



CHARTERED INSTITUTE OF BANKERS, GHANA
ASSOCIATESHIP EXAMINATION
LEVEL III
FINANCIAL REPORTING, PLANNING AND ANALYSIS
APRIL 2023

N.B.

1. Read carefully the instructions on the cover of the answer book.
2. Answer **FOUR (4)** questions as follows:
SECTION A – ONE COMPULSORY question(40marks) **SECTION B – THREE** questions (**20** marks each). Marks allotted are shown in brackets.
The total number of questions in this paper is **SIX (6)**.
3. 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.
4. No other aids such as books, dictionaries, papers or mathematical tables are permitted in this examination.
5. Time allowed: **THREE HOURS**.
6. Additional 15 minutes reading time is allowed at the beginning of the examination when candidates may write on this paper but **NOT** in the answer book.
7. Candidates must ensure that they answer questions in the appropriate answer book and **NOT on loose sheets** which are used only as supplementary sheets. Such answers will be cancelled.
8. **DO NOT WRITE YOUR NAME ON THE ANSWER BOOK.**
9. **DO NOT OPEN THIS QUESTION BOOKLET UNTIL INSTRUCTED TO DO SO.**

SECTION A

Question 1 A

The following is the trial balance of ANG Ltd, a trading company, as at 30 September 2022

	Debit GH¢'000	Credit GH¢'000
Sales		68,865
Inventory	3,150	
Cost of sales	35,500	
Selling & distribution expenses	5,600	
Administration expenses	8,540	
Loan Note interest paid	110	
Bank interest	85	
Investment income		360
Leasehold building at valuation-1 Oct 2021	14,000	
Plant and equipment– cost/depreciation	13,750	3,200
Computer equipment– cost/depreciation	7,200	2,000
Motor vehicles – cost/depreciation	1,500	400
Trade receivables	17,900	
Bank		910
Trade payables		5,700
500,000 Ordinary shares		14,500
8% Loan notes (2019 – 2023)		5,500
Revaluation surplus		800
General reserve		1,500
Retained earnings – 1 Oct 2021		3,600
	107,335	107,335

The following additional information is made available:

- i. The company paid ordinary dividends of GH¢2.2 per share on 31 January 2022 and GH¢2.6 per share on 30 June 2022. The dividend payments are included in administrative expenses in the trial balance.
- ii. Provision is to be made for a full year's interest on the Loan notes.
- iii. Non-current assets:
 - Depreciation of Property, plant and equipment is to be provided on the following bases:
 - Plant and equipment - 10% on cost
 - Computer equipment - 25% on cost
 - Motor vehicles - 20% on reducing balance.
 - No depreciation has yet been charged on any non-current asset for the year ended 30 September 2022.

- ANG Ltd revalues its buildings at the end of each accounting year. At 30 September 2022, the relevant value to be incorporated into the financial statements is GH¢14,100,000.
 - The building’s remaining life at the beginning of the current year (1 October 2021) was 25 years. ANG Ltd does not make an annual transfer from the revaluation reserve to retained earnings in respect of the realisation of the revaluation surplus. Ignore deferred tax on the revaluation surplus.
- iv. Estimated corporate income tax payable on the profit for the year is GH¢3,500,000.

You are required to:

Prepare the following financial statements of ANG Ltd. for publication in accordance with *International Financial Reporting Standards (IFRS)*:

- a. Statement of profit or loss and other comprehensive income for the year ended 30 September 2022 and;
- b. Statement of financial position as at 30 September 2022.
- c. Show clearly all relevant workings.

[Total: 20 marks]

Question 1 B

I. What is the objective of general-purpose financial reporting? (2 marks)

II. The IASB’s Conceptual Framework for Financial Reporting states that “If financial information is to be useful, it must be *relevant and faithfully represent* what it purports to represent.”

Explain the terms Relevance and Faithfully Representation. (6 marks)

Question 1 C

The accounting treatment of intangible assets is prescribed by IAS 38 *Intangible Assets*.

You are required to:

- i. Define intangible asset under IAS 38 *Intangible Assets*. (3 marks)
- ii. Explain the recognition criteria for intangible assets. (4 marks)
- iii. State 5 disclosure requirements of Intangible Assets under IAS 38. (5 marks)

[Total: 20 marks]

SECTION B

Question 2

Black Trust real estate (in the business of building and selling properties) owns three (3) identical properties, East Legon Hills, Dansoman and Kasoa New Town.

Dansoman is used as the head office of Black Trust. East Legon Hills is let to, and occupied by, a subsidiary. Kasoa New Town is part of the buildings constructed for sale.

You are required to:

- a. Explain how the three properties will be treated in the financial statements of Black Trust real estate and identify the International Accounting Standard that will be applicable for each of them. (9 marks)
 - b. **IAS 16 Property, Plant and Equipment** deals with Accounting for Property, Plant and Equipment.
 - i. With respect to IAS 16: Property, Plant and Equipment, define property, plant and equipment? (3 marks)
 - ii. Explain the criteria for recognizing an item of property, plant and equipment. (3 marks)
 - iii. State 5 disclosure requirements of Inventory under **IAS 2 Inventory**. (5 marks)
- [Total: 20 marks]**

Question 3

A. **IAS 27: Separate Financial Statements** prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity elects, or is required by local regulations, to present separate financial statements.

You are required to:

Define “significant influence” in accordance with **IAS 27: Separate Financial Statements** and explain **FIVE** evidence of the existence of significant influence on an entity. (8 marks)

B. Define the following terms in accordance with **IAS 27: Separate Financial Statements**.

- i. Associate
- ii. Joint control
- iii. Joint venture
- iv. Equity method
- v. Separate financial statements.
- vi. Investment entity

(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 GHS5million.

You are required to:

i. Compute the following ratios for 2021 and 2020.

- Gross Profit Margin
- Return on Capital Employed
- Acid Test Ratio
- Payable period
- Debt to equity

(10 marks)

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

(10 marks)

[Total: 20marks]

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

	2021 GHS	2020 GHS
NON-CURRENT ASSETS		
Property, Plant and Equipment	438,631	428,210
Fixed Deposit	-	400,000
Total Non-Current Assets	438,631	828,210
CURRENT ASSETS		
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
Total Current Assets	5,639,881	5,955,179
TOTAL ASSETS	6,078,512	6,783,389

LIABILITIES AND SHAREHOLDERS' EQUITY**NON-CURRENT LIABILITIES**

Loans	115,484	115,484
Deferred Tax	18,127	22,110
<i>Total Non-Current Liabilities</i>	<i>133,611</i>	<i>137,594</i>

CURRENT LIABILITIES

Accounts Payable	1,843,574	2,869,489
Current Tax	30,512	129,464
<i>Total Current Liabilities</i>	<i>1,874,086</i>	<i>2,998,953</i>

Total Liabilities	2,007,697	3,136,547
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SHAREHOLDERS' EQUITY

Stated Capital	1,240,000	1,240,000
Retained Earnings	2,830,815	2,406,842
<i>Total Shareholders' Equity</i>	<i>4,070,815</i>	<i>3,646,842</i>

**TOTAL LIABILITIES AND
SHAREHOLDERS' EQUITY**

6,078,512

6,783,389**ALPHA TECHNOLOGY SOLUTIONS LIMITED****STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER, 2021**

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

Profit/(Loss) After Taxation

423,973

595,466

Question 5

The following information relates to Impact Limited, a retailing outfit located in the Eastern region of Ghana.

Month	Sales (GHs 'm)	Wages incurred (GHs 'm)	Materials purchased (GHs 'm)	Overheads (GHs 'm)
January	70	12	40	25
February	90	14	45	20
March	120	20	50	32
April	100	18	70	28
May	140	24	60	36
June	120	20	50	32
July	100	18	50	28
August	100	18	60	28

The following additional information has been provided:

- It is expected that the cash balance on April 30, will be GHS50m.
- Wages may be assumed to be paid within the month in which they are incurred.
- It is company's policy to pay creditors for materials three months after receipts of the materials.
- Debtors are expected to pay two months after delivery to them.
- Included in the overhead figures is GHS4m per month which represents depreciation on two cars and one delivery van.
- There is a delay in paying the overheads expenses by one month.
- 10% of the monthly sales are for cash and 90% are on credit.
- A commission of 5% is paid to agents on all sales on credit but this is not paid until the month following the sales to which it relates; this expense is not included in the overhead figures shown.
- It is intended to repay a loan of GHS50m on June 30.
- Delivery is expected in May of a new machine costing GHS85m of which GHS25m will be paid on delivery and GHS30m in each of the immediately following successive two months.
- Assume that overdraft facilities are available if required.

You are required to:

Prepare a Cash budget for each of the three months of May, June and July. **[Total: 20 marks]**

Question 6

In Ghana, the Code of Best Practices in Corporate Governance requires every corporate body at which the code is directed to have an audit committee.

You are required to:

- A. List and explain FIVE functions of the Audit Committee. (10 marks)

- B. As a consultant for RGB Savings and Loans Limited, recommend the composition of the Audit Committee to the Managing Director. (10 marks)

[Total: 20 marks]