JULY 2024 PROFESSIONAL EXAMINATIONS
CORPORATE REPORTING (PAPER 3.1)
CHIEF EXAMINER'S REPORT, QUESTIONS AND MARKING SCHEME

STANDARD OF THE PAPER

The standard of the paper was generally less challenging than the previous diet. Since this exams diet is the last exams diet before the change to the new ICAG syllabus, it was expected that majority of candidates would have put in a lot of efforts to pass the paper. The questions were based on the syllabus and were largely straight forward and of the right level. The mark allocation followed the weightings in the syllabus and was fairly allocated to each sub-question. Questions that required considerable amount of work were commensurate with the allotted time and marks.

PERFORMANCE OF CANDIDATES

The general performance of candidates in this exams diet was generally similar to the performance in the previous diet. Candidates who performed well demonstrated a clear understanding of the subject matter. Some candidates also showed abysmal performance. The poor level of preparedness of some candidates reflected in their poor performance.

QUESTION ONE

The statements of financial position of Kanda Ltd (Kanda), Adama Ltd (Adama) and Bamba Ltd (Bamba) as at 30 June 2022, are as follows:

	Kanda	Adama	Bamba
	GH¢000	**GH¢000**	**GH¢000**
Non-current assets:			
Property, plant and equipment	81,500	43,500	110,600
Investments	76,500	97,500	-
Intangible assets	25,000	5,400	17,500
	183,000	**146,400**	**128,100**
Current assets:			
Inventory	9,150	7,320	6,405
Trade receivables	18,300	14,640	12,810
Cash and Bank	27,450	21,960	19,215
	54,900	**43,920**	**38,430**
Total assets	**237,900**	**190,320**	**166,530**
Equity & liabilities:			
Equity:			
Share capital (Issued @ GH¢1 per share)	125,000	75,000	87,500
Retained earnings	30,280	24,224	21,196
Other component of equity	3,000	2,400	2,100
	158,280	**101,624**	**110,796**
Liabilities:			
Current liabilities	32,040	25,632	22,428
Non-current liabilities	47,580	63,064	33,306
	79,620	**88,696**	**55,734**
Total equity and liabilities	**237,900**	**190,320**	**166,530**

Additional information:

i) On 1 July 2019, Kanda purchased 70% of the ordinary shares of Adama. On this date, the company had net assets of GH¢84 million carried on the statement of financial position. There has not been any change in the share capital of Adama in the post-acquisition period. Any other component of equity on the above statement of financial position of Adama arose in the post-acquisition period. The agreed purchase consideration consisted of an immediate cash payment of GH¢62.5 million and a consideration payable if the profit of Adama meets a defined performance target at 1 July 2023. Based on the probability of the performance target being met, the fair value of this consideration at the date of acquisition was estimated at GH¢21 million. The performance-based consideration is to be settled through the issue of 2 million equity shares of Kanda to the former shareholders of Adama. At 30 June 2022, the fair value of the performance –based consideration was estimated at GH¢22.5 million. Only the cash consideration has been recognised by Kanda in the statement of financial position.

ii) Fair value exercise performed at the acquisition date on the total carrying value of intangible assets of GH¢21.6 million of Adama, revealed that only patent with carrying value of GH¢1.1 million was valuable. The carrying value of this patent approximated the fair value. The remaining intangible assets were considered worthless. The remaining useful life on the intangible assets was four years. A fair value exercise on property, plant and equipment showed that the fair value of property, plant and equipment was higher than the carrying value by GH¢7.6 million. At the date of acquisition, the remaining useful life of the related property, plant and equipment was 5 years. Adama is yet to incorporate the outcome of the fair value exercise in its financial statements.

iii) On 31 March 2022, Adama purchased 80% of the ordinary shares of Bamba. The other components of equity as at this date was GH¢1.1 million. The profit after tax made by Bamba for the year ended 30 June 2022 was GH¢7.5 million. No dividend was paid or proposed for the year ended 30 June 2022 by Bamba Ltd. The agreed purchase consideration for the acquisition was GH¢95 million.

iv) The fair values of the assets and liabilities of Bamba were equal to the carrying values with the exception of one of the company's lands that had been classified as held for sale. The land, measured at cost, had been recognised at the carrying value of GH¢1.35 million, but had fair value of GH¢1.26 million. The estimated fair value less cost to sell of the land at the date was GH¢1.25 million. Despite the acquisition of Bamba by Adama, there was no change in the plan to sell the land and the group's commitment to selling the asset has not changed since acquisition. As at 30 June 2022, the land was yet to be sold. Bamba is yet to incorporate any fair value adjustment and the decision to sell the land in its financial statements.

v) The group values non-controlling interest in its subsidiaries at proportionate share of fair value of net assets. The goodwill in Adama and Bamba were tested for impairment on 30 June 2022. Goodwill in Bamba had not been impaired but that of Adama had been impaired by 20% at the year-end.

vi) Kanda has a property located outside Ghana, which was acquired at a cost of 4 million shillings on 30 June 2021 when the exchange rate was GH¢1 = 2 shillings. At 30 June 2022, the property was revalued to 6 million shillings. The exchange rate at 30 June 2022 was GH¢1 = 1.5 shillings. The property is carried at its value as at 30 June 2021 in the above statement of financial position. The company measures the property at its revaluation amount. Depreciation on the property can be assumed to be immaterial.

Required:

Prepare the **Consolidated Statement of Financial Position** for the Kanda group as at 30 June 2022 (*All your workings are to be rounded to the nearest thousand*).

(Total: 20 marks)

QUESTION TWO

a) On 1 January 2023, Totobi Plc entered into a contract with a customer to construct a specialised building for a consideration of GH¢1.2 million plus a bonus of GH¢0.24 million if the building is completed within 18 months. The estimated cost to construct the building is GH¢0.9 million. If the contract is terminated by the customer, Totobi Plc can demand payment for the cost incurred to date plus a mark-up of 30%. On 1 January 2023, as a result of factors outside of its control, such as the weather and regulatory approval, Totobi Plc is not sure whether the bonus will be achieved.

As at 31 December 2023, Totobi Plc has incurred cost of GH¢0.6 million. They are still unsure as to whether the bonus target will be met. Totobi Plc decides to measure progress towards completion based on cost incurred. To date, Totobi Plc has received GH¢1 million from the customer. Totobi Plc prepares its accounts to 31 December each year.

Required:
Recommend to the directors of Totobi Plc how this transaction should be accounted for in the financial statements for the year ended 31 December 2023 in accordance with relevant International Financial Reporting Standards. **(5 marks)**

b) Abaa Plc (Abaa), a market leader in the manufacturing sector uses IFRS in preparing its financial statements and has a financial year-end 31 March. On 1 January 2021, Abaa applied to a government agency for a grant to assist with the construction of a factory in Yakasi. The proposed construction cost of the factory was GH¢62.4 million and the company projected that 350 people would be employed after completion. The land was already owned by Abaa.

On 1 March 2021, the government agency offered to grant a sum amounting to 25% of the factory's construction cost to a maximum of GH¢15.6 million. The grant aid was to be advanced on completion, and would be repayable on demand if total employment at the factory fell below 300 people within 5 years of completion.

At the financial year end, 31 March 2021, Abaa had accepted the offer of grant aid, and had signed contracts for the construction of the factory at a total cost of GH¢62.4 million. Construction work was due to commence on 1 April 2021.

By 31 March 2022, the factory had been completed on budget, 400 people were employed ready to commence manufacturing activities, and the government agency agreed that the conditions necessary for the drawdown of the grant had been met.

On 1 April 2022, the factory was brought into use. It was estimated that it would have a ten-year useful economic life. On 1 June 2022, the government agency paid over the agreed GH¢15.6 million. In addition, the company sought and was paid an employment grant of GH¢1.44 million as employment exceeded original projections. This is expected to be payable annually for 5 years in total, at a rate of GH¢14,400 per additional person employed over 300 in each year. There are no repayment provisions attached to the employment grant.

The directors of Abaa expect employment levels to exceed 350 people for at least 4 further years from 31 March 2023.

Required:
Demonstrate, showing calculations and relevant entries, how Abaa Plc should record the above transactions and events in its financial statements for years ended 31 March 2021, 2022 and 2023. **(8 marks)**

c) Oye prepares its financial statements with 31 March as the financial year-end. On 1 April 2020, Oye Plc granted 500 share appreciation rights (SARs) to its 300 employees. All of the rights vested on 31 March 2022, but they can be exercised from 1 April 2022 up to 31 March 2024. At the grant date, the value of each SAR was GH¢10 and it was estimated that 5% of the employees would leave during the vesting period. The fair value of the SARs is as follows:

Date	Fair value of SAR
31 March 2021	GH¢9
31 March 2022	GH¢11
31 March 2023	GH¢12

All the employees who were expected to leave the employment did leave the company as expected before 31 March 2022. On 31 March 2023, 60 employees exercised their options when the intrinsic value of the right was GH¢10.50 and were paid in cash. Oye Plc is however, confused as to whether to account for the SARs under ***IFRS 2: Share-based Payment or (IFRS 13: Fair Value Measurement)*** and would like to be advised as to how the SARs should have been accounted for from the grant date to 31 March 2023.

Required:
Advise Oye Plc on how the above transactions should be accounted for in its financial statements with reference to relevant *International Financial Reporting Standards.*
(7 marks)

(Total: 20 marks)

QUESTION THREE

a) On 1 January 2022, Mawuko Plc (Mawuko) acquired a building on lease for a non-cancellable period of 4 years at GH¢12 million per annum, payable in arrears. No initial direct costs were incurred. The agreement contains an option for Mawuko to extend the lease for further 3 years at GH¢12 million per annum payable in arrears. On 1 January 2022, Mawuko's incremental borrowing rate was 18% per annum and Mawuko was not reasonably certain that the option to extend the term will be exercised. However, on 1 January 2023, Mawuko was reasonably certain that the option to extend the term will be exercised due to increasing rentals in the market. Mawuko's incremental borrowing rate was 16% per annum on that date.

On 1 July 2023, Mawuko sub-leased this building under operating lease for a lease term of two and half years at GH¢1.5 million payable semi-annually in advance. Initial direct cost associated with the sub-lease amounted to GH¢250,000.

Required:
Advise on how Mawuko should account for the above during the years ended 31 December 2022 and 2023. **(10 marks)**

Note: *The single-period present value and annuity present value factors, based on GH¢1, are provided below for 16% and 18% discount rates.*

Year	*16%*		*18%*	
	Single period present value factor	*Annuity present value factor*	*Single period present value factor*	*Annuity present value factor*
1	*0.862*	*0.862*	*0.847*	*0.847*
2	*0.743*	*1.605*	*0.718*	*1.565*
3	*0.641*	*2.246*	*0.609*	*2.174*
4	*0.552*	*2.798*	*0.516*	*2.690*
5	*0.476*	*3.274*	*0.437*	*3.127*
6	*0.410*	*3.684*	*0.370*	*3.497*
7	*0.354*	*4.038*	*0.314*	*3.811*

b) Akolgo Ltd sold goods to Razak Ltd during the year at a 55% mark-up. Similar goods are usually sold to other parties at a mark-up of 25%. The directors of Razak Ltd believe that no ethical issues arise, as such transactions will be eliminated within the consolidated financial statements due to the treatment. During the year, Directors of Razak Ltd announced its intention to sell its 70% shares in Akolgo Ltd to the highest bidder. The Accountant of Razak Ltd has produced draft financial statements for the year and, in doing so, processed several late adjustments which materially improved the profit for the year. The Managing Director was surprised to find that the profit for the year was materially larger than expected and he is worried that the accountant's treatment of certain transactions has been influenced by his desire to hide the previous transactions between the company and Akolgo Ltd.

Mr Alieu, who is the Assistant Accountant, has been asked by the Managing Director to examine the late adjustments and to redraft the financial statements, if necessary. Mr Alieu has examined the adjustments, and in his opinion believes that most of the items should be reversed, thus reducing the profit for the year back to the level originally expected. Mr

Alieu has had an initial meeting with the Accountant who promised him that he would recommend him for a promotion if he (Mr. Alieu) does not reverse some of the transactions in the financial statements.

Required:
Describe the ethical issues in this scenario and explain how they should be addressed.

(10 marks)

(Total: 20 marks)

QUESTION FOUR

a) Bukum Ltd was incorporated some years ago to carry on business as manufacturers of fruit juice. Covid-19 and poor management have plunged the company into losses which is potentially eroding the capital of the company. The statement of financial position of the company as at 31 December 2022 is given below.

	GH¢'000
Non-Current Assets	
Property, Plant and Equipment	44,000
Trademark	90,000
Investment	24,000
Goodwill	96,000
	254,000
Current assets	
Inventories	216,000
Receivables	388,000
Cash and Cash Equivalents	130,000
	734,000
Total Assets	**988,000**
Equity and Liabilities	
Equity	
Share capital (Issued @ GH¢1.70 per shares)	102,000
Revaluation reserve	140,000
Retained Earnings	(10,000)
15% Irredeemable Preference shares (Issued @ GH¢2 shares)	18,000
	250,000
Non-Current Liabilities	
12% Debentures	300,000
15% Long Term Loan	140,000
	440,000
Current liabilities:	
Trade and Other Payables	280,000
Bank overdraft	18,000
	298,000
Equity & Liabilities	**988,000**

Additional Information:

1) The following asset values were relevant in liquidation:

	GH¢'000
Property, Plant and Equipment	30,000
Inventories	176,000
Trade and other Receivables	320,000
Trademark	120,000

2) Bukum Ltd's bank holds a fixed charge on the Property, Plant and Equipment as security for the overdraft.

3) The ordinary shareholders have decided to inject additional capital of 50 million equity shares issued at GH¢2.50. In addition, part of the 15% long term loan was to be converted into 10 million equity shares issued at GH¢2.50.

4) The preference share dividends and debentures interest are three years in arrears and are to be converted to ordinary share of GH¢2.50 each if the capital reconstruction scheme is accepted. The debenture is secured by a floating charge over the assets of Bukum Ltd, other than the freehold property.

5) GH¢50 million of the trade and other payables of GH¢140 million were preferential creditors.

6) Liquidation expenses are estimated at GH¢10 million.

7) The liquidation values for the assets are considered relevant in the event of any capital reconstruction scheme.

Required:

i) Calculate the amounts that would be received by each of the providers of finance if the company was to liquidate. **(5 marks)**

ii) Prepare the statement of financial position after the implementation of a capital reconstruction scheme. **(10 marks)**

b) Shanzy Plc owns and manages a group of commercial real estate rental properties. Shanzy Plc purchases a commercial office property in Sunyani. The purchased property is 90% occupied, and Shanzy Plc will become a party to the lease agreements upon acquisition. Shanzy Plc will replace existing security, cleaning, and maintenance contracts with new contracts. In addition, the existing property management agreement will be terminated and Shanzy Plc will undertake all property management functions, such as collecting rent and supervising work. In connection with the transaction, Shanzy Plc will also hire the current and other personnel associated with the leasing and operations of the property.

Required:

In accordance with **IFRS 3 (as revised)** ***Business Combinations***, explain whether Shanzy Plc purchased a business or a group of assets. **(5 marks)**

(Total: 20 marks)

QUESTION FIVE

Dombo Plc (Dombo) is a publicly traded Tema-based company with a number of subsidiaries. On 1 July 2023, it disposed of its 80% holding in Abanga Ltd (Abanga) for total cash price of GH¢150 million. The initial goodwill recognised for Abanga had all been impaired three years prior to the sale. This sale resulted in a loss of GH¢30 million which has been included within administrative expenses for the year to 31 December 2023.
The consolidated summarised financial statements of Dombo at 31 December 2023 and 31 December 2022 are provided below:

Dombo Group
Consolidated Statements of Profit or Loss for the years ended 31 December

	2023 GH¢ million	2022 GH¢ million
Revenue	1,335	1,400
Cost of sales	(1,080)	(1,121)
Gross profit	255	279
Selling and distribution costs	(16)	(24)
Administration expenses	(122)	(93)
Profit before tax	117	162
Tax	(36)	(47)
Profit for the year	**81**	**115**
Attributable to		
Equity holders of the parent	68	101
Non-controlling interest	13	14
	81	**115**

Consolidated Statements of Financial Position As At 31 December

	2023 GH¢ million	2022 GH¢ million
Non-current assets		
Properties	432	547
Plant and equipment	191	260
Goodwill	44	44
	667	851
Current assets	823	660
	1,490	**1,511**
Liabilities and equity		
Current liabilities	368	440
Equity:		
Ordinary shares of GH¢1 each	500	500
Retained earnings	435	367
	935	867
Non-controlling interest	187	204
	1,122	1,071
	1,490	**1,511**

Additional information:

The following are the separate statements of profit or loss of Abanga for the years ended 31 December 2023 and 31 December 2022:

	2023 GH¢ million	2022 GH¢ million
Revenue	174	240
Cost of sales	(160)	(197)
Gross profit	14	43
Operating expenses	(20)	(20)
Profit before tax (operating profit)	(6)	23
Tax	2	(4)
Profit/(loss) for the year	**(4)**	**19**

All profit or loss items occurred evenly unless otherwise indicated.

Required:

a) Compute the following ratios for the year 2023 and the comparative year 2022 for Dombo Group.

i) Return on capital employed

ii) Net asset turnover

iii) Gross profit margin

iv) Operating profit margin

(4 marks)

b) Compute profitability ratios for Abanga for the years ended 31 December, 2022 and 2023. **(2 marks)**

c) Compute the profitability ratios of Dombo Group after disposing of Abanga. **(6 marks)**

d) Using the computed ratios, comment on the comparative performance, including the impact of the disposal of Abanga during the year ended 31 December 2023. **(8 marks)**

(Total: 20 marks)

SUGGESTED SOLUTIONS

QUESTION ONE

Kanda group
Consolidated statement of financial position at 30 June 2022

		GH¢000
Non-current assets:		
PPE (81,500+43,500+110,600+7,600-4,560-100-1,250+2000(W6)		239,290
Investments (76,500+97,500-62,500-95,000)		16,500
Intangible assets (25,000+5,400+17,500-20,500 (W2)+15,375(W2))		42,775
Goodwill (26,984+6,120) (W3)		33,104
		331,669
Current assets:		
Non-current assets held for sale (W2)	1,250	
Inventory (9,150+7,320+6,405)	22,875	
Trade receivables (18,300+14,640+12,810)	45,750	
Cash and Bank (27,450+21,960+19,215)	68,625	138,500
Total assets		**470,169**
Equity & liabilities:		
Equity:		
Share capital		125,000
Retained earnings (W5)		42,811.50
Other component of equity(W6)		28,240
Non-controlling interest (W4)		50,068
		246,119
Liabilities:		
Current liabilities (32,040+25,632+22,428)		80,100
Non-current liabilities (47,580+63,064+33,306)		143,950
Total equity and liabilities		**470,169**

Workings 1- Group structure

Kanda

↓ 70% 1/7/2019 – 30/6/22

Adama (3 years, subsidiary)

↓ 80% , 31/3/22 – 30/6/22

Bamba (3 months, subsidiary)

Summary of percentages

	Adama	**Bamba**
Kanda's controlling interest%: Direct Indirect	 70% -- **70%**	 - 56% (70% x80%) **56%**
NCI%	30%	44%
Total	100%	100%

Workings 2- Net assets schedule of the subsidiaries

Net assets schedule - Adama

	Acquisition	**Reporting**	**Post-acquisition**
	GH¢000	**GH¢000**	**GH¢000**
Share capital	75,000	75,000	-
Retained earnings (84,000 -75,000)	9,000	24,224	15,224
Other component of equity	-	2,400	2,400
Intangible assets (21,600-1,100)	(20,500)	(20,500)	-
Amortisation (20,500/4 x 3 years)		15,375	15,375
*Fair value adjustment-PPE	7,600	7,600	-
Depreciation- PPE(15200/5 x 3 years)		(4,560)	(4,560)
Total	**71,100**	**99,539**	**28,439**
*Alternatively, fair value adjustment	-	(5,125)	(5,125)

Net assets schedule- Bamba

	Acquisition	**Reporting**	**Post-acquisition**
	GH¢000	**GH¢000**	**GH¢000**
Share capital	87,500	87,500	-
Retained earnings	19,321**	21,196	1,875
Other component of equity	1,100	2,100	1,000
Non-current asset held for sale(1,250-1,350)	(100)	(100)	-
Total	**107,821**	**110,696**	**2,875**

** Retained earnings of Bamba at acquisition = 21,196 – (7,500 x 3/12) = 19,321

Workings 3- Goodwill computation

Goodwill in Adama (subsidiary)

	GH¢000
Purchase consideration:	
Cash consideration	62,500
Contingent consideration (equity)	21,000
	83,500
NCI share of net assets at acquisition (30% x 71,100(W2)	21,330
	104,830
Fair value of net assets at acquisition (W2)	(71,100)
Goodwill at acquisition	**33,740**
Impairment (20% x GH¢33,740)	(6,746)
Goodwill at reporting	**26,984**

Note:

The contingent consideration is classified as equity since a fixed number of the equity shares of Kanda is to be issued to settle the amount expected to be payable if the performance target is met. It is not re-measured after the acquisition date.

Goodwill in Bamba (sub-subsidiary)

	GH¢000
Purchase consideration	95,000
Indirect Holding adjustment (30% x 95,000)	(28,500)
	66,500
NCI at acquisition (44% x 107,821)	47,441
	113,941
Net assets at acquisition	(107,821)
Goodwill at acquisition/reporting	**6,120**

Total goodwill (in thousands) = GH¢26,984 + 6,120 = GH¢33,104

Workings 4- Non-controlling interest

	GH¢000
Adama	
Value at acquisition	21,330
Share of profit (30% x 28,439)	8,531.7
Indirect holding adjustment (30% x 95,000)	(28,500)
	1,361.7
Alternatively,	
NCI share of net assets at reporting (30% x 99,539(W2)	29,861.7
Indirect holding adjustment (30% x 95,000)	(28,500)
	1,361.70

Bamba	
Value at acquisition	47,441
share of profit (44% x 2,875)	1,265
	48,706
Alternatively,	
NCI share of net assets at reporting (44% x 110,696)	48,706
Total	**50,068**

Workings 5- Retained earnings

	GH¢000
Balance as per SOFP-Kanda	30,280
Impairment-goodwill (W3)	(6,746)
Share of profit:	
Adama (70% x (28,439-2,400)	18,227.50
Bamba (56% x (2,875-1,000)	1,050
	42,811.50

Working 6- Revaluation gain

The property was purchased at a cost of 4 million shillings on 30 June 2021. The property was thus recognised at an amount of GH¢2 million (4 million shillings/2). At 30 June 2022, it was revalued to 6 million shillings. The cedi equivalent on this date is GH¢4 million (6 million shillings/1.5). There is therefore a revaluation gain of GH¢2 million (4 - 2) to be recognized in the financial statements of Kanda since the property is still recognised at the amount at 30 June 2021.

Debit property, plant and equipment	GH¢2 million	
Credit Revaluation surplus (other component of equity)		GH¢2 million

Workings 7- Other component of equity

	GH¢000
Balance per SOFP-Kanda	3,000
Revaluation gain-PPE (W6)	2,000
Contingent consideration-shares	21,000
Share of parent:	
Adama (2,400 x 70%)	1,680
Bamba (1,000 x 56%)	560
	28,240

(Marks are evenly spread using ticks = 20 marks)

EXAMINER'S COMMENTS

The question was okay and did not have any ambiguous statement or missing information. It was a complex group structure, specifically, a vertical group structure. Candidates generally showed understanding on determining the group structure and identifying correctly that the two subsidiaries: Adama and Bamba (i.e. direct and

indirect subsidiaries respectively) are to be consolidated. Relevant computations such as the net assets movement of the subsidiaries, goodwill, retained earnings and non-controlling interest were fairly answered by candidates. Most candidates therefore answered the question well.

Even though candidates generally showed understanding of the question, there were still some issues that most could not give proper treatment on the consolidated financial statements. For example, the contingent consideration to be settled by Kanda (the ultimate parent) to the former shareholders of the direct subsidiary on 1 July 2023 with fixed number of its own equity shares. Some treated it as a liability instead of equity on the consolidated financial statements. Also, candidates also failed to realise that equity instruments of the issuer are not remeasured, and it was therefore to be stated in the financial statements at the fair value at the date of acquisition, and not at the reporting date under the other component of equity (as the shares were not yet issued at the reporting date).

Other issues which were treated poorly by candidates included the land in the books of the indirect subsidiary which had been classified as held for sale at the acquisition date. This asset was to be measured at the fair value less cost to sell in accordance with IFRS 3 (Business combination) and IFRS 5 (Non-current assets held for sale and discontinued operations), but candidates were still measuring the asset at the acquisition date at the fair value. Also, asset classified as held for sale is moved from non-current asset classification to current asset classification. Candidates who understood that it must be separated from the property, plant and equipment were still putting the asset under non-current after removing it from the property, plant and equipment.

QUESTION TWO

a) Constructing the building is a single performance obligation in accordance with IFRS 15 Revenue.
   The bonus is variable consideration. It is excluded from the transaction price because it is not highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The construction of the building should be accounted for as an obligation settled over time. Totobi Plc should recognise revenue based on progress towards satisfaction of the construction of the building.

1) Overall Contract profit

	GH¢000
Price / Revenue	1,200
Costs to date	(600)
Costs to complete (900 – 600)	(300)
Overall profit	300

2) Progress
   An input method is used to calculate the progress, being costs to date compared to total costs.
   600/900 =66.7% (or 2/3)

3) Statement of profit or loss

	GH¢000
Revenue (1,200 x 2/3)	800
Costs of sales (900 x 2/3)	(600)
Profit	200

4) Statement of financial position

	GH¢000
Costs to date	600
Profit to date	200
Less: Billed to date	(1,000)
Contract liability	(200)

Marking scheme:
1.5 marks for statement of profit or loss extract
1.5 marks for statement of financial position
2 marks for determining total contract price

b) **Year ended 31 March 2021:**
In accordance with IAS 20, no accounting entry is made in this financial year, as no transaction has yet been entered into. A capital commitment exists, and should be disclosed in the notes. The grant approval should be disclosed also.

Year ended 31 March 2022:
At this date, the factory should be recorded at its cost of GH¢62.4 million. As all conditions for the payment of the grant have been met, recognition should be made of this amount receivable also. As the factory has not yet been brought into use, no depreciation will be charged for the year. Similarly, no amortisation of the grant will take place in the period.

Recognition of factory:

	Dr	Cr
Dr Property, plant & equipment	GH¢62.4 million	
Cr Cash		GH¢62.4 million

(New factory constructed as a cost of GH¢62.4 million)

Recognition of grant:
Option 1

	Dr	Cr
Dr Government grant receivable (current asset)	GH¢15.6 million	
Cr Property, plant & equipment		GH¢15.6 million

(Government grant approved, not received yet)

Option 2

	Dr	Cr
Dr Government grant receivable (current asset)	GH¢15.6 million	
Cr Deferred income – current liability		GH¢1.56 million
Cr Deferred income – non-current liability		GH¢14.04 million

(Government grant approved, not received yet)

Assuming the factory has a useful life of 10 years, as stated, 10% of the amount will be recognised as income within the next financial year. This amount should be treated as a current liability.

Year end 31 March 2023:
There are a number of transactions to record based on the new factory. These are (1) depreciation and (2) amortisation of the grant. In addition, the cash was received from the government agency.

Receipt of grant:

	Dr	Cr
Dr Cash	GH¢15.6 million	
Cr Government grant receivable		GH¢15.6 million

(Receipt of cash grant from government agency)

Option 1
Depreciation of factory:

Dr Profit or loss	GH¢4.68 million	
Cr Accumulated Depreciation – PPE		GH¢4.68 million

(Depreciation of cost of factory net of grant over 10 years)

Option 2
Depreciation of factory:

Dr Profit or loss	GH¢6.24 million	
Cr Accumulated Depreciation – PPE		GH¢6.24 million

(Depreciation of gross factory cost over 10 years)

Amortisation of grant:

Dr Deferred income	GH¢1.56 million	
Cr Profit or loss		GH¢1.56 million

(Amortisation of grant over 10 years, reflecting the proportional expensing of the factory to which the grant relates)
The employment grant relates entirely to the cost of employing staff in that year. Hence it should be entirely recognised as income in the year ended 31 March 2022.

Recognition of employment grant:

Dr Cash	GH¢1.44 million	
Cr profit or loss		1.44 million

(recognition of employment grant as income as received)

Initial recognition of the factory in 2021: 1 mark
Recognition of the grant in 2021: 2 marks
Treatment of receipt of grant in 2022: 2 marks
Depreciation of factory in 2022: 1 mark
Treatment of amortization of grant: 1 mark
Recognition of employment grant: 1 mark

c) Oye Plc will account for this transaction under the provisions of IFRS 2; Share based payments. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements). IFRS 13 specifically excludes transactions covered by certain other standards including share-based payment transactions within the scope of IFRS 2 *Share-based Payment* and leasing transactions within the scope of IFRS 16 *Leases*.
(1 mark)

Thus share-based payment transactions are outside the scope of IFRS 13. For cash settled share-based payment transactions, the fair value of the liability is measured in accordance with IFRS 2 initially, at each reporting date and at the date of settlement using an option pricing model. The measurement reflects all conditions and outcomes on a weighted average basis, unlike equity settled transactions. Any

changes in fair value are recognised in profit or loss in the period. Therefore, the SARs would be accounted for as follows:

Year	**expense**	**Liability**	**calculation**	
31 March 2021	641,250	641,250	285 x 500 x GH¢9 x ½	Time apportioned over vesting period. Using the estimated (300 x 95%) 285 employees
31 March 2022	926,250	1,567,500	285 x 500 x GH¢11	Expense is difference between liabilities at 31 March 2022 and 31 March 2023
31 March 2023	97,500	1,350,000	225 x 500 x GH¢12	Cash paid is 60 x 500 x GH¢10.50, i.e. GH¢315,000. The liability has reduced by GH¢217,500 and therefore the expense is the difference of GH¢97,500

The fair value of the liability would be GH¢1,350,000 at 31 March 2023 and the expense for the year would be GH¢97,500, being the difference between GH¢1,567,500 and GH¢1,350,000, adjusted by the cash paid GH¢315,000.

(4 marks)

Statement of profit or loss for the year ended (Extracts)

	2021	**2022**	**2023**
	GH¢	**GH¢**	**GH¢**
Staff costs	641,250	926,250	97,500

(1 mark)

Statement of financial position extract as at (Extracts)

	2021	**2022**	**2023**
	GH¢	**GH¢**	**GH¢**
SARs liabilities	641,250	1,567,500	1,350,000

(1 mark)

Determination of applicable standard 1 mark
Workings 4 marks
SOPL (Extract) 1 mark
SOFP (Extract) 1 mark
7 marks

(Total: 20 marks)

EXAMINER'S COMMENTS

This question on selected accounting standards (IFRS) was a difficult question for most candidates. The question required knowledge in revenue from contract with customers, government grant and share-based payments. Most candidates lacked expertise in the calculation of contract profit/loss. Candidates' understanding of the

standards and their application to real situations were a bit weak and therefore found it difficult in solving questions. Performance was low and below expectations. It seems candidates were unfamiliar with these standards. Over 90% of the candidates scored below ten marks out of the twenty marks allocated to this question. Most of the candidates scored below five marks. Most of the candidates wrote theories instead of showing calculations and relevant entries with reference to the standards. Overall, question two was partly attempted and answered. Some candidates did not attempt this question at all. ICAG should emphasise revision on standards to enhance better appreciation by candidates.

QUESTION THREE

a)

Initial measurement and recognition of the main lease

Mawuko Plc would recognise right-of-use asset and a corresponding lease liability for the head lease. The *initial lease liability* is given by the present value of future lease payments discounted at the lessee's incremental borrowing rate of 18% using the initial term of four years:

Years	Future lease payments GH¢million	D.F. (18%)	Present value GH¢million
1-4	12	2.690	**32.28**

Initial journal entries

	Dr GH¢million	Cr GH¢million
Right-of-use asset	32.28	
Lease liability		32.28
(Initial recognition of the leased asset in Mawuko's books)		

Lease table for subsequent measurement of lease liability:

Year	Bal. at start GH¢m	Revised balance GH¢m	Interest (18%/16%) GH¢m	Lease payments GH¢000	Bal. at end GH¢000
2022	32.28		5.81	(12)	26.09
2023 (before revision)	26.09	-	4.70	(12)	18.79
2023 (after revision)	26.09	44.21 (see below)	7.07	(12)	39.28
2024	39.28	39.28	6.28	(12)	33.56

Revision of the lease term and the effect on the lease

Re-measured lease liability at 1 January 2023 is given by discounting the remaining six rentals at the revised discount rate:

Years	Future lease payments GH¢m	D.F. (16%)	Present value of payment GH¢m
1-6	12	3.684	**44.21**

The change in liability of GH¢18.12m (i.e. GH¢44.21m less GH¢26.09m) due to the re-measured liability is applied to revise both lease liability and right-of-use asset at 1 January 2023.

Right-of-use asset:

	GH¢million
Initial cost	32.28
Less: Dep (32.28/4)	(8.07)
Carrying value at 31 Dec 2022	24.21
Revision of lease liability	18.12
Less: Dep (42.33/6)	(7.06)
Carrying value at 31 Dec 2023	**35.27**

Sub-lease

Since the sub-lease is an operating lease, Mawuko would continue to recognize the right-of-use asset and the corresponding liability. It would however recognize the rental payments under the sub-lease as income on a systematic basis. The initial direct cost would be initially deferred and amortised over the sub-lease term.

Mawuko Plc

Statements of profit or loss (extract) for the years ended 31 December

	2022 GH¢million	2023 GH¢million
Finance cost	(5.81)	(7.07)
Depreciation	(8.07)	(7.06)
Sub-lease rental	-	1.5
Amortization of initial direct cost	-	(0.05)

Mawuko Plc

Statements of financial position (extract) as at 31 December

	2022 GH¢million	2023 GH¢million
Non-current assets:		
Right-of-use asset	24.21	35.27
Deferred cost (0.250 – 0.05)		0.2
Non-current liabilities:		
Lease liability	18.79	33.56
Current liabilities		
Lease liability	7.30	5.72
2022 (26.09 – 18.79)		
2023 (39.28 – 33.56)		

Any 2 valid points @ 1 mark = 2 marks

30 ticks @ 0.2 marks for the computations and extracts = 6 marks

b) Akolgo Ltd and Razak Ltd are related parties, and the transfer of goods is a related party transaction. When assessing whether an ethical issue has arisen from the choice of mark-up, consideration of IAS 24 *Related Parties* is relevant. Information

must be disclosed on related party transactions necessary for users to understand the potential effect of the relationship on the financial statements. This is required since related party transactions are often not carried out according to IFRS 13 “Fair Valuation Measurement”. Indeed, related party transactions include transfers of resources, services or obligations regardless of whether a price is charged. Provided that the full effects of the transaction were properly disclosed, no ethical issue would arise from selling the goods at an unusually high margin.

Also, there is the issue of the mark-up on goods sold by Akolgo Ltd to Razak Ltd. The mark-up of 55% is significantly higher than the usual mark-up of 25% for similar goods sold to other parties. This raises questions about the fairness of the transaction and whether it was conducted at arm’s length. The directors of Razak Ltd believe that no ethical issues arise as such transactions will be eliminated within the consolidated financial statements due to the treatment, but this does not address the underlying issue of whether the transaction was conducted fairly.

In addition, there is the issue of the late adjustments made by the accountant of Razak Ltd to the draft financial statements. These adjustments materially improved the profit for the year, which raises questions about their appropriateness and whether they were made in order to hide previous transactions between the company and Akolgo Ltd.

Moreover, there is the issue of Mr Alieu being asked by the managing director to examine the late adjustments and redraft the financial statements if necessary. Mr Alieu has examined the adjustments and believes that most should be reversed, thus reducing the profit for the year back to the level originally expected. However, he has had an initial meeting with the accountant who promised him that he would recommend him as his replacement if he recommended the non-reversal of some of the transactions to the financial statements as possible. This creates a conflict of interest for Mr Alieu and raises questions about his ability to act impartially and objectively in examining the late adjustments.

To address these ethical issues, it is important for all parties involved to act with integrity and transparency. The transaction between Akolgo Ltd and Razak Ltd should be reviewed to ensure that it was conducted fairly and at arm’s length. The late adjustments made by the accountant of Razak Ltd should be thoroughly examined and any necessary corrections should be made to ensure that the financial statements accurately reflect the company’s financial position. Mr Alieu should disclose his conflict of interest to the managing director and recuse himself from examining the late adjustments if he feels that he cannot act impartially and objectively. All parties involved should adhere to high ethical standards and ensure that their actions are in line with best practices for financial reporting and corporate governance.

(10 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

The first part of the question was on leases. Most of the candidates could not compute the present value of lease payments and the lease table for subsequent measurement of lease liability. A high number of candidates who attempted the b) part of the question did very well and also related their answers to the case. Few of the candidates also were answering the question on general ethics without relating it to the case hence could not earn the full marks. The average mark for question 3 was eight (8) out of 20 marks. Some candidates however also showed lack of understanding and weak preparedness.

QUESTION FOUR

a)

i) **Liquidation**

Proceeds		**GH¢000**
Property, plant and equipment		30,000
Inventories		176,000
Trade and other receivables		320,000
Trademark		120,000
Investment		24,000
Cash and cash equivalent		130,000
		800,000
Distribution:		
Secured creditor:		
Bank overdraft		(18,000)
Liquidation expenses		(10,000)
Preferential creditors:		
Trade and other payables		(50,000)
Floating creditors:		
12% Debentures		(300,000)
Unsecured creditors:		
15% Long-term loan	140,000	
Trade and other payables (280,000-50,000)	230,000	(370,000)
		52,000
Preference shareholders:		
Dividend in arrears	8,100	
Preference share capital	18,000	(26,100)
To Ordinary shareholders		**25,900**

All creditors recover 100% of their capital or investment. Preference shareholders also recover 100% of their capital as well as their 3-years dividend in arrears in full. However, ordinary shareholders recover only 25% (25,900/102,000) of their capital.

(Marks are evenly spread using ticks = 5 marks)

Maximum loss

	GH¢000
Property, plant and equipment (44,000 – 30,000)	14,000
Inventories (216,000-176,000)	40,000
Trade and other receivables (388,000-320,000)	68,000
Trademark (90,000-120,000)	(30,000)
Preference dividend (18,000 x 15% x 3 years)	8,100
Goodwill	96,000

Retained earnings	10,000
Revaluation reserve	(140,000)
	66,100

Allocation of maximum loss
The full loss is allocated to ordinary shareholders' capital, as they stand to lose 75% of their capital when liquidation option is elected, whiles the other shareholders and creditors recover in full their investments.

NB: Other reasonable allocations are acceptable.

Proposed/suggested scheme

- Goodwill and part of some assets are to be written off. A total loss of GH¢66.1million is to be written off to restate assets at their realistic values.
- Ordinary shareholders' capital is to be written down by approximately 65%, whiles preference share capital is to remain the same. The 3-years preference dividend is to be converted to ordinary shares at GH¢2.50 each.
- The capital of the 12% debentures is to remain the same, and also to be secured by a floating charge on the company's assets. The three-years debenture interest outstanding is to be converted to ordinary shares at GH¢2.50 each.
- A part of the 15% long-term loan is to be converted into 10 million ordinary shares issued at GH¢2.50 per share.
- Additional capital of 50 million equity shares issued at GH¢2.50 each is to be raised for the purposes of working capital.
- The company's bank overdraft is to be settled.

NB: Other reasonable proposals are also acceptable.

ii) **Statement of financial position**

		GH¢000
Non-current assets:		
Property, plant and equipment		30,000
Trade mark		120,000
Investment		24,000
		174,000
Current assets:		
Inventories	176,000	
Receivables	320,000	
Cash and cash equivalent	237,000	733,000
Total assets		**907,000**
Equity:		
Ordinary shares		302,000
15% preference shareholders		18,000

		320,000
Non-current liabilities:		
12% Debentures	300,000	
15% Long-term loan (140,000-25,000)	115,000	415,000
Current liabilities:		
Trade and other payables (280,000-108,000)	172,000	
		172,000
Total equity & Liabilities		**907,000**

Other workings:

Ordinary shareholders capital

	GH¢000
Balance b/d	102,000
Capital reduction	(66,100)
Bank-additional capital (50m x GH¢2.50)	125,000
15% Long-term debt converted (10m x GH¢2.50)	25,000
Preference dividend	8,100
Debenture interest (12% x GH¢300,000 x 3 years)	108,000
	302,000

Cash and cash equivalents

	GH¢000
Balance b/d	130,000
Additional capital-ordinary shareholders	125,000
Bank overdraft	(18,000)
	237,000

(Marks are evenly spread using ticks = 10 marks)

b) IFRS 3 (as revised) provides a framework for determining whether Shanzy Plc purchased a business or a group of assets. Under this framework, an entity:

- Identifies the elements in the acquired group
- Assesses the capability of the acquired group to produce outputs
- Assesses the impact that any missing elements have on a market participant's ability to produce outputs with the acquired group

Definition of a business

IFRS 3 defines a business as 'an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants.

IFRS 3 describes the components of a business as inputs and processes applied to those inputs that have the ability to create outputs, which means that outputs do not need to be present for an integrated set of assets and activities to be a business at the time of acquisition. The elements are described as follows:

Input: Any economic resource that creates, or has the ability to create, outputs when one or more processes are applied to it. Examples include non-current assets (including intangible assets or rights to use non-current assets), intellectual property, the ability to obtain access to necessary materials or rights and employees.

Process: Any system, standard, protocol, convention or rule is a process if, when applied to an input or inputs, it either creates or has the ability to create outputs. Examples include strategic management processes, operational processes and resource management processes. These processes typically are documented, but an organised workforce having the necessary skills and experience following rules and conventions may provide the necessary processes that are capable of being applied to inputs to create outputs. Accounting, billing, payroll and other administrative systems typically are not processes used to create outputs so their presence or exclusion generally will not affect whether an acquired set of activities and assets is considered a business.

Output: The result of inputs and processes applied to those inputs that provide or have the ability to provide a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants. Outputs need not be present at the acquisition date for an integrated set of activities and assets to be defined as a business. The most important thing is whether the assets acquired are "capable of generating output".

Application to the case
Inputs - Shanzy Plc acquired inputs (e.g., commercial property, lease agreements, and key leasing and management personnel). Shanzy takes over the non-current asset (property) and becomes a party to the lease agreements. However, inputs such as existing security, cleaning, maintenance are not taken over, as Shanzy will replace them. Even though Shanzy intends to use current employees associated with the property, it has to hire them, suggesting that the employees are also not part of the employees being taken over.

Processes – operational and resource management processes associated with the property is to be terminated suggesting that Shanzy is not buying the process. Shanzy will rather undertake or institute new property management functions suggesting that even though they are not taking over the management functions (personnel with requisite skills and experience) they can integrate it with their existing process.

Output - Further, rental income (i.e., an output) is present immediately after the acquisition. Shanzy Plc concluded that other market participants would have existing property management expertise. In other words, after Shanzy has instituted new property management functions, rent/revenue will be collected by Shanzy.

Conclusion
It is likely that the acquired group would be a business, and not an acquisition of a group of assets. Shanzy acquired inputs (e.g., commercial property, lease agreements. Further, rental income (i.e., an output) is present immediately after the acquisition. Even though processes such as property management is not being taken over, it can be integrated into their existing systems. Therefore, the missing elements would not prevent the acquired group from being a business. The assessment will require judgment and will be based on facts and circumstances in each situation.

(5 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS
The question was very popular with candidates and therefore most candidates attempted the question. The question was in two parts. Sub-question a) focused on capital reconstruction. The liquidation and maximum loss part of the question was answered well by all candidates. Sub-question b) which required candidates to explain whether Shanzy Plc purchased a business, or a group of assets was however, poorly answered. Few candidates were able to explain that the purchase was a business one. A lot indicated otherwise while others did not attempt it at all.

QUESTION FIVE

a) **Computation of ratios – Dombo Group**

Ratios	**Formula**	**2023**	**2022 (comparative)**
Overall			
Return on capital employed	PBIT x 100 / Capital employed	117 x 100 / 1,490-368 = **10.43%**	162 x 100 / 1,511-440 = **15.13%**
Net asset turnover	Revenue / Capital employed	1,335 / 1122 = 1.19 times	1,400 / 1,071 = 1.31 times
Gross profit margin	GP x 100 / Revenue	255 x 100 / 1,335 = **19.10%**	279 x 100 / 1,400 =**19.93%**
Operating profit margin	PBIT x 100 / Revenue	117 x 100 / 1335 = **8.76%**	162 x 100 / 1400 = **11.57%**

(1 mark for each ratio = 4 marks)

b) **Profitability ratios – Abanga**

	2023	**2022**
Gross profit margin	14 x 100 / 174 = **8.05%**	43 x 100 / 240 = **17.91%**
Operating profit/(loss) margin	(6) x 100 / 174 = **(3.45%)**	23 x 100 / 240 = **9.58%**

(1 mark for each ratio = 2 marks)

c) **Dombo Group ratios excluding Abanga**

	2023	**2022**
Gross profit margin	248 x 100 / 1,248 = **19.87%**	236 x 100 / 1,160 = **20.34%**
Operating profit/(loss) margin	150 x 100 / 1,248 = **12.02%**	139 x 100 / 1,160 = **11.98%**
Operating expenses/Sales	20 / 174 = **0.11:1**	20 / 240 = **0.08:1**

Adjustments to exclude Abanga

	Revenue	Gross profit	Operating profit
2023			
Per consolidated statements	1,335	255	117
Per Abanga SPL (x 6/12)	(87)	(7)	3
Loss on disposal	-	-	30
Excluding Abanga - 2023	1,248	248	150
2022			
Per consolidated statements	1,400	279	162
Per Abanga SPL	(240)	(43)	(23)
Excluding Abanga - 2022	1,160	236	139

(Marks are evenly spread = 6 marks)

d) **Comments**

Overview

At first glance it appears that 2023 has not been a good year for Dombo: revenue and profit have both fallen, and each of the baseline (before adjustments) ratios (see Appendix) is worse, in some cases significantly worse, than 2022. However, in order to better understand Dombo's performance and position we need to consider the impact of the disposal of Abanga.

The disposal of Abanga took place half-way through the year, meaning that six months of Abanga's performance will be included within Dombo's 2023 statement of profit or loss, but none of Abanga's assets and liabilities will be included in the 2023 statement of financial position. It is a straightforward matter to adjust the trading performance to exclude Abanga but the impact on assets is less simple.

Performance

Gross profitability for the group fell slightly but this seems to be due to the poor performance of Abanga, whose margin fell dramatically from around 18% to slightly above 8%. From the limited information available it is difficult to know what caused this drop, but the severity of the fall suggests that it may reflect some sort of obsolete inventories. It could also be due to poor management of direct cost of operations by Abanga. Doing without Abanga's figures shows that the remainder of the group have only suffered a mild decline in their gross profitability in 2023 (from 20.23% to 19.87%).

The group's operating profit margin will be affected by the inclusion of the loss on disposal of Abanga. The removal of the loss of GH¢30 million, together with Abanga's expenses, shows the remainder of the group with an improved operating margin, up from 11.98% to 12.02%. This indicates that the remainder of the group have controlled their operating expenses, reducing them as a proportion of

revenue. If we look at Abanga's operating expenses we can see that they have remained unchanged, despite the noticeable fall in revenue, a further sign that things are not as they should be.

Asset turnover has also worsened from 2022 to 2023, indicating a fall in efficiency. Again this seems to be due to the impact of Abanga, whose revenue fell by 27.5% in this period. If we eliminate Abanga's revenue from the calculation (not entirely valid, but to give some idea of underlying performance) then the asset turnover becomes 1.11 (1248/1122) in 2023 and 1.07 (1160/1083), suggesting that the remainder of the group have maintained their efficiency. If we combine the asset turnover efficiency and the operating margin efficiency this gives us the return on capital employed measure. We have already seen that Abanga has negatively impacted on both efficiency and profitability so it is no surprise that return on capital employed has fallen as a result of this impact. The disposal of Abanga should hopefully improve this primary performance measure in years to come.

The disposal of Abanga

The disposal of Abanga appears to be a sensible decision, despite the loss on disposal of GH¢30 million. It is clearly a business in decline, with falling revenue and gross profitability and increasing costs. Abanga was part of the Dombo group for six years, and although on acquisition it was deemed to have a positive goodwill within the business, this has now been completely impaired, another indication of a business in decline. It would seem that Dombo have wisely decided to cut their losses and convert the Abanga investment into cash.

The remaining businesses within the group remain fairly robust, with maintained gross profitability, controlled expenses and a healthy 7.6% (1248 v 1160) increase in revenue. Provided that the cash generated from the sale of Abanga is put to good use, results for 2024 should improve.

(8 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

Generally, the ratio analysis question was well set. It was a good question and meets standards for this level. This is a regular question and so any serious candidate should get good marks here. However, the performance of candidates can only be described as average. It went beyond the normal computation and analysis to test the concept of deconsolidation, which is a good way of testing candidates' knowledge across the syllabus. However, the majority of the candidates could not demonstrate their knowledge of deconsolidation in a ratio set up, which is worrying. Many of the candidates were able to provide the required formulas and made the expected substitutions. Some candidates could not determine the correct capital employed. A few candidates could adjust and correctly compute the net assets turnover, the gross profit margins and the operating profit margins. Only a few candidates appreciated and attempted the computation of gross profit margins and operating profit/loss margin for the Dombo Group ratios, excluding Abanga. Most candidates failed to

make appropriate comments on the ratios computed. What many candidates did was to explain the ratios without relating their comments to the ratios computed.

CONCLUSION

As indicated earlier, overall, candidates performed better than previous diet. The results provide some indication of ill preparation and lack of appreciation of accounting standards. It seems that the exemptions granted to most candidates is a factor of poor performance given that candidates lack the pre-requisite knowledge and competence for Corporate Reporting. It is suggested that candidates preparing for corporate reporting paper should thoroughly revise on the financial reporting paper even when they are exempted from taking the financial reporting paper. The exemptions criteria or policy must be re-looked at. Some candidates just register and sit the paper without the aim of passing but because he/she must register for all subjects. So, they prepare for other subject(s) they have interest in. This ultimately has implication for the overall pass rate for the corporate reporting exams.