# ACCA

# Strategic Business Reporting (SBR)

## (INT)

**Revision Note**

**(DEMO)**

# Contents

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# Block 1: Introduction to SBR Revision

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Center

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**Exam Duration**

195 minutes, 100 marks (96 technical, 4 professional)

**Strategy**

Use 15 minutes to plan and read Q1 in Section A; Plan deadline for each question starting from Q1 (each requirement, using 1.8 min/mark principle).

**Exam mindset in SBR**

1. 1 mark per point/simple sentence
2. If you cannot come up with any points, after discussing about the accounting treatment, think about:
   a. Conceptual framework requirement (prudence, relevance concepts).
   b. Impacts on Financial Statements (ratios)

**Professional marks**

1. **Q2** Ethics with 2 professional marks – always include key words when you discuss the ethical issues (from ACCA code of ethics), with reference to the exhibit info.
2. **Q4** with 2 professional marks – usually the impact to investors – always remember 'PRISM' mnemonics, ie the info helps investors Predict, Risk, Individual (show mgt's own facts), Sensitivity (do stress tests), Materiality (connect with material figures in FS).

**Pre-populated spreadsheets**

There are about 10-14 marks in Section A Q1, one of the followings will be tested:

1. Consolidated Statement of Financial Position (Traditional)
2. Foreign Subsidiary
3. Consolidated Statement of Profit or Loss and OCI, per IFRS 18 format.
4. Consolidated Statement of Cash Flows, per IFRS 18 and IAS 7 (starting with operating profits)

**Group accounting**

- Changes in ownership – step acquisition, disposal with control is lost, disposal when control is not lost.
- Concepts about Control per IFRS 10, Business combinations including assets acquisition or business combinations, Goodwill using Full or Proportionate method, Joint ventures per IFRS 11, Investment in associate per IAS 28.

# Block 2: Past exam analysis

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## Our tips for SD25 exam:

**Below tips are intelligent guess, could be wrong, please cover the full syllabus for better preparation of the SBR exam.**

**Q1**

- Goodwill & NCI – full-v-partial comparisons, plus an event (partial disposal → associate or step-acquisition)
- Foreign-currency subsidiary translation or consolidated cash-flows (one, not both)
- Impairment inside the group (IAS 36)

**Q2**

- Ethics
- ….

**Q3 or Q4**

- IFRS 16 Leases – sale-and-leaseback or "is this a lease?" judgment
- Alternative-…
- Expected….
- Provisions / …-…
- Hedge accounting & own-credit risk (IFRS 9) Short 4-6 mark effectiveness or cash-flow-…
- …. revaluation surplus, leases)
- Share-based payments (IFRS 2) …. re-measurement;
- … 1, IFRS S1)
- …
- IAS …
- IAS …

| Q1 Analysis (Section A) | J25 | M25 | D24 | S24 | J24 | M24 | D23 | S23 | J23 | M23 | D22 | S22 | J22 | M22 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Consolidated P/L** | | | | | | | | | | | | | | |
| **Consolidated cash-flows** | | | | | | | ✓ | | | | | | | |
| **Foreign-currency subsidiary** | | | | | | ✓ | | | | | | | ✓ | |
| **CSFP** | ✓ | | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ |
| **Segment reporting (IFRS 8)** | | ✓ | | | | | | | | | | | | |
| Goodwill calculation | ✓ | | ✓ | | | ✓ | | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ |
| Goodwill impairment | ✓ | | ✓ | | | | | ✓ | | ✓ | | | | |
| NCI method (full vs partial) | ✓ | | ✓ | | | ✓ | | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ |
| Step acquisition | | | | | | | | | | | | ✓ | ✓ | |
| Disposal / de-consolidation | ✓ | | ✓ | | | | | | | | | | | ✓ |
| Sub to Associate / control vs influence | ✓ | | ✓ | ✓ | ✓ | | | | | | | ✓ | | |
| Deferred tax in acquisition | ✓ | | ✓ | | | | | | ✓ | | | | | |
| Bargain purchase | | | | | | | | | | | ✓ | | | |
| Defined-benefit pension in group | ✓ | | | | | | | | | | | | | |

| Q2 Analysis (Section A) | J25 | M25 | D24 | S24 | J24 | M24 | D23 | S23 | J23 | M23 | D22 | S22 | J22 | M22 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ethics | ✓ | DEMO | | | | | | | | | | | | |
| Revenue recognition (IFRS 15) | | | | | | | | | | | | | | |
| Financial-instrument classification (IFRS 9) | | | | | | | | | | | | | | |
| Hedge accounting (IFRS 9) | | | | | | | | | | | | | | |
| Government grants (IAS 20) | | | | | | | | | | | | | | |
| Segment reporting (IFRS 8) | | | | | | | | | | | | | | |
| Fair-value measurement (IFRS 13) | ✓ | | | | | | | | | | | | | |
| Provisions / Climate impacts (IAS 37 / IAS 36) | | | | | | | | | | | | | | |
| Held-for-sale vs Closure (IFRS 5) | | | | | | | | | | | | | | |
| Sustainability / ESG reporting | | | | | | | | | | | | | | |
| Depreciation / change in useful life | ✓ | | | | | | | | | | | | | |

| Q3 Analysis (Section B) | J25 | M25 | D24 | S24 | J24 | M24 | D23 | S23 | J23 | M23 | D22 | S22 | J22 | M22 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenue recognition (IFRS 15) | | DEMO | | | | | | | | | | | | |
| Leases / Sale-&-leaseback (IFRS 16) | | | | | | | | | | | | | | |
| Impairment / CGU (IAS 36) | | | | | | | | | | | | | | |
| Fair-value measurement (IFRS 13) | | | | | | | | | | | | | | |
| Provisions / Emissions / Onerous (IAS 37) | | | | | | | | | | | | | | |
| Deferred-tax element | | | | | | | | | | | | | | |
| Foreign-currency translation (IAS 21) | | | | | | | | | | | | | | |
| Intangible assets (IAS 38) | | | | | | | | | | | | | | |
| Financial instruments / Loan notes / Bonds (IFRS 9) | ✓ | | | | | | | | | | | | | |
| Expected-credit-losses (IFRS 9 ECL) | ✓ | | | | | | | | | | | | | |
| Share-based payments (IFRS 2) | ✓ | | | | | | | | | | | | | |

| Q4 Analysis (Section B) | J25 | M25 | D24 | S24 | J24 | M24 | D23 | S23 | J23 | M23 | D22 | S22 | J22 | M22 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| APM / Adjusted-profit | | | | ✓ | | | ✓ | | | ✓ | ✓ | | | ✓ |
| Revenue recognition / disclosures (IFRS 15) | | | ✓ | | | | | | | | ✓ | | ✓ | |
| Expected-credit-losses (IFRS 9 ECL) | ✓ | | | | | | | ✓ | | | | | ✓ | ✓ |
| Sale-and-leaseback / Leases (IFRS 16) | | ✓ | | | | | ✓ | | | | ✓ | | | |
| Provisions / Dismantling / Impairment | | | | ✓ | | | ✓ | | | | | ✓ | | |
| Climate / Environmental effects | | | | ✓ | | | | | | | | ✓ | | |
| Financial-instrument classification / measurement | | | | | ✓ | ✓ | | | | | | | | |
| Segment reporting (IFRS 8) | | | | | | | | | | ✓ | | | | |
| Management commentary / narrative reports | | | | | | | | | ✓ | | | | | |
| Conceptual-framework / disclosure principles | | | | | | ✓ | | | | | | | | |
| Materiality & Sustainability disclosures | ✓ | ✓ | | | | | | | | | | | | |

# Block 3: Step 1 of your answer – General IFRS Principles

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***Tutorial note:*** *The IFRS number needs not be quoted, however, per recent exam questions, it's almost certain that you are provided with tips from the examining team that*  *recommend you to give up all the IFRS number, but say, 'Per IFRS Leases' if that relates to the leases accounting.*

## Three steps in any accounting treatments

**Step 1** – General IFRS Principles

**Step 2** – Applications (we will do this when we practice past exam Qs)

**Step 3** – **Conceptual framework** reference or **Impact** on FS

From the following revision, I will start with step 1, helping you revise all the required  of past exam questions go through in step 2.

It's highly recommended that you use the following pre-learnt paragraphs with the speedy note summary, so that you can have a better understanding of how to apply each IFRS.

## 34 MUST KNOW Areas in the exam:

## 1. IAS 2 Inventories – Chapter 1 from Speedy Note

- Inventories are booked at historical cost (purchase price plus any costs to bring them to their present location/condition).
- At each reporting date we carry them at the lower of that cost or net-realisable value (estimated selling price less costs to finish or sell), writing down any shortfall and reversing it later if NRV rebounds.
- Changing between cost-flow formulas (e.g., FIFO to weighted average) is an accounting policy change, while any subsequent NRV write-downs or reversals are estimates that hit profit or loss.

## 2. IAS 41 Agriculture – Chapter 2 from Speedy Note

- Bearer plants (e.g. apple trees kept for many seasons) follow IAS 16 – carry at cost and depreciate like normal PPE.
- Consumable biological assets (living crops or livestock to be sold) are initially and subsequently measured at fair value less costs to sell, with all re-measurement gains or losses taken straight to profit or loss each year.
- When produce is harvested, reclassify it to inventory at that same fair value-less-costs-to-sell figure; any related government grants are deferred and recognised in profit or loss as the associated assets are consumed or sold.

## 3. IAS 16 PP&E Summary – Chapter 3 from Speedy Note

- Capitalise only the costs that get the asset ready for use: purchase price, delivery/installation, major overhaul parts, dismantling provision and (if it's a long-build) qualifying interest; routine repairs, staff training and day-to-day running costs go straight to profit or loss.
- After recognition choose the cost model (cost – depreciation) or the revaluation model (fair value with upward moves to OCI and a revaluation reserve).
- Depreciate every significant component over its own useful life (land isn't depreciated) and treat any change in life or method as a change in estimate applied prospectively.
- When the asset is sold or scrapped, remove its carrying amount, book the gain or loss in operating profit and transfer any related revaluation reserve to retained earnings (no hit to profit).

## 4. Borrowing costs (IAS 23) - Chapter 4 from Speedy Note

Capitalisation of borrowing costs:

- The asset must take a substantial time to complete.
- Apply the effective interest method to calculate borrowing costs.
- Only include interest directly attributable to the construction of the asset (e.g., avoidable costs if the construction did not occur).
- Use a **weighted average capitalisation rate** to calculate borrowing costs when multiple borrowings are involved.

## 5. IAS 36 Impairment of Assets Summary – Chapter 5 from Speedy Note

### When to test impairment and journal entry

- Always for goodwill & indefinite-life intangibles.
- Otherwise only if internal/external indicators appear.
- When Carrying amount is higher Recoverable (higher of Value in Use and FV-Costs of disposal), then **Dr** loss **Cr** asset.

### VIU

Present value of future pre-tax cash-flows (include inflation & scrap; exclude financing & tax) discounted at a risk-adjusted pre-tax rate.

### Cash Generating Units (CGU) & goodwill

- A CGU is a smallest cash-independent unit.
- Impairment order: specific assets first, then goodwill and finally other NCAs pro-rata basis.

### Reversal of impairment

Allowed for assets (not goodwill) up to what depreciated cost would be; credit P/L (OCI first if prior revaluation).

## 6. IAS 38 - Intangible Assets – Chapter 6 from Speedy Note

### Recognition

Record an intangible (Dr asset / Cr cash) only when it is identifiable, under the entity's control, non-monetary and without physical substance; staff know-how or customer lists created internally are excluded from recognition.

### Initial measurement

Use historical cost for separate purchases, fair value when acquired in a business combination, and capitalise licence fees received via government grants; alternatively, adopt the revaluation model only if an active market exists, revaluing the whole class and posting gains to the revaluation reserve.

### R&D

Expense research immediately, but capitalise development costs once the "USER TIM" criteria are met (usable or saleable product, probable benefits, resources, technical feasibility, intent to complete, measurable costs), including direct labour, materials and relevant overheads.

### After recognition

Intangibles with a finite life are amortised from the date they are ready for use (residual value deemed nil unless a buyer or market exists), while indefinite-life intangibles are not amortised but must face an annual IAS 36 impairment test; amortisation and impairment are recorded as Dr expense / Cr intangible asset.

### Goodwill

Only purchased goodwill is recognised as an intangible asset (negative goodwill is a bargain-purchase gain in profit or loss); any internally generated goodwill is ignored.

## 7. IAS 40 - Investment Property – Chapter 7 from Speedy Note

**Definition**

Investment property is land or buildings held principally for rental income or long-term Land or buildings kept mainly for rent or long-term gain, not for own use or stock.

**Initial recognition**

When the criteria are met, record Dr Investment property / Cr Cash or Payable at cost, which includes purchase price and directly attributable transaction costs.

**Owned property measurement**

- Fair-value model: revalue each period, gains/losses in P/L.
- Cost model: treat like PPE, depreciate & impair.

**Leased property measurement**

If a right-of-use asset is sub-let, reclassify it to IP; measure at fair value in P/L while the lease liability stays under IFRS 16 amortised cost.

**Transfers**

Move between IP, PPE or inventories only when use really changes; carry across at fair value on that date, post the difference to P/L (OCI only if from a previous PPE revaluation).

**Disclosures and effects on FS**

Tell users the model chosen, how fair value was set, rental income, direct costs and restrictions; fair-value model makes profit volatile but doesn't affect cash flow.

## 8. IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations – Chapter 8 from Speedy Note

**Held-for-sale (HFS) classification**

Asset or group is HFS only when management is committed, it's ready for immediate sale, a buyer search is active, completion is likely within 12 months and the price is reasonable.

**Initial measurement**

On classification, measure the asset or disposal group at the lower of (a) its carrying amount and (b) fair value less costs to sell; recognise any shortfall immediately in profit or loss.

**Subsequent measurement**

Stop depreciation; at each reporting date keep it at the lower of updated carrying amount and FVLCTS, recognising further impairments (or reversals—never for goodwill) in P/L.

**Presentation on the face of the statements**

Show HFS assets and liabilities separately as current items; results of a discontinued operation appear net-of-tax in one line below continuing operations, with a matching cash-flow split.

**Disposal groups and CGUs**

A disposal group may be a subsidiary, a cash-generating unit or even a single production line; the entire carrying amount is compared with group-level fair value less costs to sell, applying IAS 36 only if the group is not yet HFS.

# 9. IFRS 16 Leases – Chapter 9 from Speedy Note

**Lease identification**

A contract contains a lease when it conveys the right to control the use of an identified asset for a period of time in exchange for consideration; the customer must be able to direct its use and obtain substantially all of the economic benefits.

**Initial measurement**

The lessee recognises a right-of-use (ROU) asset and a lease liability measured at the present value of fixed (or in-substance fixed) payments, penalties, residual-value guarantees and reasonably certain extension or purchase options, discounted at the lessee's incremental borrowing rate or the rate implicit in the lease.

**ROU asset cost**

The ROU asset starts at the amount of the lease liability plus initial direct costs and estimated dismantling or removal provisions, minus any lease incentives received before commencement.

**Subsequent lessee accounting**

Depreciate the ROU asset over the shorter of useful life and lease term; unwind the lease liability using the effective-interest method, splitting each payment into interest expense and principal reduction.

**Lease term & discount rate reviews**

Reassess the lease term when significant events change the lessee's certainty about options; remeasure the liability using the original discount rate for purely variable changes (e.g., inflation-linked payments) but a revised rate when the term, purchase option or the lease itself is modified.

**Recognition exemptions**

Elect straight-line rental expense for leases with a term of 12 months or less and for low-value underlying assets such as small office equipment.

**Lease modifications**

If the scope or consideration increases and is not a separate lease, treat the change as a new lease; if it decreases, reduce the ROU asset and liability and recognise any difference in profit or loss.

**Sale-and-leaseback**

Treat the transfer as a sale only if IFRS 15 control passes; otherwise record a financial liability. Where it is a sale, recognise any gain only for the rights transferred, then account for the leaseback as any other lease.

**Lessor classification**

If the lease passes "BLAST" (bargain-buy option, long lease term, asset transfer, special-use asset, FV test), treat it as finance: record a net-investment and book interest income; otherwise keep the asset and straight-line the rental as an operating lease.

**Manufacturer or dealer lessors**

On day 1 recognise sales revenue and cost of sales at the lower of fair value and the PV of lease payments.

**Subleases**

Classify a sublease by reference to the ROU asset, not the underlying asset: if the sublease term uses most of the remaining ROU asset's life, it is a finance lease; otherwise, it is operating.

**THE REST OF CONTENTS ARE SHOWN IN THE ACTUAL COURSE.**

# Block 4: Step 3 of your answer (1-2 from conceptual framework, 1 from FS impact)

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## Conceptual framework reference

### Relevance

**(First sentence) Relevance – helps users predict or confirm evaluations, ie**

- Fair value confirms the current market conditions of the asset (applied to (IAS 16 PP&E Revaluation model, IAS 40 Investment property Fair value model, IFRS 9 Financial instruments where instruments are carried at fair value));
- The DEMO) ;
- The disclosure helps confirm operating results (DEMO segments);
- The DEMO the true value of the business (applied to IAS 12 Income Taxes).

### Faithful representation

**1.Completeness:** By doing this **(substitute what has been done, such as making disclosures or recognising liability)**, this shows a complete picture of the business to investors.

**2.Substance over form: (First sentence)** The transaction should follow the economic substance, rather than the legal form, ie

- Classification of preference shares into debts and equity per IAS 32.
- DEMO

## Financial Statements impacts

- Any changes to liability or equity – this changes **gearing** ratios (LT debt/Equity), either making Co look more/less financially risky.
- DEMO

# Block 5: Revision of Section A Q1 Questions

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**Revision Q1: Peony (MJ24)**

- Functional currency; Goodwill calculation and impairment
- Loss of control per IFRS 10; Pre-populated spreadsheet – foreign subsidiary

**Revision Q2: Kabelo (SD23)**

- Normal acquisition; Financial instruments
- Pre-populated spreadsheet – consolidated statement of cash flows

**Revision Question 3: Auto (Sample 1)**

- Acquisition, and disposal ; Non-current assets held for sale per IFRS 5
- Pre-populated spreadsheet – consolidated statement of financial position

**Revision Question 4: Ashanti (Sample 2)**

- Disposal
- Pre-populated spreadsheet – consolidated statement of profit or loss

**Revision Question 5: Greer Co (MJ 23)**

- Business combinations concept per IFRS 3
- Goodwill; IFRS 9 Financial Instruments

**Revision Question 6: Chuclkle Co (SD 21)**

- Associate per IAS 28
- Changes in ownership
- Fair value; Bargain purchase

**Revision Question 7: Columbia Co (MJ 21)**

- Business combination concept per IFRS 3
- Goodwill; Defined benefit and contribution schemes per IAS 19

**Revision Question 8: Sugar (SD 20)**

- Step acquisition; Consolidated statement of cash flows
- Defined benefit and contribution schemes per IAS 19

**Revision Question 9: Kutchen Group (Specimen Q1)**

- Goodwill; Gain or loss on disposal of shares
- Defined benefit and contribution schemes per IAS 19
- Presentation of equity and financial liabilities; Goodwill – contingent payments

**Revision Question 10: Hill (Specimen2 Q1)**

- Goodwill; Convertible bonds
- Deferred tax assets

**Revision Question 11: Hummings (MJ 20)**

- Functional currency; Intangible assets; Goodwill; Associate; Bonds

**Revision Question 12: Layout (SD 24)**

- Control and CSFP

**General Examiner's Comments about Q1**

**Time**

Candidates frequently overrun Question 1, sacrificing time and marks for later, more straightforward questions.

**Application**

Candidates often fail to apply theoretical knowledge to the scenario, leading to poor performance.

**Spreadsheet**

Many candidates struggle to systematically adjust the CSOFP spreadsheet, leading to unclear or incomplete corrections.

**Explain Adjustments**

Candidates frequently omit explanations for adjustments, losing marks despite correct calculations.

**Our approach**

- Always bear in mind that group standards such as IFRS 10, IFRS 11, IFRS 3 are tested in the Q1, therefore, if you find any wired requirements, please recall knowledge from these standards, trying to figure them out.

- Pre-populated spreadsheet – make sure to focus on the issues highlighted by the examining team, this is the area where most marks are there.

**THE TEST OF THE CONTENTS WILL BE IN THE ACTUAL COURSE.**