

ACCA Strategic Business Reporting (SBR) Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

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- 1. When is deferred tax not recognised according to accounting standards?**
 - A. On initial recognition of goodwill**
 - B. When an asset is revalued**
 - C. In a business combination transaction**
 - D. When there are temporary differences**
- 2. What is one of the guiding principles of integrated reporting?**
 - A. Materiality**
 - B. Historical focus**
 - C. Infrequent reporting**
 - D. Simplistic overview**
- 3. According to IAS 33, how is earnings per share calculated?**
 - A. Earnings/Total shares issued x 100**
 - B. Earnings/Weighted average number of shares x 100**
 - C. Net income/Weighted average shares x 100**
 - D. Total earnings/Total shares x 100**
- 4. What does IAS 36 state about the discount rate for value in use calculations?**
 - A. It must be the company's average borrowing rate**
 - B. It should reflect the company's past performance**
 - C. It should be a pre-tax rate that accounts for risks**
 - D. It must be set by industry standards**
- 5. What financial document usually includes accounting policies adopted by an entity?**
 - A. Statement of comprehensive income**
 - B. Management commentary**
 - C. Statement of financial position**
 - D. Cash flow statement**

6. Under IAS 23, when is capitalisation of finance costs required?

- A. For all assets purchased**
- B. Only for non-qualifying assets**
- C. For any qualifying asset**
- D. When assets are financed through government grants**

7. What type of costs are included in the calculation of a right of use asset?

- A. Only the cost of the physical asset**
- B. Payments made after the commencement date**
- C. Initial direct costs and estimated removal costs**
- D. All costs related to the acquisition of the asset**

8. Under IFRS 2, what must a company do when issuing shares for employee services?

- A. Reclassify the shares issued as liabilities**
- B. Recognize either an asset or an expense**
- C. Only recognize the shares once they are sold**
- D. Marginally account for the shares per market value**

9. What is the employee number threshold for classifying a small entity?

- A. Only 25 employees**
- B. A maximum of 50 employees**
- C. Up to 100 employees**
- D. No limit on the number of employees**

10. What does IAS 16 define as Property, Plant, and Equipment?

- A. Investments in financial instruments**
- B. Tangible items intended for sale**
- C. Tangible items held for production or supply of goods/services**
- D. Short-term assets that are quickly convertible to cash**

Answers

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1. A
2. A
3. B
4. C
5. B
6. C
7. C
8. B
9. B
10. C

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Explanations

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1. When is deferred tax not recognised according to accounting standards?

- A. On initial recognition of goodwill**
- B. When an asset is revalued**
- C. In a business combination transaction**
- D. When there are temporary differences**

Deferred tax is not recognized on the initial recognition of goodwill due to specific guidance provided in accounting standards, particularly under International Financial Reporting Standards (IFRS). When goodwill is recognized, it typically arises from a business combination where the acquirer pays more than the fair value of the identifiable net assets acquired. Recognizing deferred tax in this case would contradict the principle of valuing the transaction at fair value since the measurement of goodwill does not involve recognizing any related tax consequences at the initial point of the transaction. Therefore, accounting standards specifically exempt the initial recognition of goodwill from deferred tax liability or asset recognition. In comparison, the other scenarios mentioned relate to situations where deferred tax may need to be recognized. In the case of asset revaluation, although it may not always lead to immediate recognition of a deferred tax asset or liability, the potential for temporary differences arising from future gains does warrant consideration of deferred tax implications. Similarly, in a business combination transaction beyond the initial recognition of goodwill, other elements such as acquired assets and liabilities can lead to temporary differences that necessitate recognizing deferred tax. Lastly, temporary differences by definition refer to differences between the carrying amount of an asset or liability and its tax base, which typically require the recognition of deferred tax to reflect the timing of tax

2. What is one of the guiding principles of integrated reporting?

- A. Materiality**
- B. Historical focus**
- C. Infrequent reporting**
- D. Simplistic overview**

One of the guiding principles of integrated reporting is materiality. This principle emphasizes the importance of including information that is relevant and significant to the stakeholders in order to provide a comprehensive view of how an organization creates value over time. Materiality helps in determining what information should be disclosed, ensuring that stakeholders can assess the organization's strategy, performance, and prospects. By focusing on material information, integrated reporting aims to provide a more holistic overview of an organization's strengths and weaknesses, aligning financial and non-financial performance. This approach fosters better decision-making and encourages accountability, making it a fundamental aspect of integrated reporting. Other options, while they may have relevance in different contexts, do not align with the principles that guide integrated reporting. For instance, a historical focus is more about traditional financial reporting and does not encapsulate the forward-looking, value-oriented nature of integrated reporting. Similarly, infrequent reporting does not support the ongoing communication that integrated reporting seeks to facilitate, and a simplistic overview would undermine the detailed, interconnected insights that a comprehensive integrated report aims to provide.

3. According to IAS 33, how is earnings per share calculated?

- A. Earnings/Total shares issued x 100
- B. Earnings/Weighted average number of shares x 100**
- C. Net income/Weighted average shares x 100
- D. Total earnings/Total shares x 100

Earnings per share (EPS) is a key financial metric used to assess a company's profitability on a per-share basis, and it is critical for investors to understand how much income is attributed to each share of stock. According to IAS 33, the calculation of EPS requires using the weighted average number of shares outstanding during the reporting period rather than simply the total number of shares issued. Using the weighted average number of shares accounts for any changes in the number of shares over time, such as new shares being issued or shares being repurchased. This provides a more accurate reflection of the earnings attributable to shareholders. Thus, the formula for EPS is determined by dividing the net income (or earnings) by the weighted average number of shares outstanding. In this context, while terms like 'earnings' or 'total earnings' might seem similar, specifically identifying 'weighted average number of shares' ensures that the EPS calculation accurately reflects fluctuations in share count and avoids misleading figures caused by variations in the number of shares throughout the period. Therefore, dividing net income by the weighted average number of shares reflects an accurate earnings per share calculation according to the standards set by IAS 33.

4. What does IAS 36 state about the discount rate for value in use calculations?

- A. It must be the company's average borrowing rate
- B. It should reflect the company's past performance
- C. It should be a pre-tax rate that accounts for risks**
- D. It must be set by industry standards

IAS 36, which covers the impairment of assets, specifies that the discount rate used for value in use calculations should indeed be a pre-tax rate that reflects the risks specific to the asset being assessed. This is crucial because the value in use represents the present value of the future cash flows expected to be derived from an asset. A pre-tax discount rate is necessary to accurately reflect the expected cash flows without incorporating the effects of tax, which can distort the assessment. Furthermore, the requirement for the rate to account for risks ensures that it appropriately reflects the uncertainty associated with the cash flows specific to the asset in question. This means the discount rate should be adjusted for the risk profile of the asset rather than relying on standardized rates that may not truly capture the particular risks involved. The other choices do not align with the guidelines provided by IAS 36. For instance, using the company's average borrowing rate would not necessarily encapsulate the unique risks of the asset, while reflecting past performance does not address future cash flow expectations vital for value in use calculations. Setting the discount rate by industry standards lacks the nuance needed for specific risk assessments that impact the asset's cash flows.

5. What financial document usually includes accounting policies adopted by an entity?

- A. Statement of comprehensive income**
- B. Management commentary**
- C. Statement of financial position**
- D. Cash flow statement**

The correct option is indeed the management commentary, which typically includes a comprehensive discussion of the accounting policies adopted by an entity. This section is designed to provide users of the financial statements with greater insight into the management's approach to financial reporting and the significant accounting judgments and estimates that have been made. Management commentary serves as a narrative complement to the financial statements, offering a context within which the figures can be understood. It might outline the entity's business model, performance metrics, risk management strategies, and, importantly, the accounting policies that help ensure consistency and transparency in the reported figures. In contrast, the statement of comprehensive income focuses primarily on the results of operations, detailing revenue, expenses, and profits, without an in-depth discussion on accounting policies. The statement of financial position presents the entity's assets, liabilities, and equity at a specific point in time, whereas the cash flow statement summarizes cash inflows and outflows over a period. Neither of these documents includes a section dedicated to explaining the accounting policies used by the entity. Therefore, the management commentary is the appropriate document for such information.

6. Under IAS 23, when is capitalisation of finance costs required?

- A. For all assets purchased**
- B. Only for non-qualifying assets**
- C. For any qualifying asset**
- D. When assets are financed through government grants**

Under IAS 23, capitalisation of finance costs is specifically required for any qualifying asset. A qualifying asset is one that takes a substantial period of time to get ready for its intended use or sale. For example, this would typically apply to assets like buildings or large machinery that require significant time to be constructed or assembled. When an entity borrows funds to finance the construction or production of these assets, the finance costs that are directly attributable to the acquisition, construction, or production of the qualifying asset can be included in the cost of that asset. This treatment is in line with the matching principle of accounting, which aims to align expenses with the revenues they help generate over time. This capitalisation is mandated to better reflect the true cost of purchasing or producing an asset and ensures that these costs are not expensed immediately but instead amortised over the useful life of the asset, providing a more accurate representation of financial performance and position in the financial statements. In contrast, the other options do not align with the guidance provided under IAS 23. For instance, not all assets purchased qualify for capitalization under this standard, and government grants facilitate assets but do not directly relate to capitalising finance costs.

7. What type of costs are included in the calculation of a right of use asset?

- A. Only the cost of the physical asset**
- B. Payments made after the commencement date**
- C. Initial direct costs and estimated removal costs**
- D. All costs related to the acquisition of the asset**

The calculation of a right of use asset under lease accounting standards, such as IFRS 16, typically includes not just the physical asset's cost but also other specific costs linked to obtaining the right to use that asset. Choosing initial direct costs and estimated removal costs as part of the right of use asset calculation is correct because these components reflect the total expenditure required to make the asset operational and compliant with the terms of the lease. Initial direct costs are those incremental costs that are directly attributable to negotiating and arranging a lease, such as legal fees or commissions. Estimated removal costs refer to the expense anticipated for restoring the asset to its original condition at the end of the lease term, which is a consideration under the lease liability. While considering the overall costs of the right of use asset, only accounting for physical asset costs or payments made post-commencement ignores essential aspects of valuing the lease comprehensively. It's vital in lease accounting to recognize these initial direct costs and future obligations, as they provide the necessary financial picture of the lease's impact on the organization's assets and liabilities.

8. Under IFRS 2, what must a company do when issuing shares for employee services?

- A. Reclassify the shares issued as liabilities**
- B. Recognize either an asset or an expense**
- C. Only recognize the shares once they are sold**
- D. Marginally account for the shares per market value**

When a company issues shares for employee services under IFRS 2, the correct approach is to recognize either an asset or an expense, which is why this answer is the correct choice. The rationale behind this requirement is tied to the principle of fair value recognition. In the case of employee services, the fair value of the equity instruments granted (i.e., the shares) must be measured at the grant date and typically recognized as an expense over the vesting period of the employee services. This reflects the cost of providing the equity instruments to employees in exchange for their services, ensuring that the expense is properly matched with the period in which the services are rendered. For instance, if shares are issued as part of a stock-based compensation plan, the company recognizes compensation expense in profit or loss, representing the fair value of the shares issued, which connects directly to the workforce's contributions during the vesting period. This recognition is essential to comply with IFRS 2, which aims to provide transparency about the costs associated with share-based payments and to present a faithful depiction of a company's financial position and performance. The other options do not align with the recognition criteria outlined in IFRS 2. Reclassifying shares as liabilities or only recognizing them

9. What is the employee number threshold for classifying a small entity?

- A. Only 25 employees
- B. A maximum of 50 employees**
- C. Up to 100 employees
- D. No limit on the number of employees

The classification of small entities is governed by certain criteria, one of which involves the number of employees. According to the definitions provided under relevant standards and frameworks such as the Companies Act in the UK, a small entity is typically characterized by having no more than 50 employees. This threshold is significant because it helps determine the financial reporting and regulatory obligations that apply to an entity. Entities with up to 50 employees are afforded certain exemptions and simplified reporting requirements compared to larger entities, reflecting their smaller scale of operations and typically reduced complexity. This allows small entities to avoid some of the burdens that may be excessive for their size, ultimately enabling them to focus more on their core business activities rather than on compliance with extensive reporting standards. In contrast, options indicating lower or higher employee numbers do not align with the established criteria for small entity classification. The choice of only 25 employees is too restrictive and does not capture the broader range for small entities. Meanwhile, indicating up to 100 employees expands the definition beyond what is recognized for small entity status. Finally, stating no limit on the number of employees completely undermines the classification system, as it disregards the factors that allow entities to qualify for small entity status. Thus, having a maximum of 50 employees represents the

10. What does IAS 16 define as Property, Plant, and Equipment?

- A. Investments in financial instruments
- B. Tangible items intended for sale
- C. Tangible items held for production or supply of goods/services**
- D. Short-term assets that are quickly convertible to cash

The correct response highlights that IAS 16 specifically identifies Property, Plant, and Equipment (PPE) as tangible items that are held for the purpose of production or the supply of goods and services, rental to others, or for administrative purposes. This definition excludes items that are primarily intended for sale in the ordinary course of business, such as inventory or financial instruments, and focuses instead on assets that are essential for conducting the operations of a business over the long term. In essence, PPE are long-lived assets that support the entity's operations, contribute to its revenue generation, and are not intended to be converted into cash within a year. They are typically used in the production process or for service provision, which aligns directly with the criteria set out in IAS 16. This understanding is critical for recognizing and measuring such assets correctly in financial statements, ensuring compliance with accounting standards and providing accurate information for financial reporting.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://accastrategicbusinessreporting-sbr.examzify.com>

We wish you the very best on your exam journey. You've got this!

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