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**CERTIFIED PUBLIC ACCOUNTANT**

**ADVANCED LEVEL 1 EXAMINATIONS**

**A1.3: ADVANCED FINANCIAL REPORTING**

**DATE: TUESDAY, 30 NOVEMBER 2021**

**MODEL ANSWERS AND MARKING GUIDE**

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## **SECTION A**

### **QUESTION ONE**

#### **Marking Guide**

##### **Part (a): Preparation of the Sigoma's consolidated financial statements**

##### **Sigoma's Consolidated Statement of Profit or Loss**

Award 0.5 marks for each correct line in the consolidated statement of profit or loss (other than the sub/other totals). This is exclusive of any workings done directly on the face of the financial statement (as these are separately awarded under marking for "workings" as guided below

5

Award 0.5 marks for each line making the bottom-line allocation of the consolidated profit for the year attributed to the "parent shareholders" and/or the "non-controlling shareholders" (this is exclusive of any working for the non-controlling interests arriving to one of these figures)

1

##### **Sigoma's Consolidated statement of financial position**

Award 0.5 marks for each correct line in the consolidated statement of financial position (other than the sub/other totals). This is exclusive of any workings done directly on the face of the financial statement (as these are separately awarded under marking for "workings" as guided below.

7

##### **Workings (restrict to calculations NOT explanations)**

**Note: Workings may be done on the face of the financial statements, and these will earn the same marks as the equivalent workings presented as "separate workings"**

##### **Group Structure: a correct calculation (or brief explanation) arriving at the:**

(i) Correct effective rate of control of Sigoma Ltd in Toronto Ltd

1

(ii) Non-Controlling Interests in Toronto Ltd

1

##### **Goodwill Calculation:**

(i) Award 0.5 for each correct line in the calculation of Goodwill for both the acquisition of Lorisho and Toronto including where applied the correct impairment losses (any line relevant in the calculation other than specific lines below)

5

(ii) Award up to 1 mark for the calculation of Sigoma's share (of 70%) of Lorisho's consideration on acquisition in Toronto Ltd (otherwise award no mark if the calculation is not based on a correct 70% share in Lorisho)

1

(iii) Correctly computed measure for the initial goodwill on acquisition

1

(iv) Correctly computed measure for the goodwill after reducing the impairment loss 1

**Consolidated Retained Earnings:**

Award 0.5 marks for each correct line and sub/other totals correctly included in the working for the consolidated retained earnings (this includes either separated workings or a combined working for the combining entities that has Sigoma, Lorisho and Torento) 5

**Consolidated other reserves:**

Award 0.5 marks for each correct line and sub/other totals correctly included in the working for the consolidated other reserves (this includes either separated workings or a combined working for the combining entities that has Sigoma, Lorisho and Torento) 3

**Non-Controlling Interests (NCIs):**

**(i) NCIs to be presented in Consolidated statement of Profit or Loss**

Award 0.5 marks for each correct line and sub/other totals correctly included in the working for the NCIs for the consolidated P&L (this includes either separated workings or a combined working for the NCIs in the subsidiaries Lorisho and Torento) 2

**(ii) NCIs to be presented in Consolidated statement of financial position**

Award 0.5 marks for each correct line and sub/other totals correctly included in the working for the NCIs for the consolidated statement of financial position (this includes either separated workings or a combined working for the NCIs in the subsidiaries Lorisho and Torento) 3

**Bank Loan**

(i) Correct calculation of the interest on bank loan (as suffered by Sigoma) 1

(ii) Award 0.5 marks for each adjustment following the correct accounting treatment (based on the double-entry approach) for the cancellation of the intra-group loan (whether by a brief explanation for the rationale or a direct adjustment in the consolidated financial statements) 1

**Other workings**

Award up to 1 mark for each correct working (either done in a separate working or directly in a relevant line on the face of the consolidated financial statements) supporting the final figure reported in the consolidated financial statements 7

**Maximum Marks for Part (a) 45**

**Part (b): IAS 24: Related Party Disclosures**

Award 1 mark for each valid disclosures as required by IAS 24 relevant to the separate financial statements of Sigoma Ltd

5

**Total Marks for Question One****50****Detailed answer****Sigoma Consolidated Statement of Profit or Loss for the year ended 31 December 2020**

	FRW Million
Sales (400300+56000-250-100)	455,950
Cost of sales (210500+42000-250-100+10+5)	(252,165)
<b>Gross profit</b>	<b>203,785</b>
Other income (85600+96600+78500-170-120-2025)	258,385
Administration cost (1840+92000+40000-170-120)	(133,550)
Selling expenses	(46,000)
Depreciation and amortization (1450+20700+15400)	(37,550)
Finance cost (73000+52000+42000-2025)	(129,200)
Goodwill impaired W1	(24,000)
<b>Profit/(loss) before tax</b>	<b>91,870</b>
Income tax expense (4850+67200+15600)	(87,650)
<b>Profit for the year</b>	<b>4,220</b>
Attributable to:	
Parent (Balance)	3,520
Non-controlling interest (W5)	700
	4,220

**Sigoma Consolidated Statement of Financial Position as at 31 December 2020**

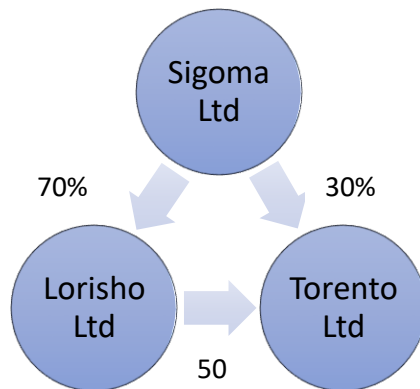
	FRW Million
<b>Assets</b>	
<b>Non-current assets</b>	
Property plant and equipment (9600+138000+102600)	250,200
Intangible assets (5400+1500+8600)	15,500
Investment in subsidiary	-
Goodwill (W2)	10,050
<b>Total non-current assets</b>	<b>275,750</b>
<b>Current assets</b>	
Inventory (75+85600+82000-10-15)	167,660

Receivables (2025+13200+12000-100-75-2,025)	25,025
Cash and bank (5600+3500+23500)	32,600
<b>Total current assets</b>	<b>225,285</b>
<b>Total assets</b>	<b>501,035</b>
<b>Equity &amp; Liabilities</b>	
<b>Equity</b>	
Share capital of FRW 1000 each	2,000
Retained earnings W3	188,550
Other reserves W4	61,400
<b>Equity of parent</b>	<b>251,950</b>
Non-controlling interest W5	110,160
<b>Total equity</b>	<b>362,110</b>
<b>Non-current liabilities</b>	
Long term borrowing (45000+45000+65000-45000)	112,025
<b>Current liabilities</b>	
Short term borrowing (3200+2500+8500-2,025)	12,175
Payables (400+8600+5900-100-75)	14,725
<b>Total current liabilities</b>	<b>26,900</b>
<b>Total equity and liabilities</b>	<b>501,035</b>

Workings (where relevant rounded to FRW millions)

#### W1. Structure of ownership

Structure of ownership	Lorisho Ltd	Torento Ltd	Torento Ltd (effective)
Sigoma Ltd (direct holding)	70%	30%	30%
Lorisha (direct holding in Torento) and Sigoma's indirect holding in Torento		50%	$(70\% \times 50\%) = 35\%$
<b>Sigoma total effective holding in Torento (30% + 35%)</b>			<b>65%</b>
Non-controlling interest	30%		35%
	<b>100%</b>		<b>100%</b>



<b>W2 Goodwill Calculation</b>		
	Lorisho Ltd	Torento Ltd
	FRW Million	FRW Million
Fair value - consideration	75,000	23,000
Fair value - consideration (39B x 70%)		27,300
Fair value - non-controlling interest	31,500	26,250
[2100 x 50m x 30%] [2500x30x35%]		
Less: Fair Value of net assets acquired		
Share capital of FRW 1000 each	(50,000)	(30,000)
Retained earnings	(40,000)	(29,000)
<b>Goodwill at acquisition</b>	<b>16,500</b>	<b>17,550</b>
Goodwill impaired in th year	(10,000)	(14,000)
<b>Goodwill balance</b>	<b>6,500</b>	<b>3,550</b>

### W3. Consolidated Retained earnings

	Sigoma Ltd	Lorisho Ltd	Torento Ltd
	FRW Million	FRW Million	FRW Million
As reported	74,600	159,700	103,300
Pre-acquisition		(40,000)	(29,000)
Goodwill impaired			

Lorisho Ltd (10,000x70%)		(10,000)	
Torento Ltd (14,000x65%)			(14,000)
UP on inventory			
[50m x 25/125] [25m x 25/125]		(10)	(5)
Interest cost (Sigoma's bank loan)	(2,025)		
<b>Total</b>	<b>72,575</b>	<b>109,690</b>	<b>60,295</b>
Parents share	115,975	76,783	39,192
[70% x 109,690] [65% x 60,295]			
<b>Balance c/f</b>	<b>188,550</b>		

#### W4. Consolidated Other reserves

	Sigoma Ltd	Lorisho Ltd	Torento Ltd
	FRW Million	FRW Million	FRW Million
As reported	40,500	15,000	16,000
Parents share [70% x 10,500] [65% x 10,400]	<b>20,900</b>	<b>10,500</b>	<b>10,400</b>
<b>Total consolidated</b>	<b>61,400</b>		

#### W5. Non-controlling interest

<b>NCI Balance in Group Equity</b>	Total	Lorisho Ltd	Torento Ltd
	FRW Million	FRW Million	FRW Million
At acquisition	57,750	31,500	26,250
NCI share of post-acquisition retained earnings (W3)	54,010	32,907	21,103
NCI share of post-acquisition other reserves (W4)	10,100	4,500	5,600
Lorisho NCI's share in investment held in Torento	(11,700)	(11,700)	
<b>Balance c/f</b>	<b>110,160</b>	<b>57,207</b>	<b>52,953</b>

<b>NCI share of Group profit for the year</b>	Total	Lorisho Ltd	Torento Ltd
	FRW Million	FRW Million	FRW Million
Profits for the year (as reported)			
Lorisho Ltd (8,500x30%)	8,605	2,550	6,055
Torento Ltd (17,300x35%)			

Goodwill impaired			
Lorisho Ltd (10,000x30%)	(3,000)	<b>(3,000)</b>	
Torento Ltd (14,000x35%)	(4,900)		<b>(4,900)</b>
UP on inventory			
30%[50m x 25/125] + 35%[25m x 25/125]	(5)	<b>(3)</b>	<b>(2)</b>
	<b>700</b>	<b>(453)</b>	<b>1,153</b>

#### **W6: Bank Loan & Intra-Group Loan**

##### **Sigoma's loan from Bank**

**Loan from the Bank** 45,000

Interest cost (based on effective interest rate of 18% - 3 months Oct-Dec)  
[18%x45000x3/12] 2,025

**Bank Loan balance (31 Dec 2020)** **47,025**

##### **Sigoma's loan to Lorisho**

Intra group loan to cancel 45,000

Intra group interest to cancel [18%x45000x3/12] 2,025

#### **c) Additional information 5**

The following additional disclosures shall be made in the notes to the financial statements regarding the loan from Sigoma Ltd to Lorisho Ltd in accordance with IAS 24 “Related Party Disclosures”

- The fact that Sigoma Ltd controls Lorisho Ltd to the extent of 70% of the ordinary share capital held in Lorisho Ltd.
- The related party transaction whereby:
  - o During the year (on 1 October 2020), Sigoma Ltd borrowed a loan from the bank on competitive terms of 15% Interest per annum for 10 years, and immediately advanced the same amount to its subsidiary at a market interest rate of 18% over the same period of 10 years.
  - o The amount of the loan of FRW 45 million
  - o The terms for the payment of the interest on the loan which is payable annually in arrears
  - o A disclosure in the profit or loss for the accrual of the related interest income of FRW 2.025 billion for the three-month period (October – Dec 2020); and
  - o A disclosure in the statement of financial position of the receivables (in statement of financial position).



## **SECTION B**

### **QUESTION TWO**

#### **Marking Guide**

	<b>Marks</b>
<b>Part (a): Green Coffee Company (GCC)</b>	
<b>(i) Calculation of the accounts receivable without a forward contract hedge</b>	
Award 1 mark for each correct line used in computing the accounts receivable to 31 December 2020 as below	
Recognition 01 October 2020	1
Restated on 31 December 2020	1
Total Exchange Gain on 31 December 2020	1
<b>Maximum marks</b>	<b>3</b>
<b>(ii) Hedge effectiveness on 30 November 2020 and 31 December 2020</b>	
A correct calculation of the hedge effectiveness on 30 November 2020 (award 0.5 marks for the correct formula and 0.5 marks for the correct calculated answer)	1
A correct calculation of the hedge effectiveness on 31 December 2020 (award 0.5 marks for the correct formula and 0.5 marks for the correct calculated answer)	1
<b>Maximum marks</b>	<b>2</b>
<b>(iii) Journal entries on 30 November 2020 and 31 December 2020 for the account receivable and the cash flow hedge:</b>	
Award 0.5 marks for each account "line entry" picked correctly as either a debit or a credit entry with a correct amount (other than the entry below)	4
Award 1 mark for a "debit entry" to the "income statement" with the correct amount for the "loss on the forward contract" on 31 December 2020	1
<b>Maximum marks</b>	<b>5</b>
<b>Part(b): Single Source Properties (SSP)</b>	
Up to 2 marks for a correct explanation of the concept of "Expected credit loss method" of impairment of receivables in accordance with IFRS 9 Financial Instruments	2
Award 0.5 marks for each correctly computed "loss/credit allowance" computed for 01 January 2020 and 31 December 2020	5

Award 1 mark each correct the "debit entry" with a correct amount and 1 mark for the correct "credit entry" with a correct amount representing the journal entry at the end of the year	2
Award 1 mark for a correct conclusion specifying an increase in the loss allowance due to credit risk as assessed at the end of the year	1
<b>Maximum marks</b>	<b>10</b>

**Part (c): Understanding "deferred tax" and benefits of accounting for deferred tax in the financial statements of a public listed entity**

Award 1 mark for a correct "report format" used in the report addressed to the Board of Directors	1
Award up to 1 mark for a correct definition of deferred tax in accordance with IAS 12 "Income Taxes"	1
Award 1 mark for every well explained benefit relating to accounting for deferred tax in the financial statements of a public listed company	3
<b>Maximum marks</b>	<b>5</b>

<b>Total Marks for Question Two</b>	<b>25</b>
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**Detailed Answer**

a)

(i)

Account receivable	FRW
Recognition 01 October 2020 (90,000x 650)	58,500,000
Restated on 31 December 2020 (90,000x 665)	59,850,000
Total Exchange Gain on 31 December 2020	1,350,000

(ii) **Hedge effectiveness**

**Hedge effectiveness on 30 November 2020**

$$= \frac{\text{Gain or loss on forward contract}}{\text{Gain or loss on receivables}} \times 100 = \frac{180,000}{180,000} \times 100 = 100\%.$$

**Hedge effectiveness on 31 December 2020**

$$= \frac{\text{Gain or loss on forward contract}}{\text{Gain or loss on receivables}} \times 100 = \frac{1,080,000}{1,170,000} \times 100 = 108\%$$

But the forward contract is moving the same direction as the receivables as such it is not effective in countering the changes in receivables.

**Workings**

Account receivable	FRW
Recognition 01 October 2020 (90,000x 650)	58,500,000
Restated on 30 November 2020 (90,000x 652)	58,680,000

Gain on 30 November 2020	180,000
Restated on 31 December 2020 (90,000x 665)	59,850,000
Gain on 31 December 2020	1,170,000
Forward contract as Cash flow hedge	
Recognition 01 December 2020	0
Loss on 30 November 2020 (90,000x (655-653))	180,000
Gain on 31 December 2020 (90,000x (653-665))	1,080,000

(iii) **Account receivable**

30 November 2020	FRW	FRW
Dr Account receivable	180,000	
Cr Income statement (Gain on receivable)		180,000
31 December 2020		
Dr Account receivable	1,170,000	
Cr Income statement (Gain on receivable)		1,170,000

**Forward contract**

30 November 2020		
Dr Forward contract asset	180,000	
Cr Other comprehensive income (gain on contract)		180,000
31 December 2020		
Dr Income statement (loss on contract)	1,080,000	
Cr Forward contract asset		180,000
Cr Forward contract liability		900,000

**Note that in December 2020 the forward contract is not effective as such any gain or loss is recognised in the income statement.**

**Workings – as per ii**

**b)**

The objective of the impairment requirements is to recognize lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition — whether assessed on an individual or collective basis — considering all reasonable and supportable information, including that which is forward-looking.

	01-Jan-20			31-Dec-20		
	Gross carrying amount	Expected default rate	Allowance	Gross carrying amount	Expected default rate	Allowance
Days	FRW million		FRW million	FRW million		FRW million
Current	100	0.20%	<b>0.2</b>	180	0.50%	<b>0.9</b>
1 to 30 days overdue	65	5%	<b>3.25</b>	130	7%	<b>9.1</b>
31 to 60 days overdue	55	50%	<b>27.5</b>	60	60%	<b>36</b>

Over 60 days	30	90%	<b>27</b>	50	95%	<b>47.5</b>
Total	250		<b>57.95</b>	420		<b>93.5</b>

The journal entry for the increase in the allowance

Dr Doubtful debt expense in profit/loss FRW 35.55 million

Cr Allowance for doubtful debt (93.5-57.95) FRW 35.55 million

Increase in allowance due to credit risk as assessed at the end of the year.

c)

### **Memo**

From: Finance Director

To: Board members (Board of Directors)

Date: 26 April 2021

### **RE: Explanation of deferred tax and its benefits**

This is a memo to provide simple explanations of deferred tax and benefits of it.

Deferred tax is the estimated future tax consequences of transactions and events recognized in the financial statements of the current and previous periods. The need for deferred tax arises because the profit for tax purposes may differ from the profit shown in the financial statements.

On benefits,

Profit after tax, used to calculate EPS, may bear little resemblance to the pre-tax profit.

If the tax charge is fluctuating because of the way in which certain items are treated for tax, the EPS will fluctuate too. Thus, providing for deferred tax reduces the fluctuation caused by temporary differences.

The EPS is used in the calculation of the Price Earnings (P/E) ratio, which in turn can impact on share price. Without providing for deferred tax, the share price may be adversely affected by government fiscal policy.

Over-statement of profit, by not allowing for deferred tax, can lead to demands for consequently over-optimistic dividends.

Shareholders may be misled in relation to the performance of the company.

Accounting for deferred tax satisfies the accruals concept in that the cost of the asset is matched with the benefit of that asset over its useful life.

## QUESTION THREE

### Marking Guide

	Marks
<b>Part (a) Equity-settled share-based payment</b>	
Award up to 2 marks for a correct definition of an “Equity settled share-based payment” in accordance with IFRS 2 "Share-based payments"	2
Award 0.5 marks for each account "line entry" picked correctly as either a debit or a credit entry with a correct amount (including 1 mark for every correct narrative explaining the accounting entry) in regard to accounting entries to record the share options in situation 1 of the scenario for each of the two years ended 31 December 2020, in accordance with IFRS 2 Share-based Payments	8
<b>Maximum marks</b>	<b>10</b>
<b>Part (b) Cash-settled share-based payment</b>	
Award up to 2 marks for a correct definition of a “Cash settled share-based payment” in accordance with IFRS 2 "Share-based payments"	2
Award 1 mark for each account "line entry" picked correctly as either a debit or a credit entry with a correct amount (and an additional 1 mark for every correct narrative explaining the accounting entry making a total of 3 marks for each entry having a valid narration) in regard to accounting entries to record the "Share Appreciation Rights (SARs)" in situation 2 of the scenario for each of the two years ended 31 December 2020, in accordance with IFRS 2 Share-based Payments	8
<b>Maximum marks</b>	<b>10</b>
<b>Part (c): Accounting treatment of the impairment loss</b>	
A correct reference to the requirement of IFRS 5 regarding the measurement of a non-current asset to the lower of carrying amount and fair value less costs of disposal	1
A reference to the correct amount of the carrying amount for the non-current assets picked from the scenario	0.5
Award 0.5 marks for each correct figure used in the calculation of the fair value less costs of disposal using the information provided in the scenario	1
Award 0.5 marks for the correct calculation of the impairment loss and 05 marks for concluding that the impairment loss will be charged to the profit or loss	1
Award 1 mark for a correct reference to IFRS 5 requirement to present the "held-for-sale asset" separately from the other assets in the statement of financial position	1

Award 0.5 marks for going ahead to refer to IFRS 5 requirement not to depreciate an asset when classified as held for sale	0.5
<b>Maximum marks</b>	<b>5</b>

<b>Total Marks for Question Three</b>	<b>25</b>
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### Detailed answer

a)

Equity Settled share-based payment.

A share-based payment transaction in which the entity (a) receives goods or services as consideration for its own equity instruments (including shares or share options), or (b) receives goods or services but has no obligation to settle the transaction with the supplier. **(2 marks)**

31-Dec-19

Dr Staff cost FRW2,500,000

Cr Equity (share options) FRW 2,500,000

Recognition of share-based payment – Equity settled

31-Dec-20

Dr Staff cost FRW2,300,000

Cr Equity (share options) FRW 2,300,000

Recognition of share-based payment – Equity settled

### Workings

Date	Staff number	Total share options	Value FRW	Charge for the year FRW	Cumulative equity FRW
31-Dec-19	500	100,000	10,000,000	2,500,000	2,500,000
31-Dec-20	470	94,000	9,400,000	2,300,000	4,800,000

b)

Cash settled share-based payment.

A share-based payment transaction in which the entity acquires goods or services by incurring a liability to transfer cash or other assets to the supplier of those goods or services for amounts that are based on the price (or value) of equity instruments (including shares or share options) of the entity or another group entity.

31-Dec-19

Dr Staff cost FRW 375,000

Cr Liability (Share Appreciation Rights) FRW 375,000

Recognition of share-based payment – Cash settled.

31-Dec-20

Dr Staff cost FRW 439,000

Cr Equity (Share Appreciation Rights) FRW 439,000

Recognition of share-based payment – Cash settled.

### Workings

Date	Staff number	Total SAR	Value FRW	Charge for the year FRW	Cumulative liability FRW
31-Dec-19	500	100,000	1,500,000	375,000	375,000
31-Dec-20	470	94,000	1,692,000	439,000	814,000

c) Situation 3

IFRS requires that an asset classified as non-current asset held for sale to be measured at the lower of carrying amount and fair value less selling costs.

Carrying amount = FRW850 million

Fair value less selling costs = 1,020 million - 210 million = FRW810 million

Given the Fair value less selling cost is lower than the carrying amount, then there is impairment of FRW 40 million (850-810) million. The impairment loss is an expense

The asset will be disclosed in a separate line item as non-current asset held for sale at FRW 810 million.

No more depreciation of the asset.

## QUESTION FOUR

### Marking guide

	Marks
<b>Part (a): Corporate Social Responsibility (CSR) reporting</b>	
Award up to 2 marks for a valid explanation of what is meant by Corporate Social Responsibility (CSR) reporting	2
Award up to 2 marks for an explanation of each key element that is included in the CSR reports (this includes 1 mark for each correct element identified and 1 mark for an explanation for the inclusion of the element in the CSR element)	8
<b>Maximum marks</b>	<b>10</b>
<b>Part (b): The due process undertaken by the IPSASB to develop the IPSASs</b>	
Award 1 mark for each correct step identified and explained correctly taken by the IPSASB in the development of the IPSASs	5
<b>Part (c): The application of the IFMIS in the implementation of the accrual IPSAS accounting</b>	
Award 2 professional marks including 1 mark for the appropriate format of the report clearly addressed to the Accountant General and 1 mark for the clarity of the discussion	2
Up to 2 marks for each well explained point advising on the best way IFMIS can be used to implement accrual IPSAS accrual accounting	8
<b>Maximum marks</b>	<b>10</b>
<b>Total Marks for Question Four</b>	<b>25</b>

### Detailed answer

a)

Corporate Social Responsibility (CSR) reporting is the reporting of the exchanges between a firm and society consisting primarily of the use of social resources. The social aspects encompass values and ethics, and reciprocal relationships with stakeholders other than just the shareholders.

If the activities of a firm lead to a depletion of social resources, the result is a social cost.

If they lead to an increase in social resources, the result is a social benefit.

Corporate social reporting covers several quite distinct areas. The emphasis is on areas appears to be subject to fashions, varying across both time and place.



CSR reporting deals with disclosure of how a company fulfils its social responsibility. users of financial information are interested in information on activities, programs of upliftment and improvement of social structures; and large donations made or intended.

Many companies include information about their social and environmental good deeds in their annual reports, but standards for measuring and reporting such non-financial indicators do not exist. Social disclosures in annual reports and accounts may include environmental activities, human resources or charitable activities.

The social aspects are disclosed in the discretionary disclosure section of corporate annual reports.

Items that may be included in Corporate Social Responsibility (CSR) reporting may include the following:

- Disposal of toxic waste
- Pollution control
- Downsizing staff
- Depletion and allocation of scarce natural resources
- Changes in law and technology (privacy issues)
- Employee rights (i.e. workplace safety)
- Discrimination against women and minorities (gender aspects)
- Product safety

**b)**

Due process to come up with pronouncements of IPSASs

- The IPSASB is required to be transparent in its activities, and in developing IPSASs to adhere to due process.
- The IPSASB may issue a Consultation Paper prior to the development of an exposure draft
- The IPSASB issues exposure drafts of all proposed IPSASs for public comment. This provides an opportunity for those affected by IPSASB pronouncements to provide input and present their views before the pronouncements are finalized and approved. IPSASB then considers all comments received on Consultation Papers and exposure drafts in developing an IPSAS.
- There is the cooperation with relevant stakeholders to ensure sharing resources, minimizing duplication of effort, and reaching consensus and convergence in standards at an early stage in their development. Relevant stakeholders help in endorsement and include national standard setters, users, including elected and appointed representatives; Treasuries, Ministries of Finance, and similar authoritative bodies; and practitioners throughout the world to identify user needs for new standards and guidance.
- Inputs are also obtained from other pronouncements including International Accounting Standards Board (IASB), National standard setters, regulatory authorities and other authoritative bodies, Professional accounting bodies and other organizations interested in financial reporting in the public sector.

- IPSAS is then issued after consideration of the IPSASB members and is always ensured to be consistent with those of IASB to the extent those pronouncements are applicable and appropriate to the public sector.

c)

Report

To: Accountant General

From: Adviser

Date: 26 April 2020

**RE: Best way IFMIS can be used to implement IPSAS accrual**

This report seeks to advise you on the above matter now that the GoR is changing into full accrual

IPSAS from the modified cash basis, IPSAS that has been always used before. This takes into consideration that the government has been using the IFMS for a long time and still needs to continue using it.

**The following are the possible advice for your consideration.**

First it will be good to assess all the functions of IFMS to fully explore them especially those that had not been used before.

It will then be necessary for the government to collect all relevant information required in full accrual.

Relevant stakeholders (especially those using the IFMS) will need to be trained on the full accrual requirement of IPSAS.

The expanded form of IFMS will then also be set up in parallel with the existing IFMS on modified cash basis.

There will need to be validation for all the data collected for full accrual IPSAS

Then pilot data entry be made for a few entities that are fast in adoption of the full accrual

This to be followed by other entities after testing the output from IFMS for the accrual systems.

A starting date be set that will then require all government entities and agencies to use the full accruals.

Auditors of the government entities will then also need to be briefed on the development to ensure there is good collaboration on their reporting.

The stakeholders (especially the executive and parliament) will then need to be informed of the expanded reporting that comes out of the full accruals IFMS to understand better the information presented to them.

### **End of model answers and marking guide**