



**ASSOCIATESHIP EXAMINATION  
LEVEL III  
FINANCIAL REPORTING, PLANNING AND ANALYSIS  
[OLD SYLLABUS]  
APRIL 2025**

**N.B.**

1. Read carefully the instructions on the cover of the answer booklet.
2. The total number of questions in this paper is **SIX (6)**.
3. Answer **FOUR (4)** questions as follows:  
**SECTION A – ONE COMPULSORY question (40 marks)**  
**SECTION B – THREE questions (20 marks each)**
4. Marks allotted are shown in brackets.
5. Silent, non-programmable electronic calculators may be used in this examination. Whether or not candidates use them, it is in their interest to show the basic figures from which their calculations are made.
6. No other aids such as books, dictionaries, papers or mathematical tables are permitted in this examination.
7. Time allowed: **THREE HOURS**
8. **Additional 15 minutes of reading time** is allowed at the beginning of the examination during which time candidates may write on this paper but **NOT** in the answer booklet.
9. Candidates must ensure that they answer questions in the appropriate answer booklets and **NOT on loose sheets** which may be used only as supplementary sheets. Such answers will be cancelled.
10. **DO NOT WRITE YOUR NAME ON THE ANSWER BOOKLET.**
11. **DO NOT OPEN THIS QUESTION PAPER UNTIL INSTRUCTED TO DO SO.**

## SECTION A – COMPULSORY

### QUESTION 1 A

The Accountant of Alpha Technology Solutions Limited was informed by the CEO to prepare the financial statement for the year. He has managed to prepare the Income Statement and the Statement of Financial Position from the available information and has asked you to assist in the preparation of the Cashflow Statement.

#### ALPHA TECHNOLOGY SOLUTIONS LIMITED STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER, 2021

	2021 GHS	2020 GHS
<b>NON-CURRENT ASSETS</b>		
Property, Plant and Equipment	438,631	428,210
Fixed Deposit	-	400,000
<b>Total Non-Current Assets</b>	<b>438,631</b>	<b>828,210</b>
<b>CURRENT ASSETS</b>		
Inventories	2,284,401	2,409,650
Accounts Receivable	2,712,529	1,368,010
Cash on Hand and Bank	642,951	2,177,519
<b>Total Current Assets</b>	<b>5,639,881</b>	<b>5,955,179</b>
<b>TOTAL ASSETS</b>	<b>6,078,512</b>	<b>6,783,389</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>NON-CURRENT LIABILITIES</b>		
Loans	115,484	115,484
Deferred Tax	18,127	22,110
<b>Total Non-Current Liabilities</b>	<b>133,611</b>	<b>137,594</b>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	1,843,574	2,869,489
Current Tax	30,512	129,464
<b>Total Current Liabilities</b>	<b>1,874,086</b>	<b>2,998,953</b>
<b>Total Liabilities</b>	<b>2,007,697</b>	<b>3,136,547</b>
<b>SHAREHOLDERS' EQUITY</b>		
Stated Capital	1,240,000	1,240,000
Retained Earnings	2,830,815	2,406,842
<b>Total Shareholders' Equity</b>	<b>4,070,815</b>	<b>3,646,842</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>6,078,512</b>	<b>6,783,389</b>

**ALPHA TECHNOLOGY SOLUTIONS LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER, 2021**

	<b>2021</b>	<b>2020</b>
	<b>GHS</b>	<b>GHS</b>
Revenue	11,180,208	12,957,649
Direct Cost	(7,446,676)	(9,703,650)
<b>Gross Profit</b>	<b>3,733,532</b>	<b>3,253,999</b>
Other Income	-	23,436
Administrative Expenses	(3,168,234)	(2,483,480)
<b>Operating Profit</b>	<b>565,298</b>	<b>793,955</b>
Income Tax Expense	(141,325)	(198,489)
<b>Profit/(Loss) After Taxation</b>	<b>423,973</b>	<b>595,466</b>

You have been given the following information.

1. The Depreciation charge for the year is GHS 158, 235.
2. Taxes paid amounted to GHS 244,260

**Required:**

Prepare the Statement of Cashflow for the year ended 31<sup>st</sup> December 2021 in accordance with IAS 7 *Statement of Cash Flows*

**[Total: 20 marks]**

**QUESTION 1 B**

- i. Two (2) of the qualitative characteristics of information contained in the IASB's Conceptual Framework for Financial Reporting are "understandability" and "comparability".

**Required:**

Explain the meaning and purpose of the above characteristics in the context of Financial Reporting and discuss the role of "consistency" within the characteristics of "comparability" in relation to changes in Accounting Policy. (8 marks)

- ii. The accounting treatment of investment properties is prescribed by IAS 40 *Investment Property*.

**Required:**

- a) Define "investment property" under IAS 40 and explain why its accounting treatment is different from that of "owner-occupied property". (3 marks)
- b) Explain how the treatment of an "investment property" carried under the fair value model differs from an "owner-occupied property" carried under the revaluation model. (4 marks)

- c) State five (5) disclosure requirements of Investment Property under IAS 40. (5 marks)  
[Total: 20 marks]

## SECTION B – ANSWER ANY THREE QUESTIONS

### QUESTION 2

The Shareholders of All Properties Ltd who are real estate developers are seeking to enter the appliance retail industry and are in advanced negotiation with Shareholders of Ayariga Ltd to acquire 70% shares in that company. The following financial information is provided for Ayariga Ltd:

- Number of Ordinary Shares = 10 million
- Net Assets per Share = GHS 15
- Earnings per Share = GHS 20
- Price Earnings Ratio (P/E) = 12

A finance consultant who was hired to perform due diligence review recommended the following:

1. Fixed Assets included in the Net Assets were overstated by GHS 6 million
2. A key customer who owes GHS 4 million has gone bankrupt and debt considered irrecoverable. Provision of GHS 3 million is made for a Tax Liability.
3. There is a lawsuit filed by the Ghana Standards Authority against Ayariga Ltd with estimated damages of GHS 4 million. The company lawyers estimate that they are certain of an impending loss in the case following key evidence produced by the Ghana Standards Authority.
4. All Properties Limited's cost of Capital is 16% and a Risk Premium of 4% is added in the valuation of Ayariga Ltd to take care of additional Operational Risk.
5. The Finance Manager provided a statement showing Projected Cash Inflows for the next five (5) years as follows:

Year	(GHS)
1	120 million
2	60 million
3	150 million
4	200 million
5	110 million

### Required:

- a) Advise shareholders of All Properties Ltd on how much to pay for 70% of the shares of Ayariga Ltd using the following Valuation Methods:
- i. Price Earning (P/E) Ratio. (4 marks)

- ii. Balance Sheet Valuation Basis. (5 marks)
- iii. Cashflow Valuation. (5 marks)

- b) Explain three (3) reasons Business Valuation is undertaken in the corporate environment. (6 marks)

**[Total: 20 marks]**

### QUESTION 3

“**IFRS 10 Consolidated Financial Statements** outlines the requirements for the preparation and presentation of Consolidated Financial Statements, requiring entities to consolidate entities it controls.”

**Required:**

- a) Define “Control” in accordance with **IFRS 10 Consolidated Financial Statements**. (2 marks)
- b) Identify and explain the three (3) elements of control of an investor over investees in accordance with **IFRS 10 Consolidated Financial Statements**. (6 marks)
- c) Define the following in accordance with **IFRS 10 Consolidated Financial Statements**.
  - i. Subsidiary
  - ii. Non-Controlling Interest
  - iii. Parent
  - iv. Group
  - v. Consolidated Financial Statements
  - vi. Relevant Activities

(12 marks)

**[Total: 20 marks]**

### QUESTION 4

As the Credit Officer for TCB Bank, Alpha Technology Solutions Limited has submitted its Financial Statements as part of the process to secure a loan of GHs 5 million.

**Required:**

- a) Compute the following Ratios for 2021 and 2020.
  - i. Net Profit Margin
  - ii. Asset Turnover
  - iii. Current Ratio
  - iv. Receivable Collection Period
  - v. Debt to Equity

(10 marks)

b) Write a Report to the Head of Credit analyzing the performance of the company for the years 2020 and 2021. Your report should explain in detail the ratios and analyse them in relation to the previous year.

(10 marks)

[Total: 20marks]

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## QUESTION 5

The Management of Cashpoint Ltd. has prepared its Functional Budgets for 2023 and the Management Accountant has gathered the following information for the preparation of the Cash Budget and the Master Budget.

- a. Creditors to give one-month credit.
- b. General Expenses GH¢2,000/month.
- c. Salaries and Wages GH¢25,345/month.
- d. Depreciation on Motor Car to be 10% per annum.
- e. Rent GH¢5,000/month to be paid one month in arrears.
- f. Motor Car to be acquired in April 2023, cost GH¢150,000.
- g. Purchasing of merchandise to be so arranged that sufficient quantity will be purchased to meet each month's sales. Cost/unit is GH¢16.00.
- h. For 2023, Debtors are to settle their debts in the second month following the month after that in which sales take place.
- i. Sales in December 2022 (receipts expected in January 2023) is GH¢120,000.
- j. Sales (Units): 7,000/month for the first two months and 9,000 units/month for the rest of the year.

- k. Selling Price: GH¢20/unit for the first month and GH¢24/unit for the rest of the year.
- l. Cash/Bank Balance at 31/12/22 is expected to be GH¢16,000 and the balance at the end of every month next year should not be less than GH¢20,000.

**Required:**

Prepare a Cash Budget for Cashpoint Ltd for the year 2023.

**[Total: 20 marks]**

**QUESTION 6**

The Companies Act 2019 (Act 992) was enacted to, among other things, improve the Corporate Governance Framework of Ghanaian companies.

**Required:**

Identify and explain in detail **FIVE** (5) Corporate Governance Mechanisms introduced by the Companies Act, 2019 (Act 992) to improve Corporate Governance in Ghana.

**[Total: 20 marks]**