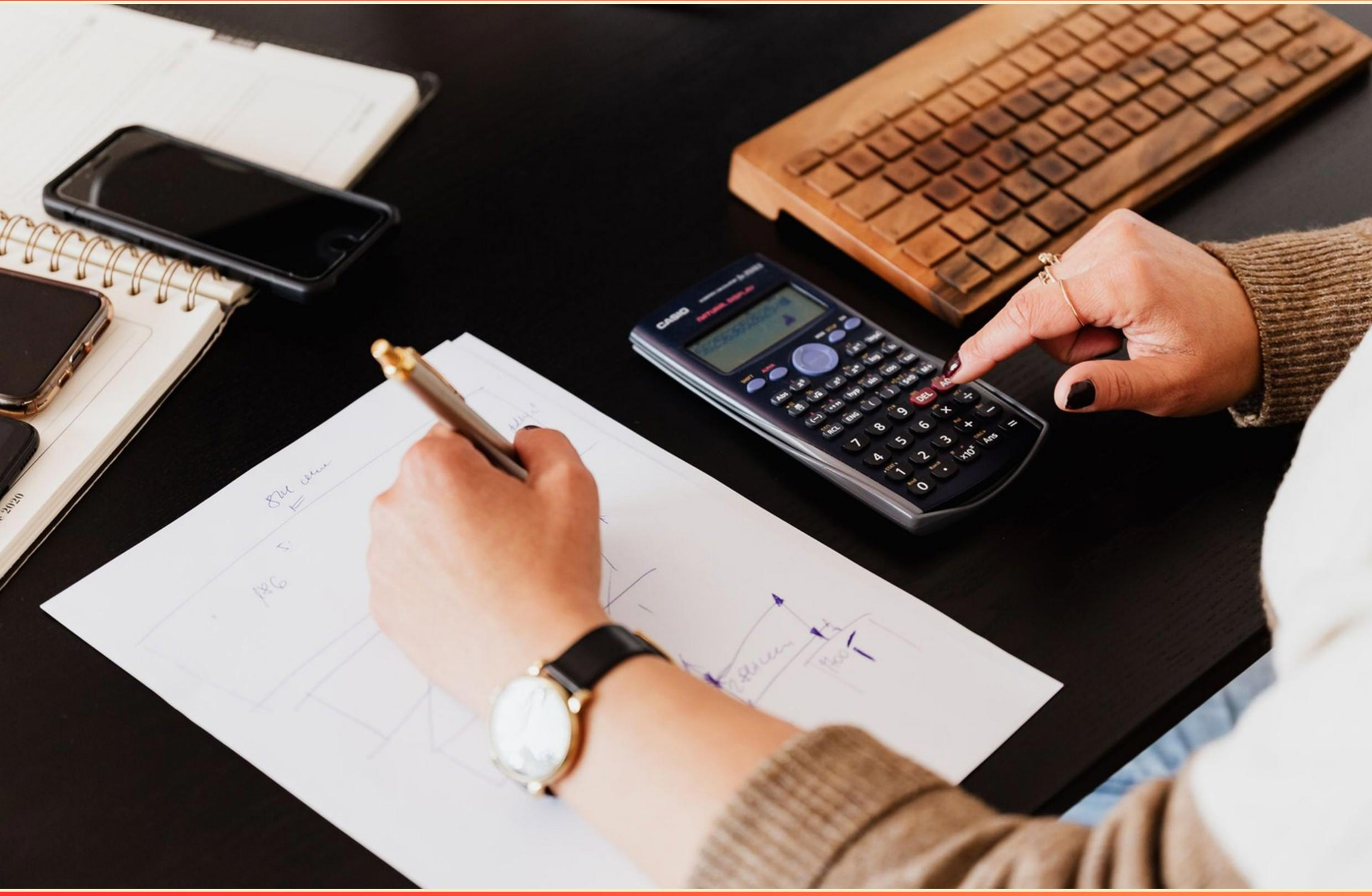
ACCA STRATEGIC BUSINESS REPORTING (SBR) PRACTICE EXAM (SAMPLE)

STUDY GUIDE



Prepare with structure. Pass with confidence

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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

1. What are permanent differences in tax accounting?

A. Differences due to temporary timing issues

B. Disparities resulting from non-taxable income or disallowable expenses

C. Variations due to differing accounting standards

D. Differences arising from changes in exchange rates

2. Which financial statement component typically undergoes adjustment when using the indirect method?

A. Operating profit

B. Shareholder equity

C. Total liabilities

D. Comprehensive income

3. Which of the following is NOT a characteristic of intangible assets?

A. They have physical substance

B. They are identifiable

C. They are non-current assets

D. They lack physical substance

4. How are deferred shares recognized in financial statements?

A. At fair value ignoring any fair value changes

B. At book value based on historical cost

C. At market value on the reporting date

D. At nominal value

5. What should be done with internally generated goodwill according to IAS 38?

A. It should be capitalised

B. It must be recognized on the statement of financial position

C. It should be expensed immediately

D. It can be included in the asset valuation

6. What constitutes a performance obligation?

A. A contractual agreement with suppliers
B. The promise to provide goods or services to a customer
C. The total amount receivable from a customer
D. An obligation to refund customers upon cancellation

7. What happens to the exchange differences for most non-monetary items?

A. They are completely disregarded
B. They are assessed at fair market value
C. They impact the balance sheet only
D. They go through profit or loss

8. What type of property does IAS 40 cover?

A. Property for day-to-day operations only
B. Property that can be rented out or held for appreciation
C. Property used solely for investment purposes
D. Property that is intended for immediate sale

9. Which aspect of standard warranty is recognised under IAS 37?

A. Revenue from future sales
B. Cost of providing warranty repairs
C. Increased sales revenue
D. Deferred revenue from warranties

10. What is the primary requirement for recognising revenue under IFRS 15?

A. Time of sale
B. Completion of production
C. Satisfaction of performance obligations
D. Collection of payment

Answers

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

Explanations

1. What are permanent differences in tax accounting?

A. Differences due to temporary timing issues

B. Disparities resulting from non-taxable income or disallowable expenses

C. Variations due to differing accounting standards

D. Differences arising from changes in exchange rates

Permanent differences in tax accounting refer specifically to disparities that arise when certain types of income are not subject to taxation or when certain expenses are not allowed to be deducted for tax purposes. This means that these differences do not reverse in future periods; they are ongoing and will have a lasting impact on the effective tax rate of the entity. For instance, tax-exempt income such as municipal bond interest or certain life insurance proceeds creates a permanent difference since this income will not be taxed at all. Conversely, certain expenses that are considered non-deductible, such as fines or penalties, lead to permanent differences as these expenses cannot be reflected in tax calculations. Other choices involve concepts related to timing (temporary differences), accounting rules (accounting standards), or fluctuations from currency exchange (which affect valuations but not directly the fundamental categorization of tax differences). However, these do not represent the essence of permanent differences, which are characterized by their nature of being irreversibly excluded or included in the tax calculations.

2. Which financial statement component typically undergoes adjustment when using the indirect method?

A. Operating profit

B. Shareholder equity

C. Total liabilities

D. Comprehensive income

When using the indirect method to prepare the cash flow statement, adjustments are typically made to operating profit. The indirect method begins with the net profit (or operating profit) from the income statement and adjusts it for changes in working capital, non-cash transactions, and other operating activities to arrive at cash flows from operating activities. This process involves adding back non-cash expenses such as depreciation and adjusting for changes in accounts such as receivables, payables, and inventory. The adjustments reflect the actual cash generated or used in operating activities, which may differ from the reported operating profit due to accrual accounting practices, where transactions are recorded when they occur rather than when cash changes hands. The other financial statement components listed do not typically undergo adjustments when using the indirect method to calculate cash flows. Shareholder equity, total liabilities, and comprehensive income are not directly adjusted under this method; instead, the focus remains on reconciling the operating profit to cash flow from operations. Therefore, adjustments during the preparation of the cash flow statement with the indirect method primarily concern operating profit.

3. Which of the following is NOT a characteristic of intangible assets?

- A. They have physical substance
- B. They are identifiable
- C. They are non-current assets
- D. They lack physical substance

Intangible assets are defined as non-monetary assets that do not have physical substance. Therefore, the characteristic that they do not possess physical substance is fundamental to their definition. Characteristics such as being identifiable and being classified as non-current assets are indeed true for intangible assets. Being identifiable refers to the ability to distinguish an intangible asset from goodwill, which can arise from contractual or legal rights, design rights, patents, and trademarks that can be separated from the business. Furthermore, intangible assets are typically classified as non-current assets on the balance sheet because they provide economic benefits over a longer period than just one year. In contrast, the statement about having physical substance directly contradicts the nature of intangible assets, making it the correct choice as the one that is NOT a characteristic of intangible assets.

4. How are deferred shares recognized in financial statements?

- A. At fair value ignoring any fair value changes
- B. At book value based on historical cost
- C. At market value on the reporting date
- D. At nominal value

Deferred shares are recognized at fair value, which reflects their current worth in the market at the time of reporting. This method of recognition provides a more accurate representation of the company's financial position, as it considers the present value of future cash flows related to those shares. However, in the context of the provided options, the phrase "ignoring any fair value changes" can imply that once the fair value is determined, it does not change in subsequent periods, which is specific to how deferred shares are being recognized and valued over time. The primary aim of recognizing deferred shares at fair value is to offer shareholders and stakeholders a relevant and meaningful insight into the company's equity situation, as it aligns the financial reporting with the current economic realities faced by the organization.

5. What should be done with internally generated goodwill according to IAS 38?

- A. It should be capitalised
- B. It must be recognized on the statement of financial position
- C. It should be expensed immediately
- D. It can be included in the asset valuation

According to IAS 38, internally generated goodwill should be expensed immediately. This standard stipulates that internally generated goodwill cannot be recognized as an asset on the statement of financial position. The rationale behind this is that goodwill is inherently difficult to measure accurately when it is generated internally, primarily due to the subjective nature of how future economic benefits can be assessed and the uncertainties involved. Internally generated goodwill is not considered a controllable or identifiable asset that can provide future economic benefits, unlike purchased goodwill, which can directly be tied to the acquisition of another business and has a clear basis for valuation. This treatment helps maintain transparency in financial reporting and ensures that the balance sheet reflects only assets that meet the criteria for recognition under the asset definition as per the accounting framework.

6. What constitutes a performance obligation?

A. A contractual agreement with suppliers

B. The promise to provide goods or services to a customer

C. The total amount receivable from a customer

D. An obligation to refund customers upon cancellation

A performance obligation is defined as a promise in a contract to transfer a distinct good or service to the customer. This notion is central to the revenue recognition principle under the International Financial Reporting Standards (IFRS), specifically IFRS 15, which deals with revenue from contracts with customers. In this context, the correct choice emphasizes the essence of the performance obligation—it's about the commitment a seller makes to deliver a specified good or service as part of a contract. For instance, if a company sells a car, the promise to provide that car to the buyer is a performance obligation. This understanding is crucial because it determines when and how revenue can be recognized in financial statements. The other options relate to aspects of transactions and business operations but do not directly define a performance obligation. A contractual agreement with suppliers pertains more to supply chain management, while the total amount receivable from a customer is a financial consideration that results from transactions but does not encapsulate the nature of the performance obligation itself. Similarly, obligations concerning customer refunds are related to customer satisfaction and return policies rather than the core commitment to provide goods or services under a contract.

7. What happens to the exchange differences for most non-monetary items?

A. They are completely disregarded

B. They are assessed at fair market value

C. They impact the balance sheet only

D. They go through profit or loss

When dealing with non-monetary items in financial reporting, exchange differences are typically recognized in profit or loss. This stems from the requirement to reflect the economic reality of transactions and how changes in exchange rates affect the value of these items. Non-monetary items, such as property, plant, and equipment, or investments in subsidiaries, are carried at historical cost in a functional currency. When these items are translated into a different currency for reporting purposes, any changes in exchange rates may result in gains or losses that reflect the changes in the purchasing power of the currency. This is particularly important for companies operating in multiple currency environments, as it allows stakeholders to understand how foreign currency fluctuations can impact overall profitability. The recognition of these exchange differences in profit or loss ensures that the financial statements provide a complete picture of the company's performance during a reporting period, capturing all economic events that have affected the organization's reported results. This principle is crucial for informed decision-making by investors, creditors, and other stakeholders relying on the financial statements to assess the firm's financial health and performance. In contrast, other options do not accurately represent how exchange differences are treated in financial statements. For instance, disregarding these differences (the first option) would ignore significant financial impacts that can arise from

8. What type of property does IAS 40 cover?

A. Property for day-to-day operations only

B. Property that can be rented out or held for appreciation

C. Property used solely for investment purposes

D. Property that is intended for immediate sale

IAS 40, which pertains to Investment Property, specifically covers property that can be rented out or held for appreciation. This definition encompasses land and buildings not occupied for the purpose of conducting business but instead held primarily for generating rental income or for capital appreciation. The crucial aspect of IAS 40 is differentiating between investment property and other types of property such as owner-occupied property, which is intended for day-to-day operations. Owner-occupied properties are governed by IAS 16, whereas investment properties are broader; they are not limited to a specific use but focus on the intention behind holding the property. Furthermore, while properties that could be rented out or held for appreciation include a wide range of investments, the mention of 'held for appreciation' also indicates the investor's intent to benefit from future value increases, distinguishing it from properties intended solely for sale or those not primarily for investment purposes. These aspects underscore why the correct answer is accurate in capturing the essence of what IAS 40 encompasses regarding property types.

9. Which aspect of standard warranty is recognised under IAS 37?

A. Revenue from future sales

B. Cost of providing warranty repairs

C. Increased sales revenue

D. Deferred revenue from warranties

Under IAS 37, the aspect of standard warranty that is recognized is the cost of providing warranty repairs. This is because IAS 37 governs provisions, contingent liabilities, and contingent assets, specifically focusing on the recognition and measurement of provisions that an entity anticipates needing to pay in the future due to specific obligations. When a company offers a warranty, it essentially creates a present obligation to repair or replace defective products. Consequently, the related costs must be estimated and recognized as a provision in the financial statements at the time the product is sold, as the liability is associated with the sold product. This ensures that the expenses are matched with the revenues generated from those sales, adhering to the accrual basis of accounting. Cost estimations typically consider the expected costs of warranty repairs based on historical data, the terms of the warranty, and the expected number of claims. Such provisions reflect the company's duty to honor its warranty commitments, fostering a true and fair view of the financial position and performance. In contrast, the other options do not reflect the specific components that IAS 37 addresses regarding warranties. Revenue from future sales, increased sales revenue, and deferred revenue from warranties do not pertain to the obligation aspect of providing warranty services and, therefore, do not meet the criteria

10. What is the primary requirement for recognising revenue under IFRS 15?

A. Time of sale

B. Completion of production

C. Satisfaction of performance obligations

D. Collection of payment

The primary requirement for recognising revenue under IFRS 15 is the satisfaction of performance obligations. IFRS 15 establishes a comprehensive framework for revenue recognition, requiring entities to recognise revenue when they transfer control of goods or services to customers at the amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This principle emphasizes that revenue is only recognised once the performance obligation is satisfied, meaning that the customer has received the benefits of the good or service provided. This approach shifts the focus from the timing of the sale, such as the point of sale or the collection of payment, to when the actual goods or services have been delivered and control has effectively passed to the customer. In summary, the core of IFRS 15 is about ensuring that revenue is recognised in a way that accurately reflects the transfer of goods or services to customers, aligning the recognition process more closely with the delivery of value to the customer. This principle helps to provide reliable and relevant financial information regarding an entity's revenue-generating activities.

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!