

CERTIFIED PUBLIC ACCOUNTANT INTERMEDIATE LEVEL EXAMINATIONS <u>I1.2: FINANCIAL REPORTING</u> DATE: TUESDAY 27, FEBRUARY 2024 MARKING GUIDE AND MODEL ANSWERS

SECTION A

QUESTION ONE

Marking Guide

EBSCACO ALOCALOURSE BUREBEUAR PERPERPERPERPERPERPERPERPERPERPERPERPERP	Marks
Award 0.5 for each correct posting made in the statement of cashflow	2410 201 BRUP BERUNCPA 10. 2410 BRUP BRUP BERUNCPA 10. 2410 BRUP BRUP BRUP BRUP BRUP BRUP BRUP BRUP
Award marks on workings as follows	ATU202AUCRUARUARBRUUAR
Intangible asset	ARTARTEREPERARTER 01.50
Retained earnings	AUIO241022AAIO2UALEUA2
Property, plant and equipment	RUARARY REFERENCE ARTE ART RE2
Share capital and share premium	2.5 C
Tax account	220 ARUAR RUBER 28
Total	EBSTEREBRUIC AC 24 20

Model Answers

Statement of cash flow for the period ended 31 July 2021

A CRAFE DE RUAR DE CORRECT DE CORRECTION OF A	FRW"000"	FRW"000"
Profit before tax	35,800	BRUAEBROEBBRI
Add: Loss on disposal	12,000	CPARCPARE 202
Add: Depreciation charge	2,600	12002ARUABRUE
Add: Finance charge	9,200	ARE CRARATORAR
Less gain on disposal of investment	(500)	2024 RY 2024 RUA
Increase in inventories	(5,760)	BRUNARIREPHINARI
Increase in receivables	(9,000)	EB1410202412002
Increase in trade payable	960	RUARBRUIARIRE
Tax paid	(15,400)	PARTEEB 241Ct 0241
Interest paid	(9,200)	CPI AR BUARBRUA
Cash and cash equivalent from operation	PART20 BRY 20 AR 2120 FR	20,700
Investment activities	RULEBREFEBRUCPALO	0241CPARY2UAR
Addition assets acquired	(34,020)	120EBROREED ARTE
addition intangibles acquired	(6,000)	ARAICPO2ANOPARY
Disposed investment	3,500	UARY20EBRUEEB
Proceed from disposal 23,500-12,000	11,500	3RUAPARIOPA AU
Net cash and cash equivalent from investment	UARARETOPARICPARED	(25,020)
Financing activities	241202 812024 RUAL BR	OFEBRUAR ARIOR
Dividend paid	(5,000)	ART202 AV20 ARY
Loan received	9,800	JAR BRUPEBRRUAT
Issue of shares	7,200	2h CPAREED 2412
Net cash and cash equivalent from financing	STE CARTEBRAICTO24100	12,000
Cash and cash equivalent for the period	ANOPARY QUARBRUARY	7,680
Cash and cash equivalent at the beginning	REPRETER ARTER ALCP	(11,640)

	Cash and cash equivalent at the end	REFE BRUAUARIARI	PARTUPARTEBRUA	(3,960)
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WORKINGS

TEBRAICPO24120241CPARTERU	BRUAR RY Int.	angible a/c	FEB 20242024 842024
Bal b/d	24,000	ALCPANEREEEEEEE	JARUAR BROUAR PARTO
Addition on cash	6,000	241 CP ARE 12 BE BRUAR 20 APE ARE	PARREE 2024102412
CPAR 201 ARY RUAR 120,024 RI	EBR REEBRUARY	Bal c/d	30,000
RUATEBAREBREUTARIAREDAR	Retaine	d earnings a/c	FERRER RARA RED 02412
Dividend paid	5000	Bal b/d	21600
20241 ACPLAR UAR BRUAR Y	O AUT RUAR UNA FER	Profit for the year	19200
Bal c/d	35800	224202 APRIL 202 BRUEBE REEDBRU	JOPATORATO ATOPART
CPALO2024CPAREBROINC	241012024101UAR	UNEBREUA PAROPAROPAROPAROPARO	AR RY20FEBREBAR

	PPE	a/c	
Bal b/d	36,600	Disposed asset	23500
Revaluation		Depreciation	
upward	1,080	charge	2600
Addition	34,020	CPATCE CPARY2UARYUARYUARY	
		Bal c/d	45,600

Share ca	nital and share p	remium account	
2 WARDARY REPARTORATION	FIGTACOL ROADS	Bal b/d	REF OPP RY20
		share capital	18,000
		Share premium	18,000
		Proceed from issue	of
Bal c/d		share	7,200
share capital	24,000	JARY AFEBLARFE PARTER	
Share premium	19,200	10P 241 2024 10P AR	

	Tax account a/c	21202 BERREE BAREEBRA
tax paid	15400 Bal b/d	13200
	Tax charge	for the
	year	16600
Bal c/d	14400	

ACC. Depreciation a/c			
Depreciation on disposed	CPARY20A	REUALEY 2 FEBLER OF AREF	ED241020281
asset	7500	Bal b/d	45,700
		Charge for the year	2,600

QUESTION TWO

Marking Guide

2 1 2 5 E 1 2 4 (2 1 2 1 2 1 2 1 2 1 2 1 2 1 2 1 2 1 2		Marks
Statement of comprehensive income	BRUBRUR	BRRUNC
Award one mark for sales recorded	ARTOR LAS	1202 12
Award 0.5 mark for each line correctly recorded in the profit or loss and other comprehensive income except for sub-totals and totals	3.5	PARTEBRO PARTEBRO
Working on cost of sales were prepared-Award 2 marks	02 202	BRUAR
Working on Administrative Costs-Were shown attract 2 marks as follows 1 mark for development costs written off and 0.5 mark for each other posting made in the administration costs working	JAUAR 28 3RUICPAR JARY2024 UARY2024	PARTOPAT 202410PAT 202410P R1202410P R1202410P
Working on distribution costs	REFERENCE	02410201
Working on finance costs	1.5	RUADZAN
Workings on adjustment required for closing stock-award 1.5	1.5	AP UTOP
Current tax shown in the working for income tax-Award 0.5 mark	0.5	202 ARYDUA
Interest computation in the lease amortization schedule-Award 1 mark for each year-2022 and 2023	CP BRULES	REFEBRERRY 2024
Sub-total	R12022	14
Statement of financial position	UARABER	RATCPAR
Award 0.5 for each correct posting made in the balance sheet except totals and sub-totals	RIDE UNE	2024 RUA REEBRUA
Working on bank balance for omitted and wrong records attract 2.5 mark	2.5	221202
Ordinary dividend deducted from retained earning-Award 0.5 mark	0.5	UNR REF
Deferred tax adjustment working-Award 2 marks	2	ALCRO2AL
Closing balance of lease liability shown in the lease amortization schedule attract 0.5 mark for each first two years-2022 and 2023	EBRUARI BRUARI	ARBRUA
Sub-total	Cro2ATO	16

Model Answers

(a)

Statement of Total Comprehensive Income

		FRW ''000'' FR	W
		JALEUA FEBRUAR OPAL OPAL ALCE PARE 1001	0
Sales		3,063,0	00
Cost of sales	W1	(1,736,05	0)
Gross profit		1,326,9	50
Expense			
Administration costs	W2	557,968	
Distribution costs	W3	261,095	
Loan interest	W4	34,938	
Total expense		854,0	01
Profit before tax		472,9	49
Income tax		37,4	60
Profit for the year		435,4	89
Other comprehensive income			
Revaluation surplus-Building		3,20 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	00
Revaluation surplus-Land		2,0	00
Total comprehensive income		440,6	89

(b)

Statement of Financial Position as At 30th November 2022

	FRW "000"	FRW "000"	FRW "000"
Non-current assets	ALTER ARTER OLANDOLAND	D2ARUAEBRU	EBRUCPART
Land and building	430,000	(8,468)	421,532
Plant and Machinery	800,000	(369,350)	430,650
leased Motor vehicle	44,380	(11,095)	33,285
Development expenditure	85,000	1202 21202	85,000
Current assets	LOPPANO2A LOPARTUN	EBRUUAR REF	PARICPARE
Account receivable	1,129,000	FED: 41010241	12002410 UAR
Inventory	123,000	RUARBRUN	RARFERARIO
Cash in hand	5,000	CPARTER PAIR	2024 200 241
Bank balance	114,500	10Ph RY2UAR	RUARTER
Total current assets	CPART20 ARY 20 ARY 20 ARY 204	BRREEDARF	1,371,500
Total assets			2,341,967
Equity and liabilities	OPAL CPART 202 REVOUND	120 EBP REP	ARFEBRAICP
Frw 1,200 Ordinary share (fully paid)	2202ABRUABBREEBRUA	350,000	PARY20 ARY
Retained earnings	ARARE CPAR OPARE 2028	668,489	201 BBL REEL
General reserve	202 RY 2002 ARUALBROTH	181,000	241 OPART2C

APP APP APP CP A	FRW "000"	FRW "000"	FRW "000"
Revaluation reserve 5,200-1,560 for	BRUARY 2024 TORUN	3,640	CPARICPATCH
deferred tax	EBRUARY20 AREARE	PAREBIO2A	202 8 200 41
2 UNE UNE DE BERNETOP NE BERNET AL OPACOPACIONE	FEBROAUT 241CY 2024	OPPUAKUAK RUAKUAK	1,203,129
Non-current liability	ART20 RT2 RUARY20 RT	ARTE CPART	0024024212
Deferred tax	EBRAREBRAUICEAL	17,520	UARBRUMAR
Lease obligation	2410 PART 20 RY 20 UAR	24,300	PREEDO2410
2.125% Loan stock (secured)	24 BRUEBRUEBRUU	400,000	PUARUARU
22% Frw 1 Preference share (fully paid)	CPARALOPARY202	100,000	REEAREDEE
Total	ARY2202 BRUPBROFEB	BRUICPAICP	541,820
Current liability	UALARIOPARA CPARA	202 RY ARYA	201 EBREBAR
Account payable	41202 R4202028 RUARD	467,500	ALCPPAINCP
Development cost not yet paid	BBRUAR ARTOPAROP	85,000	AR 2120FEBR
Unpaid tax	2FE 241 202 21202 A	34,000	RUNCPAICPA
Lease obligation	RIRUAI RUALARABIN	10,518	2 RT20 ARTAIC
Total Control of the second of the second se	PARTER 2410202 RY2	0241UARBR	597,018
Total equity and liability			2,341,967

Workings W1. Cost of sales

	FRW "000"
Purchase	1,520,000
Opening stock	195,500
Closing stock	(123,000)
Pland and machinery depreciation	143,550
	1,736,050
W2. Administration costs	
As per trial balance	422,000
Depreciation of building	8,468
Development costs written off	127500
Total	557,968
W3. Distribution costs	
As per trial balance	250,000
Depreciation of leased motor vehicle	11,095
Total	261,095
W4. Loan interest	
As per trial balance	8,500
Preference dividend	22,000
Finance charge in lease	4,438
Total COMPACT AND REPARCENCE AND	34,938

W5. Retained earning	
Profit for the year	435,489
Ordinary dividend (Interim)	(9,000)
Retained earnings bal b/d	242,000
Retained earning	668,489
W 6. Bank balance	
As per TB	(6,500)
	120000
Add: Proceed from the issue of 100,000 ordinary shares	24000 2000 200 200 BBC BBC
Add: Proceeds from the sale of plant	300,000
Less consideration for the acquisition of building	(285,000)
Lease payment	(14,000)
lotal	114,500
W /. Closing stock	
Inventory at costs	(20,000)
Value of stock in good condition	(20,000)
Add. The lowest between east and Net realizable value of	104,300
Add: The lowest between cost and Net realizable value of	18,300
Total closing stock	123,000
Cost of damaged goods	20,000
Net realizable value 23,000-4,500	18,500
The damaged goods will be included in the closing stock at	
FRW 18.5 Million	
Working 8: Depreciation charges and revaluations	
Land and building	202 RV202AICUARBRUFE
Cost	450,000
Less land cost	(30,000)
Cost of building	420,000
Accumulated depreciation 1 Dec 2021	(25,200)
NBV I Dec 21	394,800
Revalued amount	398,000
Surplus Stores and a start of the store and a store an	3,200
Revaluation surplus on land 32,000-30,000	2,000
Total reserve	5,200

Depreciation of building for the year

Revalued amount at start	398,000
Remaining useful life 50-3	47
Depreciation charge	8,468
Land and building in SOFP	421,532
Cost of plant and machinery	800,000
Accumulated depreciation at start	225,800
NBV32000200 AREC 255 BRETO AREFORMULAS AREFORMED ACTION ARECOMPTION AR	574,200
Dep charge for the year @ 25%	143,550

IAS 38 state that if the entity cannot separate Research cost and development cost, all cost must be expensed not capitalized. Therefore, the cost incurred in previous year must be written off.

Addition cost incurred on development phase must be	
capitalized thought the payment is not yet done	
Dr. Development cost	85 Million
Cr. Liability	85 Million
W9. Tax	
Current tax	34,000
Deferred tax	3,460
Income tax total	37,460
Taxable temporary difference	58,400
Deferred tax @30%	17,520
Deferred tax bal b/d	12,500
Increase in deferred tax 17,520-12,500	5,020
Less deferred tax on revaluations 5,200*30%	1,560
Deferred tax charged to P/L	3,460
W10. Lease	
PV of lease payment 14,000*3.170	44,380
Dr: Right of use asset	44,380
Cr: Lease liability	44,380

Leased asset

PV	of lease payments =	$\frac{a(1-(1+i))^{-n}}{i}$
PV of	f lease payments = 14,	000 * 3.17 = 44,380

Year	Opening	REEBRUI REEBRUI AREEBRUI AREEBRUI	Interest @10%	Payment	Closing balance
2Ph29FEUALU200h242000024 CPA2420UA2420A24202024 CPA2420UA2420A24202024 CPA2420UA2420A24202024	FRV	V "000"	FRW "000"	FRW "000"	FRW "000"
30-Nov-22	ALCOLATOR AREA BALLOLANDER	44,380	4,438	14,000	34,818
30-Nov-23	ARY 2022 UTCH UAR UAR BRUAR	34,818	3,482	14,000	24,300
30-Nov-24	UAR 202 FISTER PARTER 2410	24,300	2,430	14,000	12,730
30-Nov-25	2UM OPA OP 202 MOP MERUAR BR	12,730	1,273	14,000	REBREBR

			A G	A SI SI	D 4 4		1115 61		ALX A		- A 1	Ci là	
Depreciati	on of lease	ed motor	vehicle 4	44,380/4	2UARBP	NUMP	REE	11,0)95	02 212	OR	120	EBR.

QUESTION THREE

Marking Guide

UCUMPENTER 2UMPAR COM AC OF ALS 20 LEVER 20 DE 25 ED 25 EPERAL	Marks	RUPBROI
Goodwill computations	AL ALOFERARE	PARTER 24
Award 0.5 mark for each correct line excluding sub-totals and totals	ALCP 0244 02410 18420244 02024	RUAR PARA
Award one (1) mark for well computed fair value adjustment on building and included in the good will computations	EBBROLRADO	20241CPA 20241CPA
Sub-Total	BRUFEBRUF	ARICPA51
Consolidated statement of total comprehensive income	CPP RP 202 RY	UART201
Award 1 mark for adding line by line on income and expenseN.B: Check if the student has used 4 months to prorate subsidiary'sincome and expense	ABRUN 9 28 ABRUN 28 ABRUN 20 ABRUN 20 ABRUN 20 ABRUN 20 ABRUN	BRUAL ARD OZAL 0241 CPAR 0241 CPAR 0
Award marks on workings as follows	REALER CALLOR	AREELO2AN
Intercompany sales elimination	2024 20 2410	UARBRUA
Depreciation on FV adjustment deducted from administration costs	0.5	RED PARA
Unrealized profit on stock added to cost of sales for elimination	20 BET DUNERY	FEBRERE
Unrealized profit on asset transfer eliminated in the other income	0.5	241020241
Excess depreciation on asset transfer subtracted from administration expense	0.5	NRRV201B
Management fees eliminated from other income and administration costs	2024 101 1A2 201 2024 101 A2 201 202 BRUASBRU	ARY2UAR FEBRUARY
Gain on fair value recorded in the other income	0.5	64 302 EAST
Impairment charged to other expense	0.5	EBROFEBI
Each correct line shown in the computation for NCI for the year attract 0.5	2.5	A TOPARATIO

Award 0.5 for profit for the year and comprehensive income allocation between parent and non-controlling interest	SPERCUA 2	UCPALOPARIAR UL20241CPARIAR REV.002416BRUAR
Sub-total	RUARBRU	20
Award 1 mark for explained accounting treatment of investment held in 4G Ltd	CPAREER 20 ICPAREER 20 ICPAREER 20	EBRUARY202
Award 1 mark for explained equity method of accounting	FEREEDPAR	2FEP 20242024 10
Award 1 mark for each condition that evidence significant influence (Max: 3 marks)	2202410PH	ARUAR BRUAS
Sub-Total (C)	1CY 41CY 24	AICPUNEUAR5
Total ARCINER AND AUTRURE ARCARDON AND AND AND AND AND AND AND AND AND AN	QUARTRY 20	ELBREEL RE 30

Model Answers

Goodwill computation	FRW	FRW
Purchase consideration	·'000''	·'000''
Cash	ARICPAINER	90,000
Share exchange 2/3*60%*850*150	02410UAR	51,000
NCI 25 20 20 BE 20 BE FEB EFEB SECONDAL OF A AC BE LINER OF A	REEPARTCR	50,000
U EU ABEN FEBRUAR AROPANOPANOPARY ABEN PERPERPENDENT	D2414202 PAR	191,000
Share capital	85,000	FLAR REFER
Retained earning	22,000	2410UARDUA
Other component of equity	8,100	FEBREFERE
Fair value adjustment for building =125,100-85,000-22,000-8,100	10,000	101202410Ph
Net asset	PLAN BALL	125,100
Goodwill at acquisition	EBRARFEEB	65,900
Impairment 10%	ALCEAR 220	(6,590)
Goodwill at 31 Dec 2021	PAR GEBRER	59,310

(b)

22 AUCONER 20 RELACE	Sub-workings	Consolidated figures
PARCEARCOPAREBARDONARUARO	202 201 201 201 201 201 201 201 201 201	FRW ''000''
Revenue	520,000+222,000*4/12- 80,000-12,000	502,000
Cost of sales	(204,000)+((66000)*4/12)+(80,000)+10 ,667-12,000+1,333	(306,000)
Gross profit	2 4 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	196,000
Investment income	42,500+16,000*4/12-15,000+6,000- 5,000	38,833
Administration costs	(20000)+(11,000)*4/12+(15000)+(667) -125	(39,209)

Distribution cost	(8,200)+(4,300)*4/12	(9,633)
Other expense	(34000)+(19,000)*4/12+(6,590)	(46,923)
Operating profit	22 AL OF ALL UNE BUILDER 2024 BRUNE	139,068
Net finance costs	(1,500)+(4000)*4/12	(2,833)
Profit before tax	CP ALCE DALCE ALCE ALE EBECAUL ALC 200 ALCE BUP	136,235
Income tax expense	(25000)+(14,000)*4/12	(29,667)
Profit for the year	BRUNARY 2002 BREEBERARE BRAND AV 2002	106,568
Other comprehensive income	EDBERUNCEAUCPACEAUCPACEAUACERUAREARE	BREED ARD REED 024120
Gain on revaluation	12,000+8000*4/12	14,667
Total Comprehensive income	BRUE BRUE DATE OF BRUE DATE DATE DATE DATE DATE DATE DATE DAT	121,235
Profit attributable to	2 ^{AC} 2 ^{RL}	AR RIZOLEBREER
	Parent: 106,568-(-553)	107,121
	NCI	(553)
Total comprehensive income attributable to	JACARTINAL CARE 2024 2020 AND	EFEBRAULOPALOP EFEBRAULOPALOP EFEBRAULOPALOPALOP
	Parent: 121,235-2,647	118,587
A CPAREY OF RUARY OF REPRESENTED AND	NCI	2,647

NCI for the year

4 PAR OF ART 201 21 0 182 20 18 28 19 28 19 1 18 19 19 19 19 19 19 19 19 19 19 19 19 19	RUAL BRU 202	NCI	PARE 2024
EVO 02 AV VALEV BELVAN AL OPA OP BLO ARE VALE OPA BLO ARE VALE VALE OPA BLO ARE VALE OPA BLO A	RARBRUAL AICTOR	%	2UAR UAL
PAT PAT CONSTRUCT BE DOWN BE TO BE TO DAY OF A	19700*4/1	40%	6,567
NCO 24202 AZURBERU PROVINE ARTOPATOR AZURBERU AL	REFEDERED 2		02ALCUAR
Depreciation on FV adjustment	(667)	40%	(267)
UP on stock	(10,667)	40%	(4,267
Impairment	(6,590)	40%	(2,636
Excess depreciation caused by Unrealized profit on asset disposal	125	40%	50
Total Profit for the year attributable to NCI	AREP0241202	4202 BRI	(553)
Other comprehensive income	8,000	40%	3,200
Total comprehensive income attributable to NCI	2FLOPAL REPORT	1202 BE120	2,647

0024002812024012014320145201451201012824071	10 APC 10 APC 10 APC 25 BAR OF AN	FRW"000"
Unrealized profit on stock	80,000*20/120*80%	10,667
REFERENCE AND	10PALOPARY URL UNER EBBIRE	ARREED ALCO 2412
Depreciation on FV adjustment	10,000/5*4/12	667

2000*8000/12000	1,333
024 AICPIARY RUAR BRUIAR	ARTER PARTUCPALARTO
20FEBAREEL PARTEBRIANCI	14,000
	2000*8000/12000

NBV	2ARTPARTOPARTEBRU	(9,000)
Gain on disposal-unrealized profit	24 EV202 ALCOPARABILE V202	5,000
EVALATION REPORT OF A CONSTRUCTION OF A	UNRY 2024 10 RUAL AN	BRUAR PARTOPATON
Depreciation excess on UP on PPE sold by parent	5000/10*3/12	125

10 floor building Block

The investment is held at fair value and any gain or loss should be charged in the statement of profit or loss account.

The gain of FRW 6 million will appear in the other income

(c)

i) IAS 28-Investment in associate or joint venture state that if an entity holds, directly or indirectly (eg through subsidiaries), 20 per cent or more of the voting power of the investee, it is presumed that the entity has significant influence, unless it can be clearly demonstrated that this is not the case.

If the entity has significant influence in the investee, it shall account for those investment using equity method of accounting. Full consolidation is applied if and only when the investor has control over the investee, in this case, Nine GB Ltd has no control over 4G Ltd. The investment held in 4G Ltd must be accounted for using equity method of accounting

Equity methods of accounting

Under the equity method, on initial recognition the investment in an associate or a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the investee's profit or loss is recognised in the investor's profit or loss. Distributions received from an investee reduce the carrying amount of the investment

ii) The existence of significant influence by an entity is usually evidenced in one or more of the following ways

✓ Representation on the board of directors or equivalent governing body of the investee

 \checkmark Participation in policy-making processes, including participation in decisions about dividends or other distributions

- ✓ Material transactions between the entity and its investee
- ✓ Interchange of managerial personnel; or
- ✓ Provision of essential technical information.

SECTION B

QUESTION FOUR

Marking Guide

CALEBOAL CONSCIONATION AND AND AND AND AND AND AND AND AND AN	ALRY 2 RY 2UAR RY
(a) (b) (c) (c) (c) (c) (c) (c) (c) (c) (c) (c	FEBREFEEEBRUALO
i) Award 1 mark for each condition	24 BUNBUN 2
ii) Award 0.5 for each journal entry and correct answer shown in the extract financial statements	20202020000000000000000000000000000000
(b)	JAL PAROPALOPALOP
Award 1 mark for any component of other comprehensive income- Maximum 4 marks	BRUNE AREA
(C) 222 C A B C A B C A B C C C C C C C C C C C	EP0242202 ARY20
Award 1 mark for elaboration on accounting treatment for intangible assets with finite life	EBRUEBBRUAR VOCAN CPARFEUAR VICAN CPABRUAR VICAN
Award 1 mark for mentioning impairment test	ARUARARUABRY
Award 1 mark for computing carrying amount as at January 2022	BARFERARERIA
Award 1 mark for computing depreciation charge for the year 2022	0.02 ALAIOPARYUN
Award 1 mark for computing impairment	RTREBREERAR
Award 1 mark for stating accounting treatment of impairment and amount to present in the balance sheet	20241CP20241CP
Total 200 A CONTRACTOR RECEIPTION OF THE PROPERTY OF THE PROPE	BRICPANC 20

Model Answers

(a)

(i) IAS 20 Accounting for Government Grants and Disclosure of Government Assistance states that a government grant is recognised only when there is reasonable assurance that

- > the entity will comply with any conditions attached to the grant and
- \succ the grant will be received.

Entity can choose to adopt capital or deferred income approach, MBS Ltd has adopted deferred income approach which means that grant received must be recognised in profit or loss on a systematic basis over the useful life of the asset.

(ii) Accounting for grant received

On 1 January 2023	UARUARBRUAR	PARTERARICPAR
Dr: Bank	120 million	
Cr: Grant		120 million
Being recognition of government grant received		
PARTONARE OVAROUND CONTRACTOR CONTRA	CPD2410PAR	UARYRUARARYARE
on 1 July 2023		
Dr: Motor Vehicle-Asset	240 million	
Cr: Bank		240 million
Being recognition of acquired tractor	BRUALPAROPA	AICPARABLY 2014
2° 12° 0° 14° 0° 14° 18° 18° 18° 0° 14° 0° 14° 0° 14° 0° 14° 14° 14° 14° 14° 14° 14° 14° 14° 14	5202 & 202 A	
Dr: Motor vehicle-Import duties	15 million	
DR: Motor vehicle-Transport	5 million	24 202 ALBRUT
Cr: Bank		20 million
Being recognition of import duties and transport cost on tractor		
At year and	102AN OVER	AL RUI OL RHU
Depreciation of asset		
Total cost	260 million	
Depreciation charge $260/10*6/12$	13	
	ARAICPAINOPAL	
Dr: Depreciation expense-P/L	13 Million	
Cr: Accumulated depreciation a/c	13 million	V202 ALOUARRU
2 RUA BERE CRAPT ARE REPEATED AT OUR ON A RUA BERE BAR OF AT OF AT OF AT OF AT		
Amortization of grant by year end	REEBLARDEBLAN	
120/10*6/12	6 CPARTON	BRUALARY AFEBLAR
N.B Amortization of grant starts when the assets is in use and there	e is depreciation	on charged on
that asset	RICPALLUPAN 241092410PAN	
Dr: Grant	6 million	BARFER BRUCPAL
Cr: Other income-P/L	2UALART CPALL	6 million
Extract statement of profit or loss account for the year and a		
31 December 2023		
Fynense		
Depreciation	13 Million	
Other income		
Grant	6 million	
STUIL	0 minion	
	In Million	
Balance sheet		
Asset		
Motor vehicle-Tractors 260 million-13million	247	

Liability		
Non-current liability		
Government grant	120-6-12	102
Current liability		
Government grant		12

(b)

The component of other comprehensive income per IAS I are shown below

- (a) Changes in revaluation surplus
- (b) Remeasurements of defined benefit plans per IAS 19
- (c) Gains and losses arising from translating the financial statements of a foreign operation per IAS 21
- (d) Gains and losses from investments in equity instruments designated at fair value through other comprehensive income in accordance with IFRS 9
- (e) The effective portion of gains and losses on hedging instruments in a cash flow hedge and the gains and losses on hedging instruments that hedge investments in equity instruments measured at fair value through other comprehensive income
- (f) For particular liabilities designated as at fair value through profit or loss, the amount of the change in fair value that is attributable to changes in the liability's credit risk
- (g) Changes in the value of the time value of options when separating the intrinsic value and time value of an option contract and designating as the hedging instrument only the changes in the intrinsic value
- (h) changes in the value of the forward elements of forward contracts when separating the forward element and spot element of a forward contract and designating as the hedging instrument only the changes in the spot element, and changes in the value of the foreign currency basis spread of a financial instrument when excluding it from the designation of that financial instrument as the hedging instrument
- (i) insurance finance income and expenses from contracts issued within the scope of IFRS 17 *Insurance Contracts* excluded from profit or loss when total insurance finance income or expenses is disaggregated to include in profit or loss an amount determined by a systematic allocation or by an amount that eliminates accounting mismatches with the finance income or expenses arising on the underlying items,
- (j) finance income and expenses from reinsurance contracts held excluded from profit or loss when total reinsurance finance income or expenses is disaggregated to include in profit or loss an amount determined by a systematic allocation applying

(c)

IAS 38 Intangible Assets states an intangible asset with a finite useful life should be amortized on a systematic basis over that life. The license has 10 years useful life; therefore, it will be amortized over 10 years until the date when BMS Ltd receive information about Tap&Go which will dramatically eliminate E-Ticketing

AS 36 states that an entity should assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity should estimate the recoverable amount of the asset. Thus, BMS Ltd should test the trademark for impairment.

At time of emerging new technology, BMS Ltd should compute carrying amount of License and amortize the remaining carrying amount until 1 January 2024 which is the date of launching new Tap&Go.

0Bt At AR ARE AREA OF A COLOR A COLOR AND A COL	FRW "000"
Cost a contract of the contrac	2,000
Useful life	10 years
Accumulated amortization until January 2022-Date of receiving information about new Tap&Go	2,000/10*2=400
NBV as at Jan 2022	1,600
Provided that new Tap&Go will be launched in January 2024 and the existing e-ticking can be used until that date, means after Jan 2024-E-ticketing will not be in operation-Revised useful life until Jan 2024 is 2 years i.e Jan 2022 to Jan 2024	20 ABU CPA CC CPA BU CPA ABU ABU ABU ABU ABU ABU ABU ABU ABU AB
Amortization for the year ended 31 December 2022	1,600/2=800
Carrying amount as at 31 December 2022 1,600-800	800
Recoverable amount	500
Impairment	300

The license will be included in the financial position as at 31 December 2022 at value of FRW 500,000 which is the recoverable amount and impairment loss will be charged to profit or loss

QUESTION FIVE

Marking Guide

BE WE AND WARD BE WARD BE WARD BE WARD BE WARD WARD BE BE AND BE	Marks
(a) = (b)	BRUNARYARE
Award 1 Mark for each step elaborated	EB 241 24 5
Award 1 mark for convincing explanation which must be linked with the given scenario	RUAR BRUAS
(b) (i)	CPARY20RY2
Award 1 mark for each correct element shown in the computation of initial costs of inventory excluding total	BREEBKEE43 PARCEAREARE
Award 1 mark for explained treatment of Value added tax	202 EBREB
Award 1 mark for explained treatment of medical costs	PARCEARCEL
Award 1 mark for explained treatment of selling costs	202 RY 202 A B
Award 1 mark for explained treatment of salary of marketing manager	RUAR PARCEN
(b)(ii)	02402024220
Award 2 marks for explaining how to account for the inventory batch number SPooJ22/15 in the balance sheet	SUABBRO 2021
Total	20

Model Answers

Before recognizing sales of FRW 354 million from sport materials sold, BM Global Ltd should ensure that the following steps are satisfied

1) Identify the contract (s) with a customer

A customer placed an order for a sport material. The order placed will represents a contract to supply the sport materials.

2) Identify the performance obligations in the contract:

The performance obligation is satisfied if the goods to be sold was transferred to the buyer and the buyer accepted goods by signing delivery note. BM Global Ltd supplied sport materials on 20 January 2024 and customer signed delivery note: This indicates that BM global fulfilled their performance obligation

3) Determine the transaction price:

The transaction price represents the price agreed between supplier and buyer for the delivery of goods or in return for performance obligation. The contract price of FRW 300 million for the delivery of sports materials represent transaction price. The VAT is not included since transaction price as defined by IFRS 15 does not include amounts collected on behalf of third parties

4) Allocate the transaction price to the performance obligations in the contract:

The order placed by customer shows that there is one performance obligation therefore, the full transaction price is allocated to the performance obligation for the delivery of the sport materials.

5) Recognize the revenue when (or as) the entity satisfies a performance obligation

The supplier delivered sports materials to customer and the customer has signed a delivery note to confirm acceptance of goods as satisfactory, this is evidence that BM Global Ltd has fulfilled its performance obligation. The revenue in the contract is earned and can therefore be recognized on 20 January 2024, the invoice date and payment dates are irrelevant in regard to revenue recognition. The revenue is recorded when earned which is the date when supplier fulfill performance obligation

(b)

(i) Initial costs of batch number SPooJ22/15

EBERRED 2000 100 100 100 100 100 100 100 100 10	FRW Million
Invoice price	830
Add: Import duties	23 CP 12 CP 12 20 20 12 10 10 BE 10 23
Add: Transport and clearing	NATO NATURABE TEB STORAR CPANO PAR 56
Add: Conversion costs for labelling T-shirts	$\sum_{i=1}^{N} \sum_{j=1}^{N} \sum_{i=1}^{N} \sum_{j=1}^{N} \sum_{j$
Total initial costs	2410024200 PAEUNERUNERUNA 950

> The value added tax are not part of costs because they are recoverable, for initial costs, only unrecoverable taxes are considered

> Medical costs for damaged staff should not be part of stock, IAS 2 state that abnormal amounts of wasted materials, labour or other production costs shall be excluded from stock value. The amount will be expensed in Profit or loss account.

Selling costs shall be expensed in profit or loss account as distribution costs

 \succ The general administration overheads are excluded from inventory value, therefore, Salaries of marketing manager should not be part of stock value, instead the amount will be charged to profit or loss account

(ii) IAS 2-Inventory state that inventories shall be measured at the lower of cost and net realizable value. The cost of this batch is FRW 950 million yet the net realizable value if 820 million. This batch will be included in the inventory balance in the balance sheet at FRW 820 million. The difference of FRW 130 million between this recoverable amount and cots will be charged to Profit or loss as impairment

END OF MARKING GUIDE AND MODEL ANSWERS