

# CERTIFIED PUBLIC ACCOUNTANT INTERMEDIATE LEVEL EXAMINATIONS I1.2: FINANCIAL REPORTING DATE: TUESDAY 28, NOVEMBER 2023 MARKING GUIDE AND MODEL ANSWERS

# SECTION A

# **QUESTION ONE**

Particulars	<u>Marks</u>
(a) IAS 16 Property Plant & Equipment	4046 4010 10 2022 2010 10 10 10 10 10 10 10 10 10 10 10 10
i) Statement of profit or loss and statement of financial position	JENIA VIEN 012 CR 2023 CR 2023 AV
Carrying amount (2021, 1 mark, 2022 also 1 mark)	1.5
Recoverable amount (2021, 1 mark, 2022 also 1 mark)	1.5
Comparison of CA & RA (2021, 1 mark, 2022 also 1 mark)	BEAR NOT 21 NBER ENBER
Accounting treatement (2021, 1 mark, 2022 also 1 mark)	EP MEER DAR COMPRESSION
Extract of P & L (2021, 0.5 mark, 2022 also 0.5 mark)	2023 EP 102 P1 100 P8 100 P6
Extract of financial position (2021, 0.5 mark, 2022 also 0.5 mark)	A MONTAL PLAN AND AND AND AND AND AND AND AND AND A
Extract statement of change in Equity	101 10 12 10 2023 2020 1E
ii) Measurement of initial PPE (1 mark for each point)	<u>2</u>
Maximum Marks for Part a	10
(b) IAS 40: Investment Property	102 102 102 102 102 102 102 102 102 102
i) Conditions for recognition (1 mark for each point)	2
ii) Presentation in financial statements	10222222222222200000000000000000000000
1) The cost model	MBERIEWIS VENICEAR CPAR
Depreciation	AS OPALE CARENCEAR NOP
Carring amount	NOVER NO 21 2008ER MEER
Profit & loss statement	ER 200 ER LAR 2023 ER 20
Statement of financial position	2023 20 M NOVE NOVE 2023
2) The fair value model	NETENEO 202 002 00 00 00 00 00 00 00 00 00 00 0
Statement of financial position	CP 2002 CF WILL STOPPED CP
Statement of profit or loss	NOR NO ST 200 EF ROVER
Computation of loss or gain working	2
Maximum Marks for part b	10
Total	20 Marks

### **Model Answers**

a)

i) Prepare extracts of statement of profit or loss and statement of financial position including movement in the revaluation reserve for the year ended 30th March, 2021 and 2022

Date of bringing asset into use First year end Second year end	04/01/2020 31/3/2021 31/3/2022
First year (1/4/2020 - 31/3/2021)	
Step 1: Calculate the Carrying Amount = Cost - Accumulated Depreciation	
Cost of property	48,000,000
Useful life Years	10
Depreciation per year $48M / 10$ years =	4,800,000
Carrying amount = $48 \text{ M} - 4.8 \text{ M} =$	43,200,000
Step 2: Calculate the Recoverable Amount	A MORAL ENBER NOVAR CPAR
Higher of:	
Fair Value	46,200,000
Value in Use	0923 VEMBEN ENDVENOVENOPATA (0 2023 VEMBEN ENDVENOVENOPATA (0 2023 VEMBEN ENDVENOVENOPATA
Recoverable Amount is therefore	46,200,000
Step 3: Compare Carrying Amount to Recoverable Amount	
RA greater than CA there is Revaluation Upwards (surplus)	
Revaluation Surplus = 46.2 M - 43.2 M =	3,000,000
Step 4: Accounting Treatment	
Dr. Asset	3,000,000
Cr. Revaluation Reserve	3,000,000
<u>Second year (1/4/2021 - 31/3/2022)</u>	
Step 1: Calculate the Carrying Amount = Cost - Accumulated Depreciation	
Revalued Amount in year 1	46,200,000
Useful life years	9
Depreciation per year 46.2 / 9 years =	5,133,333
Carrying amount = 46.2 M - 5.133 M =	41,066,667
Step 2: Calculate the Recoverable Amount	
Higher of:	
Fair Value	35,000,000
Value in Use	EMOVED OPACS C23 VEMBEOVE
Recoverable Amount is therefore	35,000,000

Step 3: Compare Carrying Amount to Recoverable Amount RA less than CA there is Revaluation downward (Deficit)	
Revaluation Deficit = 41.067 M - 35 M=	6,066,667
Step 4: Accounting Treatment	
Dr. Revaluation Reserve (3 M - 0.33 M {3 M /9yrs})	2,666,667
Dr. Income Statement (balancing figure)	3,400,000
Cr. Asset	6,066,667

Note: At end of year 1 Revaluation Surplus should be amortized over remaining 9 years as follows:

3,000,000 / 9 yrs = 333,333

Every year FRW 333,333 should be transferred from Revaluation Reserve to Retained Earnings

Extract of statement of profit or loss	31/3/2021	31/3/2022	
Depreciation	4,800,000	5,133,333	
Extract of Statement of Changes in Equity Opening Balance (1/4/2020)	Revaluation Reserve 10,000,000	Retained Earnings -	<b>Total</b> 10,000,00
Revaluation Surplus Closing Balance (31/3/2021)	<u>3,000,000</u> <u>13,000,000</u>		0 <u>3,000,000</u> <u>13,000,00</u> <u>0</u>
Opening Balance (1/4/2021)	13,000,000	0212 ER ENDE ENDER 0222 C 1819 EN ENDER 2022 E 2023 E 2023 E 2913 C BER 2023 E 2026	13,000,00 0
Less: Revaluation Downwards	2,666,667		2,666,667
Transfer from Rev Res to Retained Earnings	<u>(333,333)</u>	<u>333,333</u>	R 200 VE R 10 AR 20 AR 00 AR 023 (CPAR 20 2023 R 2023 (CPAR 10 10) 2023 R 2023 (CPAR 10 10)
Closing Balance (31/3/2022)	<u>10,000,000</u>	<u>333,333</u>	<u>10,333,33</u> <u>3</u>
Extract of Statement of Financial Position Non Current Access	<u>31/3/2021</u>		<u>31/3/2022</u>
Non-Current Assets	18 000 000	Revalued	16 200 00
Cost	48,000,000	Amount	46,200,00 0
Less: Accumulated Depreciation	<u>4,800,000</u>	Less: Acc Deprec	<u>5,133,333</u>

Net Book Value	43,200,000	Net Book value	41,066,66 7
Add: Revaluation Surplus	<u>3,000,000</u>	Less: Rev Deficit	<u>6,066,667</u>
Revalued Amount	<u>46,200,000</u>	Revalued Amount	<u>35,000,00</u> <u>0</u>
Equity Revaluation Reserve	3,000,000	Revaluation Reserve	10,000,000
	3,000,000	Retained Earnings	333,333

### ii) Explain how initial property plant and equipment should be measured

Initial property should be measured at cost.

Costs include:

- 1. Purchase price
- 2. Costs incurred to bring asset to its present location and condition
- 3. Dismantling removing and restoration costs
- 4. Borrowing costs if any
- b.

### i) Explain two conditions that must be met for the recognition of property under IAS 40 Investment property

Two conditions must be met for recognition of property under IAS 40 Investment Property:

- 1. Probable that future economic benefits will flow to the business entity
- 2. The cost can be measured reliably

# ii) Show how the property would be presented in the financial statements as at 31st December, 2020 if Tayari adopts

### Cost Model

Cost of Investment Property	3 202 15 10 10 10 10 10 10 10 10 10 10 10 10 10	200,000,000
Land	80,000,000	8 VENOV 10 2023 20
Buiding	120,000,000	IMBENIENNOVENCPANE
Depreciation per year Building	120,000,000 / 20 =	6,000,000
Accumulated Depreciation (January, 2019 - December, 2020)	6,000,000 *2 years =	12,000,000
Carrying Amount = Cost - Acc Depreciation =	200 M - 12 M =	188,000,000

Statement of Profit or Loss for year ended 31st	December, 2020
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Depreciation for the year	6,000,000
Statement of Financial Position as at 31st December 20	20
Non Current Assets	
Cost	200,000,000
Less: Accumulated Depreciation	12,000,000
Net Book Value (Carrying Amount)	188,000,000

#### 2) Fair Value Model

Fair Value of Property	220,000,000
Cost	(200,000,000)
Gain on property	20,000,000

#### **Statement of Financial Position as at 31st December 2020**

Non-Current Assets	3 CMBE 15M 01E4 0223 2023 12023 15M 201 01E 14 0 5 P 023 2 2 3 5 P 20 15 16M 201
Fair value	220,000,000

### Extract Statement of profit or loss for the year ended 31/12/2020

Other income	PAR 20 MEET MEET CONTROL CONTROL OF THE CONTROL OF	2023 CO 23 CON BE VERNOVE CO 2023 22 COVER NOVE 2023 EP
Fair value gain	ART PAR 200 BER MOER WORK COMERCIAL	20,000,000

### **QUESTION TWO**

Published Financial Statements	Marks
Workings	
Inventory working	1
Depreciation of plant & equipment	1
Issue of loan notes	1
Dividends paid	1
Income Tax	0.5
Financial Assets investment	1
Maximum marks for workings	6
Statement of financial position	
Non-current assets	2.5
Current assets	1.5
Equity	1.5

Non-current liabilities	1.0
Current liabilities	1.0
Statement of profit or loss	
Sales	0.5
Cost of sales	4.5
Gross profit	
Administration cost	4.5
Distribution cost	0.5
Income tax	0.50
Profit after tax	
Other comprehensive income	0.50
Statement of changes in equity	
Opening balance	1
Revaluation	1
Retained earning	1
Dividends	1
Transfer of RR to RE	1
Closing balance	1
G-total	30

### **Model Answer**

a) Statement of profit and loss and other comprehensive income for the year ended 31<sup>st</sup> December, 2022

### ZURI PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE

YEAR ENDED 31ST DECEMBER, 2022

		FRW 000
Sales		3,074,400
Less: Cost of Sales	(W8)	<u>(2,149,914)</u>
Gross Profit		924,486
Less: Administration Costs	(W9)	(315,198)
Less: Distribution Costs		(180,000)
<b>Operating Profit (Profit Before Interest &amp; Tax)</b>		429,288
Less: Finance Cost	(W4)	(27,648)
Add: Investment Income		5,760
Less: Loss on Investment Property	(W7)	(18,720)
Profit Before tax		388,680
Less: Income Tax Expense	(W6)	(126,720)

Profit After Tax	2017 - 2017 - 2017 - 2017 - 2017 - 2017 - 2017 - 2017 - 2017 - 2017 - 2017 - 2017 - 2017 - 2017 - 2017 - 2017 -	261,960
Other Comprehensive Income:		
Revaluation Surplus	(W3)	259,200
Total Comprehensive Income		<u>521,160</u>

### b) Statement of changes in equity for the year ended 31<sup>st</sup> December 2022

### ZURI PLC

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER, 2022

	Share Capital	Revaluation Reserve	Retained Earnings	Total
	FRW 000	FRW 000	FRW 000	FRW 000
Opening Balance (1st January, 2022)	864,000	-	266,400	1,130,400
Revaluation Surplus		259,200		259,200
Profit for the Year			261,960	261,960
Transfer from Revaluation Reserve to Retained Earnings		(16,200)	16,200	-
Dividends Paid (W5)	<u> </u>	<u> </u>	<u>(276,480)</u>	(276,480)
Closing Balance (31st December, 2022)	<u>864,000</u>	<u>243,000</u>	<u>268,080</u>	<u>1,375,080</u>

### c) Statement of Financial Position for the year ended 31st December, 2022

### ZURI PLC

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER, 2022

FRW 000	FRW 000
	820,800
(666,072)	539,208
	226,080
	1,586,088
345,120	
410,400	
41,760	797,280
	<u>2,383,368</u>
	41,760

Equity And Liabilities		
Equity		
Share Capital		864,000
Revaluation Reserve		243,000
Retained Earnings		268,080
Total Equity		1,375,080
Non-Current Liabilities		
6% Loan Notes (W4)	351,648	
Deferred Tax	21,600	373,248
Current Liabilities		
Trade Payables	528,480	
Current Tax (W6)	106,560	635,040
Total Equity & Liabilities		2,383,368

	WORKINGS	E 10 <sup>23</sup> 50 2022 202 1167 10 2 7 7 023 2 20
W1)	Inventories	2010-101-00-02-02-00-00-00-00-00-00-00-00-00-00-
	Inventories should be valued at the lower of cost a	and net realizable value
	Cost of Inventories	357,120
	Net Realizable Value	345,120
NEMONE:	Inventory value was overstated by:	12,000

W2) Depreciation of Plant & Equiptment	202 6 1 0 0 4 40 23 0 20 6 2 0 0 4 40 0	
Plant and Equiptment (15% * 1,205,280) =	23 20 20 1 EN 2012 10 23 ER 202 ER 200 F	180,792
Cost of Sales (75% * 180,792) =	135,594	
Administration (25% * 180,792) =	45,198	

W3)	Revaluation of Land and Building	16 104 0 00 003 206 16 100 16 003 72 20 <u>16 10</u> 0 26 003 003 200 16 00 00 00 00 00 00 00 00 00 00 00 00 00	
	Revaluation at the beginning of the year	1st January, 2022	
	Revalued Amount of the Property	3 CHART RENOVEN COM 2023 ENROVEN	864,000
	Land Value	172,800	
	Building Value (864,000 - 172,800)	691,200	
	Depreciation on Building (691,200 / 16 years)	20 <sup>22</sup> 2 <sup>2</sup> OVEN NO REP 2022 R 2 <sup>2</sup> ER K OVEN	43,200
MBERAR N	Net Book Value of L & B) (864,000 - 43,200)	3 C 20 E R 20 C E N R C R R 2023 C 20 E R 20	820,800

Revaluation Surplus	EN WENOW CO 2023 20 VEN NO	
Land and Building at Cost	023 JEMBENENOVEN 07 202 2020	720,000
Land Cost	144,000	
Building Cost (720,000 - 144,000)	576,000	
Net Book Value (720,000 - Acc Dep of 115,200)	PUBER NORAF OPAR 2018 P. 2019	604,800
Revaluation Surplus 864,000 - 604,800	N 2022 2023 202 VEN 004 NO 22023	259,200
Transfer from RR to RE (259,200/16 yrs)		16,200
Apportionment of Depreciation	2 11 20 2 0 22 20 28 20 2 12 20 20 20 20 20 20 20 20 20 20 20 20 20	43,200
Cost of Sales (75% * 43,200) =	32,400	
Administration (25% * 43,200) =	10,800	

W4)	Issue of Loan Notes		2 07 PM COLER COMPLEX COLE 2013 COMPLEX COMPLEX		
	Loan Note	360,000	CONTRACTOR CONTRACTOR		
	Nominal Interest (6% * 360,000)	21,600			
	Effective interest rate normaly calculated after deducting issue				
	Issue cost should not be shown in the books because the amount of loan received is normally net of issue cost				
	Loan received on 1st January, 2022 (360,000 - 14,400) =	345,600	E 20 FE MER CONSTRUCTION OF CONSTRUCTION		
	Effective interest rate (345,600 * 8%)	27,648	Goes to P & L		
	Interest payable is therefore 27,648 yet the interst paid was 21,600 therefore there is accrued interest cost				
	Accrued Interest (27,648 - 21,600) =	6,048	Increases amount of Non Current Liabilities		
	Non Current Liabilities $(345,600 + 6,048) =$	351,648	Goes to SOFP as NCL		

W5)	Dividends Paid	MELUS NOVE 102 23 202 101 NOV
	Dividends paid	32
	Number of ordinary shares (864,000/100) =	8,640
	Dividends paid (32 * 8640)	276,480

W6)	Income Tax	2023 12023 1EMP OVE NOV 3223 12 202
a)	Estimate of the year	106,560
	Add: Under Estimation of Previous Year	15,840
	Income Tax (Current Tax)	122,400
	Add: Increase in Deferred Tax (W6b)	4,320
ICPAER EN	Total Income Tax Expense	126,720
b)	Deffered Tax:	<u>*************************************</u>
ABER 2001	Temporary Difference	72,000
	Deferred Tax (72,000 * 30%)	21,600
	Deferred Tax in Trial Balance (Opening Balance)	17,280
	Increase in Deferred Tax (21,600 - 17,280)	4,320

W7)	Financial Asset Investment		
	Fair Value of Investment at End of year	226,080	
	Cost Value at Beginning of year	244,800	
P 2023 202	Loss on Investment (244,800 - 226,080)	18,720	

W8)	Cost of Sales	PAR NOPAR 2023ER WEEK PAR NOPAR
BER 2018EP	In the Trial Balance	1,969,920
	Add: Overstatement of Inventory (W1)	12,000
	Add: Depreciation of Plant & Equptment (W2)	135,594
	Add: Depreciation of Building (W3)	32,400
1023102023 W	Total Cost of Sales	2,149,914

W9)	Administration Expenses	0 VEN NO R 142023 R 200 ER 1 NO 1 R 1 10 R 14 CO 2 R 2013 ER 200 ER 1 VO 1 R 1
	In Trial Balance	273,000
	Add: Depreciation Plant & Equipt (W2)	45,198
	Add: Depreciation Building (W3)	10,800
	Less: Loan Issue Cost	14,400
2023 JEN	Total Administrative Costs	314,598

# **QUESTION THREE**

	Marks
a) Consolidated Statement of Financial Position	ENDER NO PAR CPARA CHARTEN
Workings	AT A 200 SET WEER A COPAL OF BERY
% of acquisition	0.5
Cost of investment	0.5
Calculation of consolidated capital reserves	0.5
Depreciation undercharge on fair value adjustment	0.5
Inter company sale of plant, unrealized profit	0.5
Depreciation overcharge on plant	0.5
Inter company sale of inventory	0.5
Proposed Dividends	0.5
Goodwill	AR OPAGE 2023 TR 201 FR. 100 PAGE
Cost of investment less loan notes	0.5
Net assets total	0.5
Impairment deducted	0.5
Consolidated retained earnings	EMBERA NOPAS CHBERTENSOLEMO
Subsidiary adjustments	2.0
Correct post-acquisition retained earnings	0.5
Adjustment on Parent side	1.5
Non-controlling interest	2.0
Preparation of consolidated statement of financial position	23 202 NEW LOVE NOVE 2023 C
Land	1.5
Building	2.0
Plant and equipment	1.5
Goodwill	0.5
Inventory	1.5
Account receivables	3 NO 1.5
Bank	0.5
Equity	AF NOT R CRAFT 20 BEFENSTAR
Deferred tax	
Loan note	3 P. M. R. P. CPAR CPAR P. 2013 1
Account payable	1.5
Dividend payable	0.5
Bank overdraft	0.5

Maximum of 26 marks for part a	2023 ER NOVER 101 0 2023 2024 F
b) Circumstances when parent is exempt from consolidation	023 1200 NENN OVER 1004 3 00 2023 E 20
(1 mark awarded for each point: max of 4)	4
Total	30

### **Model Answer**

## a) Prepare the Consolidated statement of financial position as at 31st December, 2022

PERIL GROUP	R NOPAR GPAR 200	SER MBERR NCPAT COPATION	NEMBELENDENDEAR
CONSOLIDATED STATEMENT OF FINANCIAL PC	SITION AS	AT 31ST DEC	EMBER,
2022	50 28 <sup>25</sup>	<b><u>FRW</u></b> 000	<b><u>FRW</u></b> 000
Non-Current Assets	NO NO 12 102 102 12 120	OVER NO AR R 2023 P 202	ER NO PAR OPAR
Land (20,000 + 10,000 + 2,000 {W6a})	10 01 10 10 10 10 2023	P 202 K R RACK ROLL	32,000
Building (30,000 + 16,000 + 4,000 {W6a} -600 {W6b})	23 ENBE IENOVE CO O AR DOAR NOVE 2023 ER COAR OPAR NOVE NOVE	2023 - 222 - 222 - 2014	49,400
Plant (28,000 +10,000 - 1,000{W7a} + 510 {W7b})	P. NOVER NO AR 120	NBERENIE PAR NO PAR OPA	37,510
Goodwill	W11	R 2023 NBEER NOVAR	<u>672</u>
Total Non-Current Assets	23 CT 123 2 CO 12 M 2 24 CT 12 CT 12 CO 12 M 2 15 CT 12 CT		119,582
Current Assets	14 023 ER 200 ER 200 2 2 10 01 EN 02 02 02 0 0 0 2 10 01 2 02 02 0 0	122 124 220 125 105 12 122 124 10 101 101 101 101 101 101 101 101 101	21 202 101 101 101
Inventory (12,000 + 8,000 -150 {W8})	EN OVENDOVENDOR	19,850	10 2023 202 VEW
Accounts Receivables (16,000 + 10,000 - 5,600{W9})	AL CPAER 2008EVEN	20,400	31 6 10 PA 23 10 2023
Bank (5,000 + 600 (W)	NOPAR IOPAR 2018E	5,600	45,850
Total Assets	56 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	10000000000000000000000000000000000000	<u>165,432</u>
Equity And Liabilities	10255730000000000000000000000000000000000	SER GUR VENCORAD 3 CO	3 MBC VENOVE C AR CPAR 200 0 3 CPAR 200
Equity	R 2023 ER 2023 202	NEW NO RANZORSER 2000	AP NORAR WOAR
Ordinary share capital at FRW 100 each (40,000 + 6,000 {W4})	36 16 10 01 02 02 02 1 1 02 02 02 02 02 02 02 02 02 02 02 02 02	2022 VEL 120 PR 12023 C R 10 CPAR 12023 C R 10 CPAR 10 PAR 12023 C 223 CPAR 10	46,000
Share Premium (0 + 6,000 {W4})	DPAR ICPAR 2019ER	NBERR TO OPAR CPARER 20	6,000
Capital Reserves	W5	3ER 20 EXP NOVAR CPAR	23,600
Retained Earnings	W12	2023 LE LOTER 20 NOVER N	24,328
Non-Controlling Interest	W13	NE 104 10 2022 200 M	17,504
Total Equity and Non-Controlling Interest	10 21 CPA12 10 2023 10 20 23 10 2023 R 2023 10	NB OVEN 1042 107 2023 2	117,432
NON-CURRENT LIABILITIES	NEMBEREMENDEAR'S CP	23 VEMBE VEMOVENCPA	3 2023 JEMBLOVE
10% Loan Notes (12,000 + 2,200 - 1,600)	NEER 20 BER MBERRY	12,600	223 2023 VEMB
Deferred Tax (8,000 + 1,800)	R OPAR 2002 BER MBC	9,800	22,400
	Kan On the se	2 Contraction of the	State Sales and

Current Liabilities	ER 2023 ROVEN NOVAR NOVAR N	20 BER MBER 201	
Accounts payables (16,000 + 6,000 - 5,000 {W9})	17,000	NP 2023 6 2020	
Proposed Dividends (5,000 +4,000 - 2400 {W10})	6,600	10 01 EN 1012 102	
Bank Overdraft (0+ 2,000	2,000	25,600	
Total Equity and Liabilities	TOPATER ENERGYENDERF	165,432	
WORKINGS	CPAR CPARE 2018EFEMBE	AR ICPATIONEE	
W1) Dates	PAR NOPAN OPAR VENDER	NPPAR 10PH 10	
Date of acquisition (3 years to end of period)	1st J	1st Jan 2020	
Beginning of period	1st J	an 2022	
End of period	31st D	ec 2022	
W2) % of Acquisition	Frw 000		
No of shares acquired	PAR COMPER 20MBER UNBER	120,000	
Total No of shares = 20,000,000 / 100 =	200,000		
% of Acquisition = 120,000 / 200,000 * 100 =	22 22 01/21 NO 2 12 01/2 12 24 01 01 01 01 01 01 01 01 01 01 01 01 01	60%	
W3) Cost of Investment	<u>R 20 R 100 NR 100 R 2</u> NEN 2023 R 2023 EN 800 F	Frw 000	
a) Immediate Cash	8,000		
b) Share Exchange = 120,000 *1/2 * 200 =	12,000		
Total cost of investment	CRAPER 20 BET INBEAR NO	20,000	
W4) New Shares as a result of share exchange	02 <sup>102</sup> 02 <sup>102</sup> 10211000000000000000000000	Frw 000	
Share Capital (12,000 * 1/2) =	1022 NOVEN NOVEN NOVEN NOVEN 2023	6,000	
Share Premium $(12,000 * 2 - 1/2) =$	3 CPP 23 P 2023 VEMP OVE N	6,000	

W5) Capital Reserves	3 ENPLOYER 10012 (C 223 202 VEN 01 2 NO 18 10023 (R 2023 202 VEN	
	Peril Ltd	Sars Ltd
2 TO THE TOTAL TOTAL TO THE AND THE TOTAL TO THE TOTAL TOTAL TO THE TOTAL TO THE TOTAL TO THE TOTAL TO THE TOTAL	Frw 000	Frw 000
Capital Reserves in Statement of Financial Position	20,000	8,000
Less: Pre Acquisition Capital Reserves	BER 20 ER LOYAR OPAR 20 ER OPAR 2	2,000
Post Acquisition Capital Reserves	2023 FR 20 FR NOVAR CRAB 202 8 MBEENBER NOVAR CRAB 202	6,000
% of Post Acquisition C. Reserves (60%*6,000)	3,600	202 BER MBER NO
Consolidated Capital Reserves	23,600	PARE 2012 ENBER 2018ER
W6) Fair Value Adjustement (FVA)		22 CPACE 2018E ENE 22 VENE 2012 NOVE NOVE 10 20 VENE 2023 E
a) FVA	Frw 000	
Land	2,000	PAK 1023 1018 1018
Building	4,000	
Total FVA	6,000	NBELENBEAR NO 2023
b) Depreciation Undercharge	Frw 000	67 END 1 END 0 PAT 10 07 A EN 2023 ER 2023 ER 07 A EN 2023 ER 2018 ER
Buiding (4,000 * 5% * 3 years)	600	ENE NOAR NOV 310 2

W7) Inter Company Sale of Plant (P to S)	Frw 000
a) Sales	4,000
Profit Margin $(1/3+1 = 1/4 * 4,000)$	1,000
Unrealized Profit =	1,000
b) Depreciation Overcharge	Frw 000
1 st year (1,000 * 30%) =	300
2nd year (1,000 - 300) *30% =	210
Total Depreciation Overcharge	510
W8) Inter Company Sale of Inventory (S to P)	Frw 000
Sales	3,000
Profit Margin = $25/100+25 = 25/125 * 3,000 =$	600
Unrealized Profit $(1/4 * 600) =$	150

W9) Inter Company Balances	Dr	Cr
	Frw 000	Frw 000
Receivables (Sars Ltd)	NEWECIENCE AS CONSCIENCE NOTES CONSCIENCE	5,600
Payables (Peril Ltd)	5,000	AR 10Ph 10 MBENEM
Cash in Transit	600	MBERR NOPAN CPARER
	5,600	5,600

W10) Proposed dividends not accounted for	20 <sup>-2</sup> N <sup>2-1</sup> <sup>10</sup> <sup>10</sup> <sup>10</sup> <sup>10</sup> <sup>10</sup> <sup>10</sup> <sup>10</sup> <sup>1</sup>
Proposed Dividends (4,000 * 60%)	2,400
Add to Consolidated Retained Earnings	2,400
Less from Current Liabilities	2,400

W11) Goodwill	<u>FRW 000</u>	<u>FRW 000</u>	
Cost of Investment (W3a) (20,000 - 1,600)	CPAC 200 BEC MARCAR 10 CPAC CPBER EM	18,400	
Net Assets of Sars	PAR OPARE 2016ER MBER NO PAR OPAR	VENOVENOPAP 0023	
Share Capital	20,000	AR 2028 ER MBER AR NO	
Capital Reserves (Pre-Acquisition)	2,000	R NC AR NO 2023 ER 20BER	
Retained Earnings (Pre-Acquisition)	800	10 VE 1 NOVE NO 2023 EP 2	
Fair Value Adjustment (W6a)	<u>6,000</u>	R 200 OVENIBLOVENIOVE	
Total Net Assets	28,800	24P (CP) CHBENEM	
% of total net assets (60% * 28,800)	ART 202 PROPERTY OF ART COMPANY COMPAN	17,280	
Goodwill	R CPAR & 202 HER MEER NO PAR CPAR 22	1,120	
Less: Impairment of Goodwill	40% * 1120 =	<u>448</u>	
Net Goodwill	12023 1EMBE 1EM 01E 022 2023 1232 1EMP	<u>672</u>	

W12) Consolidated Retained Earnings	Peril Ltd	Sars Ltd	
	<u>FRW 000</u>	FRW 000	
Retained Earnings in Statement of Financial Position	18,000	10,000	
Less: Depreciation Undercharge (W6b)	BEAR NORAL OPPER FURNER SPA	600	
Add: Depreciation Overcharge (W7b)	EPENBER NOPAR OPAR 2018 IN	510	
Less: Unrealized Profit (W8)	2023 REP. 2016 R 2001 R POPAR CPARE 023	<u>150</u>	
Adjusted Retained Earnings	12 101 2023 ER 2023 201 15 10 2 10	9,760	
Less: Pre-Acquisition Retained Earnings	185 154 0015 00 023 202 154 00 2 10 15 0023 58 2023 68 202 154 100	<u>800</u>	
Post Acquisition Retained Earnings	3 VEMBER VEMONE 022 202 8 202 VEM	<u>8,960</u>	
% of Post (60% * 8,960)	5,376	3 VENBER VENDVENOVENOVENOVEN	
Add: Proposed Dividends (W10)	2,400	0723 107 162 16 16 16 16 16 16 16 16 16 16 16 16 16	
Less: Impairment of Goodwill (W11)	448	AF TOPAS CONBERVENCE	
Less: Unrealized Profits (W7a)	<u>1,000</u>	MELAR CPAR CPAREN	
Consolidated Retained Earnings	24,328	BET INBEAR NOPAS OF	

W13) Non-Controlling Interest	<u>FRW 000</u>
NCI at acquisition 28,800*40%	11,520
NCI share of post-acquisition reserve 8,960*40%	3,584
NCI share for capital reserve 6,000*40%	2,400
Non-Controlling Interest (40% * 43,740) =	17,504

- b) Explain any four circumstances when the parent is exempted from preparing consolidated financial statements
- 1. The parent is itself a wholly owned subsidiary or partially owned subsidiary of another entity
- 2. The company does not trade in the securities exchange or about to trade in securities exchange market
- 3. The ultimate parent has already prepared consolidated financial statements which complies with International Financial Reporting Standards
- 4. The Non Controlling Interest if any does not object to not the parent consolidating financial statements

# SECTION B

# **QUESTION FOUR**

	Marks
a) IFRS 16 Leases	R RAP 2023 C 202 FR 2001
i) Accounting for lease	23 END 015 1023 10 2023 12 2013 20
Right of use computation	2223 16 NBC 16 NOVE CP
Depreciation	PAR CPUSICHBERVENBULED
Lease liability	2
Carrying amount	2
Extract of statement of financial position	2
ii) Accounting treatment for sale and lease back	<u>CRAME 22 OF MARKE MORAL OF CRAME</u> ENROVE NOVE CO 2023 2020
Revenue explanation	2
Finance charge explanation	2
Maximum marks for part a	12
b) IAS 2 Inventories	RENBER NO PAR CPAT 200
i) Explanation of inventory valuation	2
ii) Determining value of inventory	258 2018 5010 0287 0023 001 100 88 1002 002 000 000 000 100 88 1002 002 000 000 000 000
Correct choice of either cost or NRV for each	2
Calculation of the total value of each product	2
Total value of inventory	2.0
Maximum marks for part b	8
Total	20

### **Model Answer**

a)

i) Show how this lease should be accounted for in the statement of financial position as at 31st December 2022

Extract of statement of financial position as at 31st 1	December, 2022
Non Current Assets	Frw
Right of use of Asset (W1)	6,460,000
Non Current Liabilities	2 - 2 - 2 - 2 - 2 - 2 - 2 - 2 - 2 - 2 -
Lease Liability (W2)	4,804,000
Current Liabilities	
Lease Liability (6,804,000 - 4,804,000) (W2)	2,000,000

WORKINGS	
W1) Right of use of asset	Frw
Initial measurement of lease liability	6,075,000
Payment made before or at commencement of the lease	2,000,000
Right of use of asset	8,075,000
Depreciate over the shorter of the useful life or lease term:	3118-1111-0294-3-00-23-0418-0 
Depreciation charge = Frw 8,075,000 / 5 years =	1,615,000
Carrying amount at 31/12/2022 = 8,075,000 - 1,615,000 =	6,460,000

W2) Lease Liability	Frw
1/1/2022: Liability b/d	6,075,000
1/1/2022 - 31/12/2022: Interest at 12%	729,000
31/12/2022: Liability c/d	6,804,000
1/1/2023: Instalement 2 (in advance) (Less)	2,000,000
1/1/2023: Liability due in more than one year	4,804,000

### ii) Accounting treatment of sale and lease back in the books of the lessee

The money received from the sale of the asset should not be recognized as revenue (substance over form) but should be recognized as secured loan, security (collateral) being the asset. The finance charge of the lease should be recognized as finance interest on the loan. The business entity should not derecognize the asset but should continue showing the asset in the statement of financial position and continue charging depreciation over the useful life of the asset.

b)

# i) According to the principles of IAS 2 Inventories, explain how inventories should be valued

According to IAS 2, inventories should be valued at the lower of cost and net realizable value.

**Cost:** Cost to bring an asset to its present location and condition including cost of purchase and cost of conversion.

**Net realizable value:** estimated selling price in the ordinary course of business, less the estimated cost of completion and selling cost

# ii) Determine the value of each product and the total value of all the products W, X, Y and Z

1012 Ct 2023 202 VEW NOVE	2023-58	W	PAR 2023ER MBER	X	MBEITEMBEAR CPANY	Y	0PA2310	Z
Cost	VENNOVE	24,000	ENIPONE NOV2310 20	26,000	2 N2023ER 205ER NOV	36,000	P. MBEN	20,000
Net Realizable Value	PAR 20	18,000	(32,000 - 4,000)	28,000	(34,000 - 6,000)	28,000	023 10.20 18-8-20	28,000
Lower of the two	NRV	18,000	Cost	26,000	NRV	28,000	Cost	20,000
Units	10VER C	200	BET NUCPATIOPAER	400	PASICINEEN ENDVEN	600	NOVEN N	800
Value of inventory (Frw)	3 202 VF	3,600,000	2028 2010 E. NO.	10,400,000	2 NO PAR OPAR 2018F	16,800,000	10PBER	16,000,000

# **QUESTION FIVE**

	Marks
a) Conceptual framework	ENCPART OF 3 CONSENSENSENSENSENSENSENSENSENSENSENSENSEN
i) Fundamental qualitaties	
Relevance	2
Faithful representation	2
ii) Enhancing qualities	212 107 1254 151 101 1514 152 12 10 1514 10 1514 10 152 10 152 12 10 1514 10 154 10 154 10 154 154 154 154 154 154 154 154 154 154
Any three qualities well explained (2 marks each)	6
Maximum marks available for part a	10
b) Public financial management	223 202 FR 22 ON FR 10 AF
i) Preparation of statement of financial performance	3ER 200 BER MBELR NCPATIC
Income	2
Expenses	2
ii) Preparation of statement of financial position	1 NOVAR CPAT 220 SET N 1 NOVAR CPAT 200 SET N 1 023 200 SENDOVENOVENOVENOVENOVENOVENOVENOVENOVENOVEN
Non current assets	NBTAR OPPOSIONEN POINT
Current assets	201ENBEAR COPAL OF A
Funded by	2
Non Current liabilities	MER ENEWERNER CRAME
Current liabilities	F CPANER 2018ET ENERAL
Maximum marks available for part b	10
Total	20

### **Model Answers**

a)

### i) Explain the two fundamental qualitative characteristics of financial statements

### 1) Relevance

Relevance means that information has predictive or confirmatory value. That is, it helps users to predict future outcomes, for example future profits, or it can confirm or refute previous predictions.

### 2) Faithful Representation

Faithful representation means a depiction which is complete, neutral and free from error.

# ii) Explain any three enhancing qualitative characteristics of financial statements

### 1) Comparability

Good quality information allows users to compare the financial results of a business over time or with other businesses.

### 2) Timeliness

Information tends to be more useful if it is more current.

### 3) Understandability

Information should be understandable to users with a reasonable level of knowledge.

### 4) Verifiability

Different observers are able to agree on what the information means.

b)

### i) Statement of Financial Performance

Ministry of Gender	ER 2 100 10 10 10 10 10 10 10 10 10 10 10 10	
Statement of financial performance for the year ende	ed 30th June 2022	
	Frw 000	Frw 000
INCOMES		ENBERVENDVENCPL
Transfer from exchequer	2202 EER WEEKE NO PAR OPART 2 WEEKEWERDEN OP	5,625,000
Fees, fines and licences	2012 101 101 101 102 102 101 121 100 121 100 121 100 121 100 121 100 121 100 121 100 121 100 121 100 121 100 12	1,125,000
Transfers from other ministries		112,500
Revenue from exchange transactions	PAR OF AFR 2000 FROM BET A NOPAG OF AFR 12 MED ME	225,000
Other revenues	2012 MALONE NO 23 CC 2 20 MALAND NO 21 2 20 20 10 10 10 10 10 10 10 10 10 10 10 10 10	1,350,000
Total Income		8,437,500
EXPENDITURE		EP 2012 EN BER NE PAR N
Finance cost	225,000	NOAR NO23ER 20EF
Supplies and consumables	900,000	VEMBOVE NOV 3 100
Wages and salaries	2,250,000	PAN IOPHER ENBLYE
Other expenses	2,700,000	2 MOVER NO AR 202
Transfer to other ministries	1,125,000	023 P 2023 VEM NOVE T
Total Expenditure		7,200,000
Surplus	2 NOVAR WORKER 2018 MEER NOPAN CRAFE ME	1,237,500

Ministry of Gender	NE 01 3 ENEVENOVENOVE 2023 2023 ENEVENOVEN	1012 EP 2022 201 VE	
Statement of financial position for the	e year ended 30th June 2022	NEW OVER CP 2023 2000	EMPONE NOV2 10 20
NON CURRENT ASSETS	3 - 2 - 2 - 2 - 2 - 2 - 2 - 2 - 2 - 2 -	Frw 000	Frw 000
Land and Building		23 MBER 2018 CEMPS AP	7,875,000
Vehicles		NOVAR ICPAR 200 BER	525,000
Computer Equiptment	MEETIS 012 022 2023 2023 CM 2012 002 C 22	EP 2 NOVER NOVER NO	600,000
Total Non Current Assets	20, 20, 20, 20, 20, 20, 20, 20, 20, 20,	2023 CONSTRUCTION CONTRACT	9,000,000
CURRENT ASSETS		NIENENERAES COLOR	R MORENCENCENT
Inventory		225,000	CPATER 2018ER MBC
Receivables		450,000	RAP ICPAPER 2028ER
Cash	MEETERM 242 323 NEW 2012 HOVEN CPAT (C)	1,125,000	1,800,000
Total Assets		2023 VENBENEN VEN VEN CP	10,800,000
FUNDED BY AND Liabilities		23 2023 1EM 2016 400	3 10° 2022 x 20° 0162 40 3 10° 2022 x 20° 0162 40 3 10° 2022 x 20° 0162 40 3 10° 2022 x 20° 0162 40
FUNDED BY	202 KW COLE 202 K	EP 200 EP 2 NOVAP CPACE	200 BEREMBER NOP
Accumulated Funds	(1,687,500 + 1,237,500)	2023 EP 202 P 200 15 40	2,925,000
Reserves	8 1 2 1 2 1 2 1 2 1 2 1 2 1 2 1 2 1 2 1	EN 0012 1012023 2022 1E	4,050,000
Total Funded by		BENERNE VENCER 2023	6,975,000
NON CURRENT LIABILITIES	2 <sup>12</sup> 557 8 <sup>15</sup> 8 <sup>16</sup> 9 <sup>16</sup> 0 <sup>7</sup> 55 <sup>2</sup> 18 <sup>16</sup> 18 <sup>16</sup> 9 <sup>16</sup> 0 <sup>7</sup> 0 1 <sup>12</sup> 0 <sup>11</sup> 0 <sup>11</sup> 0 <sup>12</sup> 15 <sup>2</sup> 15 <sup>16</sup> 15 <sup>16</sup> 10 <sup>10</sup> 10 <sup>1</sup>	3 CMBC LEW OVE CP	2022 15M 101 10 201 10 10 10 10 10 10 10 10 10 10 10 10 1
Liability for long term borrowing		450,000	NBER NOVAR NORAL
Long term borrowing		2,250,000	2,700,000
CURRENT LIABILITIES		2 107 2023 202 VEM 40 BER MBER NOVEM 40 WEM 8 8 8 10 0 123 316	ERENGENER 200
Payables	2022 23 OVER HOVE NOT BE 2022 POUL 2020 POUL	R 2020 ER LOBER NOPPA	1,125,000
Total Funded by and Liabilities	3 07 82 2 2023 EN KONE NO 13 2 2028 2 200 EN	Phy 2023 ER 2028 R TO	10,800,000

### ii) Statement of Financial Position

### END OF MARKING GUIDE AND MODEL ANSWERS