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

STUDY GUIDE

SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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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 is the cost model for intangible assets according to IAS 38?**
   A. Cost less accumulated amortisation and impairment losses
   B. Cost only
   C. Fair value at the reporting date
   D. Cost adjusted by market conditions

2. **What is the essence of the asset's fair value measurement?**
   A. The cost to acquire the asset
   B. The price expected in a fair transaction
   C. The book value of the asset
   D. The net asset value after liabilities

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. **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

5. **Which of the following would NOT typically be classified as a non-monetary item?**
   A. Inventory
   B. Fixed assets
   C. Accounts payable
   D. Investments

6. **What is a disadvantage of using the indirect method for stakeholders?**
   A. It provides too much information
   B. It improves comparison across companies
   C. It includes complex accounting adjustments
   D. It simplifies cash flow predictions

7. How should investment properties be initially measured according to IAS 40?

A. At fair market value

B. At cost

C. At net realizable value

D. At recoverable amount

8. What is one reason for the exclusion of a subsidiary from consolidation?

A. Severe long-term restrictions on subsidiary management

B. The subsidiary has always been included in consolidation

C. Subsidiary ownership changes every fiscal year

D. Parent company has no voting rights

9. 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

10. Which standard addresses Non-current Assets Held for Sale?

A. IAS 40

B. IFRS 5

C. IAS 36

D. IFRS 13

Answers

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

Explanations

1. What is the cost model for intangible assets according to IAS 38?

A. Cost less accumulated amortisation and impairment losses

B. Cost only

C. Fair value at the reporting date

D. Cost adjusted by market conditions

The cost model for intangible assets, as outlined in IAS 38, involves recognizing the asset at its cost and subsequently adjusting it by deducting accumulated amortization and any impairment losses that may have occurred. This approach provides a systematic method for allocating the cost of the intangible asset over its useful life, reflecting the consumption of the asset's economic benefits. Under this model, the asset remains on the balance sheet at a figure that represents its remaining value, given that it has been amortized to reflect its usage and any potential loss in value due to impairment. This measurement ensures that the financial statements provide a clear representation of the intangible asset's current worth over time, recognizing that while the original cost may remain constant, the realizable value requires adjustments due to amortization and possible impairment. The other options do not align with the requirements set forth in IAS 38: - Simply applying cost without adjustments ignores the necessity to account for the diminishing value of intangible assets over time, which is essential for accurate financial reporting. - Fair value at the reporting date focuses on market conditions and potential buyer willingness rather than the systematic and structured approach of cost less accumulated amortization. - Adjustments based solely on market conditions do not align with the structured methodology stipulated by the standard for

2. What is the essence of the asset's fair value measurement?

A. The cost to acquire the asset

B. The price expected in a fair transaction

C. The book value of the asset

D. The net asset value after liabilities

The essence of an asset's fair value measurement is best captured by the notion of the price expected in a fair transaction between willing parties. Fair value represents a market-based measurement, determined through the price that would be agreed upon in an orderly transaction occurring between market participants at the measurement date. This concept relies on the principle of market efficiency, where the fair value reflects what knowledgeable and willing buyers and sellers would exchange in a competitive marketplace. Fair value is intended to provide a more relevant and realistic appraisal of an asset's current worth compared to historical cost methods, which can become outdated and less reflective of the asset's present market circumstances. The focus on a fair transaction emphasizes that the measurement should not be biased or influenced by other factors, but rather based solely on prevailing market conditions. In contrast, other definitions such as acquisition cost or book value do not capture the current market perspective and often fail to reflect variations in economic conditions or the intrinsic value of an asset. Net asset value after liabilities concerns a broader assessment of a company's value but does not specifically define the fair value of an individual asset within the market context. By understanding fair value as a price agreed upon in a transaction, financial statements become more relevant and reliable for users making economic decisions.

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. 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.

5. Which of the following would NOT typically be classified as a non-monetary item?

A. Inventory

B. Fixed assets

C. Accounts payable

D. Investments

Accounts payable is classified as a monetary item because it represents a liability that will require the outflow of cash or cash equivalents to settle in the future. Monetary items are generally characterized by being fixed in terms of the monetary amount and are often settled in cash. In contrast, inventory, fixed assets, and investments are all categorized as non-monetary items. Inventory consists of goods available for sale and does not have a predetermined cash value; its worth fluctuates based on market conditions. Fixed assets, such as property, plant, and equipment, are long-term tangible items used in the business operations but do not themselves have a cash value until sold. Investments, while they can potentially be converted to cash, are typically held for longer periods and may not have a consistent cash equivalent, especially if they are not marketable securities. Thus, accounts payable stands out as a monetary liability, making it the answer that does not fit into the classification of non-monetary items.

6. What is a disadvantage of using the indirect method for stakeholders?

A. It provides too much information

B. It improves comparison across companies

C. It includes complex accounting adjustments

D. It simplifies cash flow predictions

Using the indirect method for calculating cash flows from operating activities involves adjusting net income for changes in non-cash items and working capital. This method often requires numerous accounting adjustments for elements such as depreciation, changes in accounts receivable, inventory fluctuations, and changes in accounts payable. The complexity of these adjustments can make it challenging for stakeholders, especially those without financial expertise, to understand the exact sources of cash flow. This can obscure the clarity of the financial performance, making it harder for stakeholders to make informed decisions based on straightforward cash flow information. In contrast, other methods or approaches may present cash flow in a more direct fashion, facilitating easier comprehension. The indirect method's reliance on various accounting entries introduces a layer of complexity that can leave stakeholders confused about a company's actual cash-generating ability.

7. How should investment properties be initially measured according to IAS 40?

A. At fair market value

B. At cost

C. At net realizable value

D. At recoverable amount

Investment properties should be initially measured at cost according to IAS 40, "Investment Property". This encompasses all expenditures that are necessary to bring the property to its current condition and location for use. This initial measurement includes not only the purchase price but also transaction costs such as legal fees, transfer taxes, and other related costs directly attributable to the acquisition of the property. Subsequently, after the initial recognition, an entity has the option to either continue with the cost model or adopt the fair value model for measuring investment properties. Under the fair value model, investment properties are revalued periodically, and any changes in fair value are recognized in profit or loss. However, this fair value measurement does not apply during the initial measurement phase. The other measurement bases, such as net realizable value and recoverable amount, are not relevant for the initial measurement of investment properties under IAS 40. The focus is strictly on cost at this stage. Thus, the correct answer emphasizes the principle of recognizing investment properties at the cost incurred, ensuring clarity in the accounting for such assets.

8. What is one reason for the exclusion of a subsidiary from consolidation?

A. Severe long-term restrictions on subsidiary management

B. The subsidiary has always been included in consolidation

C. Subsidiary ownership changes every fiscal year

D. Parent company has no voting rights

The correct reason for the exclusion of a subsidiary from consolidation is based on severe long-term restrictions on subsidiary management. When a parent company holds a controlling interest in a subsidiary but faces significant constraints that limit its ability to govern or influence the subsidiary's financial and operational policies, consolidation may be deemed inappropriate. Such restrictions can stem from legal, regulatory, or contractual conditions imposed upon the subsidiary, which effectively neutralize the parent's control. Under International Financial Reporting Standards (IFRS), particularly IFRS 10, a parent must consolidate its subsidiaries unless it does not have control. Control is defined not solely by ownership percentages but also by the ability to direct relevant activities and extract benefits from the investment. Therefore, severe restrictions on the management of a subsidiary would indicate a lack of control, resulting in exclusion from the consolidated financial statements. The other options do not adequately explain valid reasons for exclusion from consolidation. For instance, if the subsidiary has always been included in consolidation, it indicates a historical precedent of control rather than a reason to exclude it. Ownership changes every fiscal year could complicate matters but does not in itself justify exclusion unless it leads to the loss of control. Similarly, having no voting rights would suggest a lack of control, but this situation is more nuanced than outright

9. 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.

10. Which standard addresses Non-current Assets Held for Sale?

A. IAS 40

B. IFRS 5

C. IAS 36

D. IFRS 13

The standard that addresses Non-current Assets Held for Sale is IFRS 5. This standard specifically provides guidance on the accounting for non-current assets that an entity plans to sell rather than to hold for ongoing use, along with the criteria for classifying assets as held for sale. It includes requirements for measuring these assets at the lower of their carrying amount and fair value less costs to sell, ensuring that the financial statements reflect the current intentions of the entity concerning those assets. Furthermore, IFRS 5 outlines the necessary disclosures to inform users about the nature of the non-current assets held for sale, as well as the impact on the financial position and performance of the entity. This focus on assets held for sale differentiates it from other standards, which may deal with different types of assets or accounting issues. In contrast, the other standards mentioned serve different purposes in financial reporting. IAS 40 relates to investment property, IAS 36 covers impairment of assets, and IFRS 13 provides guidance on fair value measurement. Each of these has its intended applications but does not specifically focus on non-current assets held for sale, making IFRS 5 the correct choice in this context.

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!