and equipment;
(8 marks)
(ii) the factory building.
(9 marks)

Many good answers were received to parts (a)(i) and (a)(ii), which was pleasing to see.

Weaker candidates were unable to select the relevant information from the exhibit for each part. This meant that a significant minority of scripts confused the issues.

Several candidates added to their own confusion by providing a single response to part (a). Markers did their best to follow these answers, but candidates are reminded to answer the requirements as set. The examining team spends a long time considering the best way to set out exhibits and requirements. It is in candidates' best interests to follow this lead.

In part (a)(i), a high proportion of candidates knew the criteria to classify an asset as held for sale and generally scored well here. Some, however, did not manage their time appropriately and consequently did not attempt the calculations or consider the impact of this classification on the financial statements. This was despite the numerical information provided in the exhibit and the clear wording of the requirement.

Many simply did not know the measurement rule for assets held for sale: the lower of carrying amount and fair value less costs to sell. Common errors included:

- measuring the assets at fair value (without deducting costs to sell) on and after classification, with gains and losses recognised in OCI;
- suggesting there was no accounting implication until sale, when a gain or loss on disposal would be recognised;
- suggesting that a provision should be made for the future brokers' fees; and
- revaluing of the plant and equipment in accordance with IAS 16 before transfer to the held for sale category.

A significant number of candidates wasted time outlining the principles in IAS 16.

Candidates who scored a clear pass showed clear workings, had an appreciation of the significance of the dates in the scenario, and applied the information in the scenario to the relevant principles in the relevant accounting standard.

It was also pleasing to see candidates correctly applying IFRS 18 by stating which section of the statement of profit or loss would be impacted.

In part (a)(ii), many candidates knew there was a transfer from property, plant and equipment to investment property, but did not link this to the scenario or identify evidence to support the transfer.

Some candidates stated that the transfer didn't take place until the property was ready to lease out at the year end. This impacted their subsequent calculations, although marks were awarded for correct application and workings even if the number was incorrect.

A surprising number of candidates did not know the basic measurement requirements in relation to the transfer, or measurement of the investment property after the transfer. Many thought that a gain should be recognised in profit or loss on the transfer and that subsequent remeasurements should be recognised in OCI.

Most candidates attempted to discuss the subsequent expenditure and borrowing costs, but with varying degrees of success. Problem areas included:

- expensing the subsequent expenditure immediately;
- not time apportioning the interest during the year; and
- capitalising the loan principal as well as the interest.

Several candidates saw the words 'operating lease' and wasted time writing, in detail, about IFRS 16 *Leases*. This was despite the fact that the property was not leased out during the financial year. Even more worryingly, a significant number of those who discussed IFRS 16 did so from the perspective of the lessee, rather than the lessor.

(b) Using exhibit 2, and in accordance with IFRS Accounting Standards, explain, with supporting calculations, how the new legislation affects the accounting treatment of the assets and liabilities of the oil palm division in the year ended 31 December 20X7.

(8 marks)

In part (b), a significant number of candidates provided only calculations, with no explanation.

Candidates who attempted this requirement, and provided explanations, often performed very well. A majority picked up on the use of the terms 'cash-generating unit' and 'value in use' in the exhibit and realised that they were dealing with an impairment scenario. In most answers, candidates scored marks for:

- defining recoverable amount;
- referring to a pro-rata allocation of the loss; and
- stating that the loss is recognised in profit or loss.

Few candidates understood the need to compare like-for-like in terms of carrying amount and recoverable amount and therefore did not explain that current assets should be excluded from the carrying amount of the CGU. Candidates frequently explained that the impairment loss should not be allocated to current assets; however, they did not necessarily reflect this in their calculations.

In relation to calculations, common errors included:

- including current assets /not including the provision in the carrying amount;
- allocating the whole loss to a single asset; and
- allocating the loss to current assets as well as non-current assets.

Several candidates picked up on the need to revise depreciation calculations; however, only a small number understood that the provision would also need to be recalculated based on new timings.

A significant number of candidates wasted time talking about irrelevant topics and standards, such as:

- indicators of impairment, even though the question clearly stated that an indicator existed and a test was required;
- the recognition criteria for a provision, despite the exhibit clearly stating that a provision had already been recognised in respect of a legal obligation; and
- IAS 41 *Agriculture*.

Some candidates responded to the fact that the scenario was set against a sustainability backdrop by giving unnecessary explanations or summaries of the IFRS Sustainability Disclosure Standards.

It was pleasing to see that many candidates demonstrated a good knowledge and understanding of various areas of the syllabus and were able to apply this in their answers. Unfortunately, a significant number of candidates were not sufficiently prepared for this question. It would seem that many are spending too much of their study time and exam time on question 1 and question 2, meaning that performance in the later questions suffers.

Question 4 – Carroll Co

Question 4 can test candidates' knowledge and application of a range of IFRS® Accounting Standards and usually involves a stakeholder or investor focus. This specific question looked at IAS 32 *Financial Instruments: Presentation*, IFRS 9 *Financial Instruments,* and IFRS 18 *Presentation and Disclosure in Financial Statements*. IFRS 18 is a new accounting standard and so a lot of guidance had been given on this area, including in the Study Hub and in a technical article.

(a) Using exhibit 1, and in accordance with IFRS Accounting Standards:

- **explain why Carroll should recognise the convertible loan notes as a liability and the convertible preference shares as a compound instrument; and**
- **explain, with calculations, the amounts which Carroll should recognise in its financial statements for the year ended 31 December 20X8 in relation to both instruments.**

(11 marks)

Performance on part (a) was highly variable. Weaker candidates demonstrated only a superficial grasp of IAS 32, with many struggling to distinguish between the debt and equity components of the financial instruments in question. Theoretical understanding of the standard was frequently absent, and few candidates articulated the principles underpinning classification.

Even though the requirement asked candidates to **explain why** the convertible loan notes were a liability and the convertible preference shares were a compound instrument, many chose to conclude something altogether different: that the convertible loan notes were a compound instrument and that the convertible preference shares were an equity instrument.

Calculation quality was often poor. In the case of the convertible preference shares, many candidates incorrectly discounted future cash flows using the coupon rate rather than a market rate for comparable non-convertible instruments. Others bypassed discounting altogether. A substantial minority did not attempt any calculations.

When calculations were attempted, workings were often presented with minimal narrative or structure, resulting in audit trails too weak to gain marks. Markers award marks for evidence of relevant application even if the numbers are incorrect due to an earlier error; clear workings are, therefore, essential.

Stronger candidates structured their answers and clearly followed the requirements. Many made a decent attempt at defining a liability, but there was an over-reliance on the *Conceptual Framework*, rather than the definitions and principles in IAS 32.

(b) Using exhibit 2, and your answer to part (a), discuss the impact which each convertible instrument would have on gearing and adjusted profit before income taxes in the annual report for the year ended 31 December 20X8. (5 marks)

Stronger candidates correctly identified that the convertible loan notes would increase the gearing ratio and could discuss the impact on the adjusted profit figure.

The convertible preference share impact was weaker but was still reasonably well attempted. A respectable number of candidates discussed the proportional impact on debt and equity and the resultant impact on gearing.

A considerable number treated the preference dividends as ordinary dividends and concluded that these would not impact the profit figure.

Unfortunately, some candidates made no attempt at this part of the question. Understanding the impact of financial reporting classification to stakeholders is an important skill so it was disappointing that candidates did not even try to answer this part.

(c) Using exhibit 2: • **explain, in accordance with IFRS 18 *Presentation and Disclosure in Financial Statements*, why adjusted profit before income taxes meets the definition of a management-defined performance measure but gearing does not;** • **outline the disclosures about Carroll's adjusted profit before income taxes which are required by IFRS 18; and** • **discuss why these disclosures will provide useful information to its investors.** (7 marks) Two professional skills marks will be awarded in part (c) for the clarity of the answer and for the relevance of the answer to the specified management-defined performance measure. (2 marks)

Unfortunately, many responses to this requirement were either absent or lacked any reference to IFRS 18. Weaker candidates were unaware of the definition of a management-defined performance measure (MPM). This was disappointing given the resources made available about IFRS 18, especially the recent technical article.

Discussion of the required disclosures was either strong (scoring close to full marks), or very weak/absent.

Candidates who scored the two professional skills marks provided clear answers which were applied to the scenario, as opposed to generic and/or irrelevant comments. Weaker candidates made little or no reference to the scenario company, Carroll.

Overall, those candidates who were adequately prepared for a question on IFRS 18 scored well.

Summary

Tips for those preparing for the SBR examination include:

- read the question carefully, including the verbs, and answer THAT question;
- use the available resources, such as Study Hub and technical articles;
- read financial statements to develop a stakeholder perspective; and
- prepare for all questions in the exam, not just questions 1 and 2.