

**NOVEMBER 2025 PROFESSIONAL EXAMINATIONS  
CORPORATE REPORTING (PAPER 3.1)  
CHIEF EXAMINER'S REPORT, QUESTIONS AND MARKING SCHEME**

**STANDARD OF THE PAPER**

The paper was generally a moderate paper compared to previous diets. The questions were based on the syllabus. It contained five major questions, testing a wide range of IFRS-based financial reporting competencies, including consolidation, fair value measurement, impairment, provisions, revenue recognition, sustainability reporting, ratio analysis, and professional ethics. The mark allocation followed the weightings in the syllabus and was fairly allocated to each sub-question. Most questions were clearly stated and followed higher order learning outcomes. 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 exam's diet was better than the previous diet. Candidates who performed well demonstrated a clear understanding of the subject matter.

## QUESTION ONE

The following financial statements relate to Odupon, a public limited company:

**Odupon Group**  
**Statements of Profit or Loss and Other Comprehensive Income for the year ended**  
**30 April 2024.**

|  | Odupon<br>GH¢ million | Benkum<br>GH¢ million | Nifa<br>GH¢ million |
|--|-----------------------|-----------------------|---------------------|
| Revenue  | 1,200                 | 345                   | 210                 |
| Cost of sales                                    | <u>(936)</u>          | <u>(195)</u>          | <u>(108)</u>        |
| <b>Gross profit</b>                              | <b>264</b>            | <b>150</b>            | <b>102</b>          |
| Other income                                     | 63                    | 21                    | 6                   |
| Administrative costs                             | (45)                  | (27)                  | (36)                |
| Other expenses                                   | <u>(105)</u>          | <u>(57)</u>           | <u>(24)</u>         |
| <b>Operating profit</b>                          | <b>177</b>            | <b>87</b>             | <b>48</b>           |
| Finance costs                                    | (15)                  | (18)                  | (12)                |
| Finance income                                   | <u>18</u>             | <u>15</u>             | <u>24</u>           |
| <b>Profit before tax</b>                         | <b>180</b>            | <b>84</b>             | <b>60</b>           |
| Income tax expense                               | <u>(57)</u>           | <u>(27)</u>           | <u>(15)</u>         |
| <b>Profit for the year</b>                       | <b>123</b>            | <b>57</b>             | <b>45</b>           |
| Other comprehensive income – revaluation surplus | <u>30</u>             | —                     | —                   |
| <b>Total comprehensive income for year</b>       | <b><u>153</u></b>     | <b><u>57</u></b>      | <b><u>45</u></b>    |

The following information is relevant to the preparation of the group statement of profit or loss and other comprehensive income:

- i) On 1 May 2022, Odupon acquired 60% of the equity interest of Benkum, a public limited company for GH¢240 million. The fair value of the identifiable net assets acquired was GH¢330 million at that date. The fair value of the non-controlling interest (NCI) in Benkum was GH¢135 million on 1 May 2022. Odupon wishes to use the ‘full goodwill’ method for all acquisitions. The share capital and retained earnings of Benkum were GH¢75 million and GH¢195 million respectively and other components of equity were GH¢18 million at the date of acquisition. The excess of the fair value of the identifiable net assets at acquisition is due to non-depreciable land.

Goodwill had impaired by 20% as at 30 April 2023. However, at 30 April 2024, the impairment of goodwill had reversed and goodwill was valued at GH¢6 million above its original value. This upward change in value has already been included in the above draft financial statements of Odupon prior to the preparation of the group accounts.

- ii) Odupon disposed of an 8% equity interest in Benkum on 30 April 2024 for a cash consideration of GH¢54 million and had accounted for the gain or loss in other income. The carrying value of the net assets of Benkum at 30 April 2024 was GH¢360 million before any adjustments on consolidation.

Odupon accounts for investments in subsidiaries using **IFRS 9: Financial Instruments** and has made an election to show gains and losses in other comprehensive income. The carrying

value of the investment in Benkum was GH¢270 million at 30 April 2023 and GH¢285 million at 30 April 2024 before the disposal of the equity interest.

- iii) Odupon acquired 60% of the equity interests of Nifa, a public limited company, on 30 April 2022. The purchase consideration was cash of GH¢210 million. Nifa's identifiable net assets were fair valued at GH¢258 million and the NCI had a fair value of GH¢84 million at that date.

On 1 November 2023, Odupon disposed of a 40% equity interest in Nifa for a consideration of GH¢150 million. Nifa's identifiable net assets were GH¢270 million and the value of the NCI was GH¢102 million at the date of disposal. The remaining equity interest was fair valued at GH¢120 million. After the disposal, Odupon exerts significant influence. Any increase in net assets since acquisition has been reported in profit or loss and the carrying value of the investment in Nifa had not changed since acquisition. Goodwill had been impairment tested and no impairment was required. No entries had been made in the financial statements of Odupon for this transaction other than for cash received.

- iv) Odupon sold inventory to Benkum for GH¢36 million at fair value. Odupon made a loss of GH¢6 million on the transaction and Benkum still holds GH¢24 million in inventory at the year end.
- v) On 1 May 2022, Odupon purchased an item of property, plant and equipment for GH¢36 million and it is being depreciated using the straight-line basis over 10 years with a zero residual value. At 30 April 2023, the asset was revalued to GH¢39 million but at 30 April 2024, the value of the asset had fallen to GH¢21 million. Odupon uses the revaluation model to value its non-current assets. The effect of the revaluation at 30 April 2024 had not been taken into account in total comprehensive income but depreciation for the year had been charged.
- vi) On 1 May 2022, Odupon awarded 24,000 share options to each of its seven directors. The condition attached to the award is that the directors must remain employed by Odupon for three years. The fair value of each option at the grant date was GH¢100 and the fair value of each option at 30 April 2024 was GH¢110. At 30 April 2023, it was estimated that three directors would leave before the end of three years. Due to an economic downturn, the estimate of directors who were going to leave was revised to one director at 30 April 2024. The expense for the year as regards the share options had not been included in profit or loss for the current year and no directors had left by 30 April 2024.
- vii) Ignore the taxation effects of the above adjustments unless specified. Any expense adjustments should be amended in other expenses.

**Required:**

- a) Prepare a Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 April 2024 for the Odupon Group. **(15 marks)**
- b) Explain, with suitable calculations, how the sale of the 8% interest in Benkum should be dealt with in the Consolidated Statement of Financial Position at 30 April 2024. **(5 marks)**

**(Total: 20 marks)**

## QUESTION TWO

- a) Nantwi Inc. (Nantwi) produces generators for use in UPS electrical systems. The generators are manufactured in three production facilities located in Kuala Lumpur, Accra and Kigali.

The Kuala Lumpur facility produces the component “B” and the final generators are assembled in either the Accra or Kigali facilities - in aggregate, the capacities of the Accra and Kigali facilities are not fully utilised.

Nantwi’s products are sold worldwide from either Accra or Kigali. No restrictions exist for which location can meet an order and is often determined by which facility has the necessary stock on hand.

### Required:

In accordance with *IAS 36: Impairment of Assets*, examine the cash generating units with respect to Kuala Lumpur, Accra and Kigali if:

- i) There is an active market for Kuala Lumpur’s product where they could be sold to Accra and/ or Kigali or external clients. **(3 marks)**
  - ii) There is no active market for Kuala Lumpur’s product and they are only useful to Accra and/ or Kigali but there are no external clients that would buy the output. **(3 marks)**
- b) Akokoa PLC acquires land where a factory is located in a business combination. The land is currently being used as a factory site. The land is in a city centre that has highly appreciated, and a number of nearby sites have been developed for residential high rise apartments.

The fair value of the land as a factory site is GH¢10 million. The fair value of the land and factory is GH¢20 million. If the factory is demolished, it will have a net cost of GH¢2 million. It is not practicable to relocate the factory.

The fair value of the land if vacant for residential development is GH¢15 million, excluding re-zoning costs. If the land is developed into apartments, the residual land-value (value of the land less the development costs) is GH¢25 million, and the value of the land if deducting a normal profit margin for a developer is GH¢17 million (excluding re-zoning costs). In order for the land to be converted to residential land, there would be re-zoning and legal fees of GH¢1 million.

### Required:

In accordance with *IFRS 13: Fair Value Measurements*, determine how the fair value of the land would be determined and any other issues identified. **(6 marks)**

- c) The West Africa Gas Pipeline Company LTD owns and operates a fuel distribution system in West Africa. Due to increased use in previous years, parts of the system might show undetected weaknesses that could eventually lead to leaks that would incur both material and environmental repair costs. The risk has been reviewed by internal engineers, and their conclusion is that the damage to the environment would be moderate as it will harm the local pangolin population.

Pangolins are endangered species in West Africa and there would be costs incurred of GH¢1,750,000 for them to be reintroduced into the environment.

**Required:**

Discuss the accounting treatment under *IAS 37: Provisions Contingent Liabilities and Contingent Assets* for the environmental liability. **(4 marks)**

- d) *IFRS 2: Share-based payments* requires an entity to recognise share-based payment transactions (such as granted shares, share options or share appreciation rights) in its financial statements, including transactions with employees or other parties to be settled in cash, other assets or equity instruments of the entity.

Under IFRS 2, the treatment of market conditions and non-market conditions differs significantly when measuring and recognising share-based payment expenses.

**Required:**

In accordance with IFRS 2, distinguish between *market conditions* and *non-market conditions*. **(4 marks)**

**(Total: 20 marks)**

### QUESTION THREE

- a) Globacom LTD (Glo) is a leading telecommunications company in West Africa offering a range of services including wireless services, internet services, among tohers. Glo purchases mobile handsets for GH¢4000 (normally a smart phone). The smart phones are normally sold to customers for GH¢2500 with the purchase of Glo's SIM card. Airtime for Glo's SIM cards are recharged with prepaid phone cards.

The prepaid phone cards are sold in increments of GH¢10. On average, there is GH¢1 of unused phone credit on each prepaid sold card that expires. The prepaid phone cards are valid for 24 months after the first transaction on the card.

All prepaid phone cards include a GH¢1 activation fee which is deducted from the card when it is first used, and then the balance is charged based on usage as per the terms and conditions of Glo.

**Required:**

In accordance with **IFRS 15: Revenue from Contracts with Customers**, demonstrate how Glo should account for revenue in its financial statements. **(7 marks)**

- b) **IFRS 17: Insurance Contracts** establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts.

**Required:**

Explain with example an **insurance contract** under IFRS 17. **(3 marks)**

- c) You are a financial reporting and sustainability advisor to the newly established Ghana Gold Board (GoldBod), a statutory agency tasked with regulating Ghana's gold trade. GoldBod oversees the purchase, refining, storage, export, and marketing of gold from both large- and small-scale mining operations. It also plays a critical role in promoting responsible sourcing, environmental compliance, and transparency in the gold value chain.

As part of its strategic plan to align with international sustainability reporting expectations and attract future investment, GoldBod has committed to adopting the IFRS Sustainability Disclosure Standards, namely **IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information**, and **IFRS S2: Climate-related Disclosures**.

The Chief Finance Officer (CFO) has asked for your advice in preparing GoldBod's first sustainability-related financial disclosures. However, several challenges have emerged:

GoldBod operates in regions where artisanal and small-scale gold mining (ASGM) are widespread, often involving practices linked to environmental damage, unsafe working conditions, and a lack of formal regulation.

Its refining facilities rely heavily on diesel-powered machinery, raising concerns about carbon emissions and exposure to future climate transition risks as Ghana moves toward a low-carbon economy.

The organisation has yet to establish formal governance systems for overseeing sustainability-related risks and lacks reliable systems for measuring Scope 1, Scope 2, and Scope 3 greenhouse gas emissions.

Finally, the CFO is uncertain whether financial implications of climate-related risks such as the cost of future environmental regulations or potential liabilities must be disclosed in the absence of quantified estimates.

**Required:**

- i) Identify and explain the key sustainability disclosure issues faced by GoldBod based on the scenario. **(4 marks)**
- ii) Applying the relevant requirements of IFRS S1 and IFRS S2, advise on how GoldBod should address these issues in its sustainability reporting. **(4 marks)**
- iii) Recommend practical steps GoldBod should take to improve the quality, completeness, and credibility of its sustainability disclosures. **(2 marks)**

**(Total: 20 marks)**

## QUESTION FOUR

- a) Burodua LTD (Burodua) has operated within the textile industry in Ghana over the past twenty years. But stiff competition from East Asia in recent years has pushed many local textile players including Burodua into mounting trading losses. The Directors, in an attempt to reverse this worrying trend, have already realigned the company's product portfolio and operations. The latest statement of financial position of Burodua as at 31 July 2025 is provided below:

### Statement of Financial Position As at 31 July 2025

| <b>Assets</b>                                 | <b>GH¢000</b>        |
|---|----------------------|
| Property                                      | 5,400                |
| Plant & Equipment                             | 8,600                |
| Accumulated depreciated – plant and equipment | (1,300)              |
| Patents                                       | 813                  |
| Inventories                                   | 3,600                |
| Accounts receivable                           | 4,250                |
|   | <b><u>21,363</u></b> |
| <b>Equity and liabilities</b>                 |                      |
| Ordinary shares capital (shares @ GH¢2 each)  | 10,000               |
| Retained earnings                             | (3,855)              |
| Share deals                                   | 1,060                |
| Long-term bank loan                           | 5,500                |
| Due to directors (due on 31 January 2027)     | 2,800                |
| Current liabilities                           | 5,858                |
|   | <b><u>21,363</u></b> |

### Additional information

Following a meeting with key stakeholders, the following scheme of internal financial reconstruction with effect from 1 August 2025 has been agreed:

- i) Ordinary share capital is to be reduced by 45%. The shareholders are to inject an amount deemed sufficient to help the reconstructed business meet its set working capital target. Both retained earnings and share deals accounts are to be eliminated.
- ii) The bank is prepared to waive 10% of the loan balance and accept ordinary shares for the remaining balance. The bank has also pledged to make a revolving credit facility of GH¢12 million available to the company. The Directors have planned to draw GH¢2 million immediately.
- iii) The Directors have agreed to grant a waiver over the amount owed them. In exchange, they are to receive fully vested share options whose fair value is determined as GH¢1.54 million.
- iv) The Property represents a 10-storey building. All the floors are identical in size and design. The Directors have decided to lease out four (4) of these floors to Tinkong LTD under a 3-year finance lease agreement. The annual rentals, which would be received, on 1 August each year have been agreed at GH¢1 million. The lease has an implicit rate of interest of 15%. The cumulative present values of GH¢1 based on 15% for two and three years are GH¢1.63 and GH¢2.28 respectively. The remaining six (6) floors should be revalued up by 20%.



- v) The other assets are to be restated as follows:  
 Plant and Equipment (GH¢6.45 million);  
 Inventories (GH¢2.01 million);  
 Account receivables (GH¢3.1 million).  
 Any intangible assets are to be eliminated.
- vi) The Directors have decided to invest GH¢5 million in a new plant facility.
- vii) The Directors require ratio of current assets to current liabilities of 1.5:1 after the reconstruction. The reorganisation is estimated to cost the firm GH¢200,000.

**Required:**

- i) Prepare a Capital Reduction Account for Burodua.
- ii) Prepare a revised Statement of Financial Position of Burodua as at 1 August 2025 after considering the effects of the agreed scheme of reorganisation.

**(15 marks)**

- b) When Odikro acquired the majority shareholding in Gyaase, there was an option on the remaining non-controlling interest (NCI), which could be exercised at any time up to 31 December 2025. On 30 April 2025, Odikro acquired the remaining NCI which related to the purchase of Gyaase. The payment for the NCI was structured so that it contained a fixed initial payment and a series of contingent amounts payable over the following two years. The contingent payments were to be based on the future profits of Gyaase up to a maximum amount. Odikro felt that the fixed initial payment was an equity transaction. However, Odikro was unsure as to whether the contingent payments were equity, financial liabilities or contingent liabilities.

Odikro intends to disclose the contingent payments in its financial statements. The disclosure will include the estimated timing of the payments and the directors' estimate of the amounts to be settled.

**Required:**

Advise Odikro on the proposed accounting treatment of the contingent payments on acquisition.

**(5 marks)**

**(Total: 20 marks)**

## QUESTION FIVE

- a) Pampa PLC operates across retail, technology and hospitality industries in Ghana. The group consists of Pampa PLC and three (3) fully owned subsidiaries. Below are the group's consolidated financial statements for the year ended 30 September 2025 (along with the comparative 2024 year):

| <b>Consolidated statement of profit or loss for the year ended 30 September</b> |                     |                     |
|---|---------------------|---------------------|
|   | <b>2025</b>         | <b>2024</b>         |
|   | <b>GH¢ million</b>  | <b>GH¢ million</b>  |
| Revenue   | 1,540.8             | 1,004.5             |
| Cost of sales   | <u>(922.2)</u>      | <u>(588.9)</u>      |
| <b>Gross profit</b>   | <b>618.6</b>        | <b>415.6</b>        |
| Selling costs   | (264.8)             | (190.8)             |
| Administrative expenses   | <u>(154.4)</u>      | <u>(91.1)</u>       |
| <b>Operating profit</b>   | 199.4               | 133.7               |
| Net finance costs   | <u>(39.5)</u>       | <u>(13.2)</u>       |
| <b>Profit before tax</b>  | <b>159.9</b>        | <b>120.5</b>        |
| Tax @ 20%   | <u>(32.0)</u>       | <u>(24.1)</u>       |
| <b>Profit for the period</b>  | 127.9               | 96.4                |
| Other comprehensive income  | <u>15.3</u>         | <u>6.5</u>          |
| <b>Total comprehensive income</b>   | <b><u>143.2</u></b> | <b><u>102.9</u></b> |

| <b>Abridged consolidated statement of financial position as at 30 September</b> |                       |                       |
|---|-----------------------|-----------------------|
|   | <b>2025</b>           | <b>2024</b>           |
|   | <b>GH¢ million</b>    | <b>GH¢ million</b>    |
| Non-current assets  | 1,330.3               | 906.5                 |
| Current assets  | <u>674.7</u>          | <u>549.4</u>          |
|   | <b><u>2,005.0</u></b> | <b><u>1,455.9</u></b> |
| <b>Equity and liabilities</b>   |                       |                       |
| Ordinary share capital  | 450.0                 | 300.0                 |
| Retained earnings   | 770.4                 | 654.2                 |
| Other reserves  | 100.4                 | 85.1                  |
| Long-term borrowings  | 355.7                 | 104.7                 |
| Current liabilities   | <u>328.5</u>          | <u>311.9</u>          |
|   | <b><u>2,005.0</u></b> | <b><u>1,455.9</u></b> |

The following notes are important:

- On 1 April 2025, Pampa PLC completed the purchase of a 100% equity interest in Ndaa LTD, a large supermarket, for GH¢280 million. The consideration was financed with both share-exchange and cash from a specific-purpose long-term syndicated credit facility. The fair value of the share exchange component was GH¢130 million. The acquired net assets of Ndaa LTD included a 3-year term loan of GH¢90 million which had been arranged on 1 October 2024. The rates of interest on the syndicated and the term loans are 16% p.a. and 18% p.a. respectively. Ndaa LTD held no other interest-carrying debts up to 30 September 2025.

During the current period, Ndaa LTD generated revenue of GH¢210 million, operating profit of GH¢32.2 million, profit (after 20% tax) of GH¢12.8 million, and other comprehensive income of GH¢2.6 million. All of these items should be considered to have occurred evenly throughout the year.

- 2) The following metrics, determined based on consolidated figures, are also relevant:

|   | 2025    | 2024    |
|---|---------|---------|
| <b>Non-financial metrics</b>  |         |         |
| Total carbon emissions (CO <sub>2</sub> e)                                | 251,000 | 240,000 |
| Total waste generated (kg)  | 109,100 | 80,600  |
| Difference between CEO and median annual pay of junior employees (GH¢000) | 225     | 202     |
| Effective (statutory) tax rate in %                                       | 12(25)  | 18(25)  |
|   |         |         |
| <b>Financial ratios</b>   |         |         |
| Acid-test ratio   | 1.02    | 0.99    |
| Accounts receivable period (in weeks)                                     | 3.3     | 3.1     |
| Accounts payable period (in weeks)  | 4.0     | 3.5     |
| Operating margin  | 12.9%   | 13.3%   |
| ROCE  | 12.0%   | 11.7%   |
| Return on equity  | 9.7%    | 10.1%   |
| Debt/equity ratio   | 26.9%   | 9.9%    |

During the current year 2025, Ndaa LTD evenly emitted 58,000 carbon dioxide equivalent (CO<sub>2</sub>e) and generated a total waste of 49,200 kg.

**Required:**

- i) Recompute the following ratios for the year ended 30 September 2025 after excluding the effects of Ndaa LTD:
  - Operating margin
  - Return on capital employed
  - Return on equity
  - Debt/equity ratio

**(6 marks)**
- ii) As the Finance Officer of the group, write a report to the board to evaluate the financial and nonfinancial performance of Pampa PLC for the year ended 30 September 2025, relative to the comparative year, using the metrics in *Note (2)* and the computed ratios (in “1” above). Your analysis should clearly highlight how the acquisition of Ndaa LTD has affected Pampa PLC’s performance.
 

**(9 marks)**
- b) You are the newly appointed Group Financial Controller (GFC) of Koranten Agro LTD (KAL), a rapidly growing agribusiness headquartered in Accra, Ghana, with subsidiaries across West Africa. The company is preparing for a listing on the Ghana Stock Exchange and is close to securing a €30 million sustainability-linked loan from international lenders. To support both initiatives, the company is placing strong emphasis on its financial performance and ESG credentials, closely monitored by auditors, regulators and investors.

During the year-end reporting process, several issues arose that raise serious ethical and professional concerns under IFRS Accounting standards and the ICAG Code of Ethics and Conduct.

First, revenue from a major export contract has been recognised, even though the goods had not been shipped or cleared by customs at year-end. Under **IFRS 15: Revenue from**

**Contracts with Customers**, revenue should only be recognised when control has transferred. The CFO dismisses the concern, calling it a “*minor timing issue*” that will reverse next year, though the recognition materially inflates profits and affects loan eligibility.

Second, internal emails reveal that pesticide contamination from a cashew facility may lead to fines or environmental restoration costs. Legal advice indicates a likely obligation, yet no provision or disclosure has been made. Under **IAS 37: Provisions, Contingent Liabilities and Contingent Assets**, such obligations should be recognized if probable and measurable. The CEO instructs you to stay silent, arguing the issue is not yet material and could delay the loan process.

Third, the ESG report which is being prepared for public release and external assurance includes overstated figures on carbon emission reductions and gender diversity. The Sustainability Officer privately admits that some metrics were “*adjusted*” to align with expectations. These metrics are key to both the loan conditions and IFRS S2 compliance. You are expected to approve the report despite knowing the data is inaccurate.

When you raise your concerns, leadership downplays them as “*unnecessary drama*” and urges you to stay aligned “*until the deal is done.*” With the Audit Committee meeting approaching, you face a dilemma: *stay silent, escalate, or step aside.*

**Required:**

Identify and briefly explain **FOUR** key ethical issues you are facing as the GFC at KAL, with reference to the fundamental ethical principles in the ICAG Code of Ethics and Conduct.

**(5 marks)**

**(Total: 20 marks)**

## SUGGESTED SOLUTION

### QUESTION ONE

- a) Odupon Group  
Consolidated Statement of profit or loss and other comprehensive income  
for the year ended 30 April 2024

|   | GH¢ million          |
|---|----------------------|
| Revenue   | 1,614.00             |
| Cost of sales   | <u>(1,149.00)</u>    |
| <b>Gross profit</b>   | <b>465.00</b>        |
| Other income  | 137.10               |
| Administrative costs  | (90.00)              |
| Other expenses  | (224.08)             |
| Share of profits of associate                                 | <u>4.50</u>          |
| <b>Operating profit</b>                                       | <b>292.52</b>        |
| Finance costs   | (30.00)              |
| Finance income  | <u>45.00</u>         |
| <b>Profit before tax</b>                                      | <b>307.52</b>        |
| Income tax expense  | <u>(91.50)</u>       |
| <b>Profit for the year</b>                                    | <b>216.02</b>        |
| <i>Other comprehensive income:</i>                            |                      |
| <i>Items which will not be reclassified to profit or loss</i> |                      |
| Changes in revaluation surplus                                | 8.40                 |
| <b>Total comprehensive income for the year</b>                | <b>224.42</b>        |
| Profit/loss attributable to: (w7)                             |                      |
| Owners of the parent  | 180.62               |
| Non-controlling interest                                      | <u>35.40</u>         |
|   | <b>216.02</b>        |
| Total comprehensive income attributable to:                   |                      |
| Owners of the parent  | 177.62               |
| Non-controlling interest                                      | <u>31.80</u>         |
|   | <b><u>209.42</u></b> |

## Workings

1

|                                     | Odupon   | Benkum   | Nifa    | Adjust<br>ment | Group      |
|-------------------------------------|----------|----------|---------|----------------|------------|
|                                     | GH¢' m   | GH¢' m   | GH¢' m  | GH¢' m         | GH¢' m     |
| Revenue                             | 1,200.00 | 345.00   | 105.00  | (36.00)        | 1,614.00   |
| Cost of sales                       | (936.00) | (195.00) | (54.00) | 36.00          | (1,149.00) |
| Gross profit                        | 264.00   | 150.00   | 51.00   |                | 465.00     |
| Other income (63 - 15.9 + 66) W2/W3 | 113.10   | 21.00    | 3.00    |                | 137.10     |
| Administrative costs                | (45.00)  | (27.00)  | (18.00) |                | (90.00)    |
| Other expenses                      | (105.00) | (57.00)  | (12.00) |                |            |
| Impairment of goodwill              | (15.00)  |          |         |                |            |
| Share of profits of associates      | 4.50     |          |         |                |            |
| PPE expense                         | (7.08)   |          |         |                |            |
| Share options                       | (6.40)   |          |         |                | (219.58)   |
| Operating profit                    | 203.13   | 87.00    | 24.00   |                | 314.13     |
| Finance costs                       | (15.00)  | (18.00)  | (6.00)  |                | (30.00)    |
| Finance income                      | 18.00    | 15.00    | 12.00   |                | 45.00      |
| Profit before tax                   | 206.13   | 93.00    | 30.00   |                | 329.13     |
| Income tax expense                  | (57.00)  | (27.00)  | (7.50)  |                | (91.50)    |
| Profit for the year                 | 149.13   | 66.00    | 22.50   |                | 237.63     |
| Other comprehensive income          |          |          |         |                |            |
| (GHS30m - GHS15m (W2))              | 15.00    |          |         |                | 15.00      |
| Revaluation adjustment              | (6.60)   |          |         |                | (6.60)     |
| Total comprehensive income for year | 157.53   | 66.00    | 22.50   |                | 246.03     |

Note that the share of the associates' profit should be disclosed on the face of the statement of profit or loss. Therefore, other expenses will be GH¢219.57m plus GH¢4.5m, i.e. GH¢224.07m.

2

|  | GH¢' m     | GH¢' m       |
|--|------------|--------------|
| Fair value of consideration for 60% interest   | 240        |              |
| Fair value of non-controlling interest         | <u>135</u> | 375          |
| Fair value of identifiable net assets acquired |            | <u>(330)</u> |
| <b>Goodwill</b>                                |            | <b>45</b>    |

### Goodwill impairment

After goodwill has been impaired (20% of GH¢45m, i.e. GH¢9m), any subsequent increase in the recoverable amount is likely to be internally generated goodwill rather than a reversal of purchased goodwill impairment. IAS 38 *Intangible Assets* prohibits the recognition of internally generated goodwill; thus any reversal of impairment is not recognised. Hence, GH¢15 million needs to be charged to profit or loss to undo the reversal. Total impairment is still GH¢9 million.

### 3 Benkum

The gains recorded regarding the investment in Benkum will be as follows:

|   |          |
|---|----------|
| Gain on investment in Benkum (GH¢285m – GH¢270m)                | GH¢15m   |
| Gain on sale of holding in Benkum (GH¢54 – (8%/60% of GH¢285m)) | GH¢15.9m |

No gain or loss is recognised in profit or loss on the sale of Benkum in the group accounts as the sale is shown as a movement in equity. Therefore, it is eliminated. Additionally, the gain on the revaluation of the investment in Benkum will also be eliminated on consolidation as the calculation of goodwill will be based on the fair value of the consideration at the date of acquisition and not at date of disposal.

### 4 Nifa

|  | GH¢' m    | GH¢' m       |
|--|-----------|--------------|
| Fair value of consideration for 60% interest   | 210       |              |
| Fair value of non-controlling interest         | <u>84</u> | 294          |
| Fair value of identifiable net assets acquired |           | <u>(258)</u> |
| <b>Goodwill</b>                                |           | <b>36</b>    |

As Odupon has sold a controlling interest in Nifa, a gain or loss on disposal should be calculated. Additionally, the results of Nifa should only be consolidated in the statement of profit or loss and other comprehensive income for the six months to 1 November 2023. Thereafter Nifa should be equity accounted.

The gain recognised in profit or loss would be as follows:

|  | GH¢' m      |
|--|-------------|
| Fair value of consideration                                      | 150         |
| Fair value of residual interest to be recognised as an associate | 120         |
| Value of NCI   | <u>102</u>  |
|  | 372         |
| Less: net assets and goodwill derecognised                       |             |
| net assets   | (270)       |
| Goodwill   | <u>(36)</u> |
| Gain on disposal to profit or loss                               | 66          |

The share of the profits of the associate would be 20% of a half year's profit (GH¢45m/2), i.e. GH¢4.5 million.

## 5 Property, Plant and Equipment

|  |               |
|--|---------------|
|  | GH¢' m        |
| Carrying amount at 1 May 2023  | 39            |
| Depreciation for year (GHS39m/9)   | <u>(4.32)</u> |
| Carrying amount at 30 April 2024   | 34.68         |
| Fall in value charged to revaluation surplus (GHS39m – (GHS36m – (GHS36m/10))) | (6.60)        |
| Fall in value charged to profit or loss  | <u>(7.08)</u> |
| Carrying amount after revaluation 30 April 2024                                | <u>21</u>     |

## 6 Share options

| Year          | Expense for year (GH¢' m) | Cumulative expense (GH¢' m) | Calculation                         |
|---------------|---------------------------|-----------------------------|-------------------------------------|
| 30 April 2023 | 3.20                      | 3.20                        | 4 directors x GH¢100 x 24,000 x 1/3 |
| 30 April 2024 | 6.40                      | 9.60                        | 6 directors x GH¢100 x 24,000 x 2/3 |

## 7 Non-controlling interest (NCI)

NCI in profits for year is (40% of GHS66m + 40% of GH¢45 million/2) = GH¢35.4 million

NCI in TCI (40% of 57 + 40% of GH¢45 million/2) = GH¢31.8 million

## 8 Intra-group sales/purchases

The loss on the sale of the inventory is not eliminated from group profit or loss. Because the sale is at fair value, the inventory value must have been impaired and therefore the loss on sale must remain realised. However, the revenue and cost of sales of GH¢36 million will be eliminated.

**(15 marks)**

### b) Dealing with the sale of 8% interest in Benkum in the CSOFP

Once control has been achieved, further transactions whereby the parent entity acquires further equity interests from non-controlling interests, or disposes of equity interests but without losing control, are accounted for as equity transactions, that is, transactions with owners in their capacity as owners. Thus, it follows that:

- the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary;
- any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent; and
- there is no consequential adjustment to the carrying amount of goodwill, and no gain or loss is recognised in profit or loss.



### Sale of equity interest in Benkum

|   | <b>GH¢' m</b> |
|---|---------------|
| Fair value of consideration received  | 54.00         |
| Amount recognised as non-controlling interest (net assets as per question at year end [(GH¢360m + fair value adjustment PPE at acquisition GH¢42m + goodwill (45 - 9)) x 8%]) | (35.10)       |
| Positive movement in parent's equity  | 18.90         |

The fair value adjustment is GH¢330m - (GH¢75m + GH¢195m + GH¢18m). The income should be shown as a movement in equity not in income. Hence it does not affect the consolidated statement of profit or loss and other comprehensive income.  
**(5 marks)**

**(Total: 20 marks)**

### **EXAMINER'S COMMENTS**

The first question presented detailed financial statements for Odupon and two subsidiaries, Benkum and Nifa. Candidates were required to prepare a Consolidated Statement of Profit or Loss and other comprehensive income, considering several adjustments. These included full goodwill calculations, impairment and reversal issues, partial disposals of subsidiary interests, intragroup trading and unrealised profits, revaluation losses on property, and recognition of share-based payment expenses. The question also required an explanation of how the sale of an 8% interest in Benkum should be treated in the consolidated statement of financial position, particularly considering Odupon's election to measure subsidiary investments under IFRS 9.

The question was answered by almost all the candidates who wrote the paper. Most candidates had a clear understanding of the question. Some candidates, however, appeared unprepared, and that was reflected in the relatively poor responses to the question. Candidates who appeared on track struggled with the workings, and that impacted unfavourably on their mark scores. Candidates are advised to prepare adequately and solve past questions before taking the paper.

## QUESTION TWO

- a) To determine the Cash-Generating Units (CGUs) for Kuala Lumpur, Accra, and Kigali under the two cases, we apply the IFRS definition of a CGU:

CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. (IAS 36 – *Impairment of Assets*)

i) **Active Market Exists for Kuala Lumpur's Component B**

- Kuala Lumpur produces Component B.
- Component B can be sold to Accra, Kigali, external customers, or both. Thus, Kuala Lumpur has its own independent cash inflows, since it can generate revenue independently.

Implication for CGU assessment:

- Kuala Lumpur: Since it can sell Component B externally, it generates largely independent cash inflows, therefore it is its own CGU.
- Accra & Kigali: These facilities assemble the final product and sell globally. Their inflows are based on the sales of the finished generator products, therefore, each is its own CGU, as they generate cash inflows from sales that are not dependent on each other.

(3 marks)

ii) **No Active Market for Kuala Lumpur's Component B**

- Kuala Lumpur still produces Component B.
- But Component B has no external market.
- The component is only useful internally by Accra and Kigali (no third-party buyers).
- Therefore, Kuala Lumpur cannot generate independent cash inflows as its value is entirely tied to Accra and Kigali operations.

Implication for CGU assessment:

- Kuala Lumpur: Since it cannot sell independently, its inflows are interdependent with Accra and Kigali. It cannot be a CGU on its own.
- If Accra and Kigali can generate largely independent cash inflows (e.g. through separate sales channels, customer bases, or markets), then they can be separate CGUs.
- If not, and their operations are tightly integrated (e.g., both rely on shared resources, customers, or combined logistics), they might be considered a combined CGU

(3 marks)

- b) The asset is the land, not the land and factory combined. The fair value should reflect the land as a standalone asset, based on its highest and best use from a market participant's point of view.

Per IFRS 13, the highest and best use must be:

Physically possible: Is development physically feasible? Yes.

Legally permissible: Rezoning is required but possible, and the costs are known (GH¢1 million).

Financially feasible: The value must exceed development and rezoning costs.

| Use  | Details                                  | Value                            |
|--|--|----------------------------------|
| <b>Current Use - Factory Site</b>                | Land used for factory                    | GH¢10 million                    |
| <b>Land + Factory Together</b>                   | As-is, not easily separable              | GH¢20 million                    |
| <b>Vacant Residential Land (pre-development)</b> | Before development, not rezoned          | GH¢15 million (exclude rezoning) |
| <b>Residual Land Value</b>                       | After development costs (excl. rezoning) | GH¢25 million                    |
| <b>Land Value (less normal profit margin)</b>    | After deducting developer's margin       | GH¢17 million                    |
| <b>Rezoning &amp; Legal Costs</b>                | To enable residential development        | (GH¢1 million)                   |
| <b>Demolition Costs</b>                          | To clear site                            | (GH¢2 million)                   |

Developer-based HBU:

- Gross land value (after development and margin): GH¢17 million
- Less: Rezoning/legal costs: GH¢1 million
- Less: Demolition costs: GH¢2 million
- **Net Value: GH¢14 million**

The highest and best use is for residential development, as it yields a higher fair value (GH¢14m) than the current use (GH¢10m).

### Other key issues

Akokoa PLC may have no intention or ability to demolish the factory. But this is not relevant to fair value - only market participants' assumptions matter.

**(6 marks)**

- c) Under *IAS 37: Provisions, Contingent Liabilities and Contingent Assets*, the West Africa Gas Pipeline Company LTD must assess whether the potential environmental damage gives rise to:
- A present obligation (legal or constructive),
  - A probable outflow of economic resources, and
  - A reliable estimate of the obligation.

IAS 37 defines a present obligation as:

- Legal obligation: from a contract, legislation, or other operation of law.
- Constructive obligation: arises from an entity's actions where:

- ✓ It has indicated to other parties it will accept certain responsibilities, and
- ✓ As a result, a valid expectation has been created.

There is no mention of any legal requirement compelling the company to clean up environmental damage.

However, the constructive obligation may arise if:

- The company has a track record of addressing such damages,
- It has made public or internal commitments to protect the environment or local species,
- Or there is community expectation based on past behavior.

If none of the above exist, and no actual leak has occurred yet, there is no present obligation. Therefore, no provision should be recognized.

#### **Is an outflow of resources probable?**

An outflow is considered probable when it is more likely than not (i.e. >50%) that an outflow of resources will be required. The internal engineers have noted undetected weaknesses that *could eventually* lead to leaks. However, this suggests the event is possible, not probable. If the company cannot conclude that leaks are more likely than not, no provision should be made, instead, the company should consider disclosing a contingent liability.

#### **Can the amount be reliably estimated?**

The reintroduction cost of pangolins is stated as GH¢1,750,000, which can serve as a reliable estimate of the environmental damage. So, if there is a present obligation and a probable outflow, this amount could form the basis of a provision.

#### **If no leak has occurred and damage is only a possible future event:**

- There is no present obligation.
- There is no provision to be recognized.
- The company should disclose a contingent liability, stating the nature of the potential leak and the estimated cost (GH¢1,750,000) if it were to occur.

**(4 marks)**

d)

| Feature                                | Market Conditions             | Non-Market Conditions             |
|--|-------------------------------|-----------------------------------|
| Definition                             | Related to share price        | Related to performance or service |
| Included in Fair Value at Grant Date?  | Yes                           | No                                |
| Affects Expense Recognition?           | No (if service condition met) | Yes                               |
| Reassessed over Time?                  | No                            | Yes                               |
| Expense Reversed if Condition Not Met? | No (if service met)           | Yes                               |

(4 marks)

(Total: 20 marks)

#### EXAMINER'S COMMENTS

This question on selected accounting standards (IFRS) examined the application of several IFRS standards to practical scenarios. It begins with IAS 36, requiring candidates to determine appropriate cash-generating units for a manufacturing group depending on whether an active market exists for intermediate products. It then moves to IFRS 13, asking for the fair value measurement of land whose highest and best use may differ from its current use as a factory site. IAS 37 was then tested through a scenario involving potential environmental liabilities arising from pipeline leaks, and the question concluded with IFRS 2, requiring candidates to distinguish between market and non-market vesting conditions in share-based payment arrangements.

Overall, the performance was below average. Most candidates misunderstood the question on CGU and were answering it as determination of impairment loss. Majority of the candidates wrote theories instead of showing calculations and relevant entries with reference to the standards. Overall, question two was partly answered by most candidates. Some candidates did not attempt to answer this question at all. ICAG should emphasise revision on standards to enhance better appreciation by students.

### QUESTION THREE

- a) Under *IFRS 15: Revenue from Contracts with Customers*, entities must recognize revenue when control of goods or services is transferred to the customer, in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. To apply IFRS 15, Glo must follow the five-step model:

1) **Identify the contract(s) with a customer**

Glo has a contract with a customer when a customer purchases a smartphone bundled with a prepaid phone card. The smartphone is only usable with Glo's network, which implies a degree of integration between the handset and the network service.

2) **Identify the performance obligations**

**There are two distinct performance obligations:** the smartphone and the prepaid phone service (represented by the prepaid card, which includes phone credit and activation fee service)

Note: Even though the handset is sold at a loss (GH¢4,000 cost vs. GH¢2,500 sale), it must still be accounted for separately if it's distinct from the prepaid service. However, the lock-in to the network implies a form of ongoing service commitment, which may be considered in allocating revenue.

3) **Determine the transaction price**

The customer pays GH¢2,500 for the bundle (handset + prepaid card). This is the total transaction price to be allocated across the performance obligations.

Glo also benefits economically from:

- Activation fee (GH¢1 per card)
- Unused prepaid credit (~GH¢1 per card on average)
- Future top-ups (but these are separate transactions and not part of the initial contract)

Under IFRS 15, revenue is only recognized when a performance obligation is satisfied, so only the initial GH¢2,500 is considered in this allocation.

4) **Allocate the transaction price to the performance obligations**

The GH¢2,500 needs to be allocated based on the relative stand-alone selling prices (SSP) of the smartphone and prepaid service.

5) **Recognize revenue when (or as) performance obligations are satisfied**

- Revenue of GH¢2,500 is recognised at the point of sale, as control of the smartphone is transferred to the customer.
- Activation fee of GH¢1 is recognized at the time of card activation as it represents a distinct service.
- Glo expects ~GH¢1 of unused credit per card. Expected breakage can be recognized as revenue in proportion to usage, if it's highly probable that a significant reversal will not occur.

- Any remaining unredeemed balance is recognized as revenue when the card expires in 24 months.

(7 marks)

- b) An insurance contract under IFRS 17 is “A contract under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.”

An example of insurance contract is a life insurance policy where the insurer agrees to pay a lump sum upon the death of the policyholder in exchange for regular premium payments is an insurance contract under IFRS 17 because it transfers significant insurance risk and depends on an uncertain event (death).

(3 marks)

c)

i) **Identification and Explanation of Key Sustainability Disclosure Issues**

GoldBod faces several sustainability-related disclosure challenges that must be addressed under the IFRS Sustainability Disclosure Standards:

- **Environmental and social risks in small-scale mining**

GoldBod operates in regions where artisanal and small-scale gold mining (ASGM) is prevalent. These operations often involve unsafe working conditions, unregulated chemical use (e.g. mercury), and deforestation, which pose material sustainability risks. These issues affect GoldBod’s reputation and operational risk profile.

- **High greenhouse gas (GHG) emissions**

The reliance on diesel-powered refining facilities increases Scope 1 emissions. This exposes GoldBod to climate transition risk, particularly as Ghana implements policies promoting clean energy.

- **Lack of governance over sustainability risks**

GoldBod currently lacks a governance structure to oversee sustainability risks, which contravenes IFRS S1 and S2 requirements that call for transparent governance disclosures around sustainability oversight.

- **Data gaps on emissions**

Without systems in place to measure Scope 1, 2, and 3 emissions, GoldBod cannot produce reliable quantitative disclosures on climate-related impacts, limiting the usefulness of its reporting.

- **Uncertainty around disclosure of financial impacts**

The CFO is unsure whether to disclose financial implications of climate-related risks. Even if monetary estimates are not available, IFRS S2 requires companies to disclose how climate risks could affect their financial performance, position, or cash flows over time.

(4 marks)

## ii) Application of IFRS S1 and S2 Requirements

### *IFRS S1: General Disclosure Requirements*

- **Materiality-based approach:** GoldBod must disclose sustainability-related risks and opportunities that could reasonably be expected to affect its financial position or performance. ASGM risks and emissions clearly meet this threshold.
- **Governance:** GoldBod must disclose how sustainability risks and opportunities are overseen by those charged with governance, including the roles of the board and management.
- **Connected information:** Sustainability disclosures should be linked to general purpose financial reporting and provide consistency across reporting areas.

### *IFRS S2: Climate-related Disclosures*

- **Governance:** Disclosure of oversight mechanisms related to climate risks is required. GoldBod needs to establish and report on climate-related roles and responsibilities.
- **Strategy:** GoldBod must disclose how climate-related risks (e.g. transition to cleaner energy) may impact its operations, and how it is responding to those risks.
- **Risk management:** GoldBod should explain how it identifies, assesses, and manages climate-related risks in its refining and sourcing activities.
- **Metrics and targets:** Even if quantitative estimates are not yet available, the entity should disclose which GHG metrics it plans to monitor (e.g., Scope 1 emissions from refining) and any interim targets. If data is unavailable, the disclosure should explain the limitations and actions being taken to improve data quality.

(4 marks)

## iii) Practical Next Steps for GoldBod

- **Establish a sustainability governance structure:** Assign board-level and management responsibility for ESG and climate-related issues, ensuring oversight and accountability.
- **Develop data systems for emissions tracking:** Implement processes to measure Scope 1, 2, and eventually Scope 3 emissions, particularly from refining and supply chain activities.
- **Conduct a climate risk assessment:** Undertake a scenario analysis or impact study to identify and disclose the potential financial effects of climate regulation, resource scarcity, or reputational damage.
- **Engagement with stakeholders:** GoldBod should work with artisanal and small-scale gold mining (ASGM) operators in the various regions to promote responsible mining, improve working conditions and formalise their operations.



- **Enhance internal controls:** GoldBod should implement rigorous internal controls that will ensure the accuracy and completeness of the sustainability data being reported to regulators and other stakeholders.
- **Seek external assurance:** GoldBod should obtain external assurance over the sustainability disclosures to promote and enhance their credibility and build trust with investors and other stakeholders.

**(2 marks)**

**(Total: 20 marks)**

### **EXAMINER'S COMMENTS**

This question focused on revenue recognition, insurance contracts, and sustainability reporting. Candidates were required to apply IFRS 15 to a telecommunications company that sells handsets bundled with SIM cards and prepaid airtime, including the treatment of activation fees and breakage revenue. IFRS 17 was also tested through the identification of an insurance contract. The question then shifted to the emerging IFRS Sustainability Disclosure Standards (IFRS S1 and IFRS S2), requiring candidates to analyse the sustainability-related disclosure challenges faced by the Ghana Gold Board (GoldBod), including governance weaknesses, environmental risks, emissions measurement gaps, and uncertainty around climate-related financial impacts. Candidates were required to advise on appropriate disclosures and recommend practical steps to improve reporting quality.

Most candidates outlined the five steps in the determination of revenue without explanation or linkage to the scenario. The question on insurance contracts was poorly answered. Most candidates failed to explain the term but rather repeated the preamble. Candidates, however, explained the sustainability issues, categorising them under ESG. Students generally demonstrated knowledge of the IFRS S1 and IFRS S2 but struggled to demonstrate the proficiency required at this level, especially in relation to the case under review. Overall, this question was well answered.

## QUESTION FOUR

a)

i)

| Capital reduction account   |                      |                          |                      |
|-----------------------------|----------------------|--------------------------|----------------------|
|                             | GH¢000               |                          | GH¢000               |
| Plant & equipment           |                      | Ord share capital (45% x | 4,500                |
| [(8,600 – 1,300) – 6,450]   | 850                  | 10,000)                  |                      |
| Retained earnings           | 3,855                | Share deals              | 1,060                |
| Inventories (3,600 – 2,010) | 1,590                | Bank loan (10% x 5,500)  | 550                  |
| Receivables (4,250 – 3,100) | 1,150                | Due to directors         | 2,800                |
| Awarded share options       | 1,540                | Finance lease            | 470                  |
| Patents                     | 813                  | Non-leased property      |                      |
| Reorganisation cost         | 200                  | (20% x 6/10 x 5,400)     | <u>648</u>           |
| Capital reserve             | <u>30</u>            |                          |                      |
|                             | <b><u>10,028</u></b> |                          | <b><u>10,028</u></b> |

ii)

### Statement of Financial Position of Burodua immediately after reorganisation

|                                   | GH¢000                 |
|-----------------------------------|------------------------|
| <b>Non-current assets</b>         |                        |
| Properties (120% x 6/10 x 5,400)  | 3,888.0                |
| Plant & equipment (6,450 + 5,000) | 11,450.0               |
| Lease receivables (1,630 – 755.5) | <u>874.5</u>           |
|                                   | <b><u>16,212.5</u></b> |
| <b>Current assets</b>             |                        |
| Inventories                       | 2,010.0                |
| Trade receivables                 | 3,100.0                |
| Lease receivables (1,000 – 244.5) | 755.5                  |
| Bank and cash (W2)                | <u>2,921.5</u>         |
|                                   | <u>8,787</u>           |
| <b>Total assets</b>               | <b><u>24,999.5</u></b> |
| <b>Equity and liabilities</b>     |                        |
| Ordinary share capital            | 17,571.5               |
| Share options                     | 1,540.0                |
| Capital reserve                   | <u>30.0</u>            |
|                                   | <u>17,677.0</u>        |
| <b>Current liabilities</b>        | <u>5,858.0</u>         |
| <b>Total equity and liability</b> | <b><u>24,999.5</u></b> |

## Workings

| <b>W1 Finance lease</b>                                | <b>GH¢000</b> |
|--|---------------|
| <b>Derecognition of the leased property (4 floors)</b> |               |
| First annual lease receipt                             | 1,000         |
| Initial value of lease receivable (1,000 x 1.63)       | <u>1,630</u>  |
| Proceeds from the transfer                             | 2,630         |
| Carrying amount (5,400 x 4/10)                         | <u>2,160</u>  |
| Gain upon derecognition                                | <u>470</u>    |

| <b>Year</b> | <b>Opening bal.<br/>GH¢000</b> | <b>Lease receipt<br/>GH¢000</b> | <b>Interest (15%)<br/>GH¢000</b> | <b>Closing bal.<br/>GH¢000</b> |
|-------------|--------------------------------|---------------------------------|----------------------------------|--------------------------------|
| 2025/26     | 1,630                          | -                               | 244.5                            | 1,874.5                        |

| <b>W2</b>             | <b>Bank account</b> |                            |
|-----------------------|---------------------|----------------------------|
|                       | GH¢000              | GH¢000                     |
| Finance lease receipt | 1,000               | Reorganisation costs 200   |
| Share issue           | 7,121.5             | Plant 5,000                |
|                       |                     | Balance c/d <u>2,921.5</u> |
|                       | <u>8,121.5</u>      | <u>8,121.5</u>             |

| <b>W3</b>                        | <b>Ordinary share capital account</b> |                                 |
|----------------------------------|---------------------------------------|---------------------------------|
|                                  | GH¢000                                | GH¢000                          |
| Capital reduction (45% x 10,000) | 4,500                                 | Balance b/d 10,000              |
| Balance c/d                      | 17,571.5                              | Bank (see W4 below) 7,121.5     |
|                                  |                                       | Loan (90% x 5,500) <u>4,950</u> |
|                                  | <u>22,071.5</u>                       | <u>22,071.5</u>                 |

## W4 Working capital requirement

|                                       | <b>GH¢000</b> | <b>GH¢000</b>    |
|---------------------------------------|---------------|------------------|
| Required current assets (1.5 x 5,858) |               | 8,787.00         |
| Reorganisation cost                   |               | 200.00           |
| New plant                             |               | <u>5,000.00</u>  |
|                                       |               | <b>13,987.00</b> |

### Less: Available current assets and cash:

|   |               |                       |
|---|---------------|-----------------------|
| Inventories   | 2,010.00      |                       |
| Trade receivables                                     | 3,100.00      |                       |
| Lease receivables (current portion)                   | <u>755.50</u> | <u>(5,865.5)</u>      |
| Total cash requirement                                |               | 8,121.5               |
| Less: Cash available (first lease rental)             |               | <u>(1,000)</u>        |
| <b>Cash required to be introduced by shareholders</b> |               | <b><u>7,121.5</u></b> |

(60 ticks @ 0.25 for 15 marks)

- b) The Framework defines a liability as a present obligation, arising from past events and there is an expected outflow of economic benefits. *IAS 32: Financial Instruments - Presentation* establishes principles for presenting financial instruments as liabilities or equity. IAS 32 does not classify a financial instrument as equity or financial liability on the basis of its legal form but the substance of the transaction. The key feature of a financial liability is that the issuer is obliged to deliver either cash or another financial asset to the holder. An obligation may arise from a requirement to repay principal or interest or dividends. In contrast, equity has a residual interest in the entity's assets after deducting all of its liabilities. An equity instrument includes no obligation to deliver cash or another financial asset to another entity.

A contract which will be settled by the entity receiving or delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash or another financial asset is an equity instrument. However, if there is any variability in the amount of cash or own equity instruments which will be delivered or received, then such a contract is a financial asset or liability as applicable.

The contingent payments should not be treated as contingent liabilities but they should be recognised as financial liabilities and measured at fair value at initial recognition. *IAS 37 Provisions, Contingent Liabilities and Contingent Assets* excludes from its scope contracts which are executory in nature, and therefore prevents the recognition of a liability. Additionally, there is no onerous contract in this scenario.

Contingent consideration for a business must be recognised at the time of acquisition, in accordance with *IFRS 3: Business Combinations*. However, IFRS 3 does not contain any guidance when accounting for contingent consideration for the acquisition of NCI in a subsidiary. The contract for contingent payments does meet the definition of a financial liability under IAS 32. Odikro has an obligation to pay cash to the vendor of the NCI under the terms of a contract. It is not within Odikro's control to be able to avoid that obligation. The amount of the contingent payments depends on the profitability of Gyaase, which itself depends on a number of factors which are uncontrollable. IAS 32 states that a contingent obligation to pay cash which is outside the control of both parties to a contract meets the definition of a financial liability which shall be initially measured at fair value. Since the contingent payments relate to the acquisition of the NCI, the offsetting entry would be recognised directly in equity.

(5 marks)

(Total: 20 marks)

## **EXAMINER'S COMMENTS**

Question Four was attempted by most candidates. The question dealt with capital reconstruction and contingent consideration. Burodua LTD, a struggling textile company, had agreed to a comprehensive internal reorganisation involving share capital reduction, loan waivers, asset revaluations, lease classification, and the elimination of intangible assets. Candidates were required to prepare a capital reduction account and a revised statement of financial position reflecting the restructuring. The second part of the question concerned the accounting treatment of contingent payments made to acquire a non-controlling interest, requiring an understanding of whether such payments constitute equity or financial liabilities under IFRS 3.

Most candidates struggled with the mechanics of internal reconstruction. A common weakness was the inability to correctly prepare the capital reduction account. Consequently, this led to numerous errors in the revised statement of financial position. Many of the candidates failed to present a complete and accurate solution. Part (b) which required advice on the accounting treatment for contingent payments related to a business acquisition also witnessed weak responses. This indicates a lack of understanding of the relevant accounting standards.

## QUESTION FIVE

a)

i)

### Re-computation of ratios

|                        | <i>Formula</i>   | <b>2025</b>                                    |
|------------------------|--|--|
| (i) Operating margin   | $\frac{\text{Operating profit} \times 100}{\text{Revenue}}$                          | $\frac{183.3 \times 100}{1,435.8}$<br>= 12.77% |
| (ii) ROCE              | $\frac{\text{Profit before interest and tax} \times 100}{\text{Capital employed}}$   | $\frac{183.3 \times 100}{1,298.8}$<br>= 14.11% |
| (iii) Return on equity | $\frac{\text{Profit attributable to equity shareholders}}{100} \times \text{Equity}$ | $\frac{121.5 \times 100}{1,183.1}$<br>= 10.27% |
| (iv) Debt/equity ratio | $\frac{\text{Long-term liab.}}{\text{Total equity}} \times 100$                      | $\frac{115.7 \times 100}{1,183.1}$<br>= 9.78%  |

### Workings

#### Adjusting the 2025 consolidated figures for the effects of Ndaa LTD

**GH¢000**

#### Statement of comprehensive income items

|  |                |
|--|----------------|
| Revenue (1,540.8 – (210 × 6/12))                 | <u>1,435.8</u> |
| Operating profit (199.4 – (32.2 × 6/12))         | <u>183.3</u>   |
| Profit after tax [127.9 – (12.8 × 6/12)]         | <u>121.5</u>   |
| Other comprehensive income (15.3 – (2.6 × 6/12)) | <u>14</u>      |
| Total comprehensive income (121.5 + 14)          | <u>135.5</u>   |

#### Equity

|   |                |
|---|----------------|
| Share capital (450 – 130)                 | 320            |
| Retained earnings (770.4 – 127.9 + 121.5) | 764            |
| Other reserves (100.4 – 15.3 + 14)        | <u>99.1</u>    |
|   | <u>1,183.1</u> |

#### Capital employed

|   |                |
|---|----------------|
| Total assets  | 2,005          |
| Less: current liabilities                                   | <u>(328.5)</u> |
|   | 1,676.5        |
| Reduction in equity [(450+770.4+100.4) – 1,183.1 see above] | (137.7)        |

|  |                |
|--|----------------|
| Pampa Plc's syndicated credit facility (280 – 130) | (150)          |
| Ndaa LTD's term loan                               | <u>(90)</u>    |
|  | <u>1,298.8</u> |

*Alternatively,*

|   |                |
|---|----------------|
| Revised equity (see above)                      | 1,183.1        |
| Revised long-term borrowings (355.7 – 150 – 90) | <u>115.7</u>   |
|   | <u>1,298.8</u> |

**(6 marks)**

**ii) Report**

To: Board, Pampa PLC  
 From: Finance Officer  
 Date: 3 November 2025  
 Subject: **Evaluation of the financial and nonfinancial performance of Pampa PLC**

This report is produced to evaluate the financial and non-financial performance of Pampa PLC for the year ended 30 September 2025, relative to the comparative year. For the purpose of the financial performance evaluation, I have decided to focus profitability, efficiency, liquidity, and gearing while the non-financial analysis the assessment uses four different measures. The report should be read with reference to the supporting ratios and non-financial metrics.

**Profitability**

Profitability is concerned with how effective and efficient a firm can use its resources to create profit. Profitability reflects how much profit a firm makes relative to its size, assets, revenue or equity. Profitability is measured in this report using three (3) accounting ratios: profit (before tax) margin, ROCE, and return on equity. To start with, the group has suffered a noticeable reduction in its operating margin across the two years. While in 2024 Pampa PLC retained 13.3% of its sales as profit after accounting for all operational expenses, in 2025 the group managed to retain 12.9% as operating profit. This is a reflection of weakened control over operational costs. And it appears that the margin decline is independent of the effects of the newly acquired subsidiary – Ndaa LTD. When the effects of Ndaa LTD are expunged, the 2025's margin (12.7%) is still lower than the corresponding 2024's figure. In fact, without Ndaa LTD's contribution the group's performance would have been slightly worse than has been shown.

In sharp contrast, the group's ROCE has seen a slight increase, suggesting that the group made more profit for long-term financiers in 2025 than in 2024. The recomputed ROCE shows that the improvement seen has even been diluted by Ndaa LTD's contributions as removing the latter's effects leads to more than one percentage point increase over the unadjusted 2025's ROCE. Given the clear drop in operating margin, it is virtually certain that the uptick in the ROCE was driven by better asset utilisation.

But when attention is limited to equity providers, it can be seen that returns have fallen. While Pampa PLC returned more than 10 pesewas to equity shareholders in 2024, it did 9.7 pesewas in the current period. The contrasting directions shown by ROCE and return on equity can be attributed to the astronomical increase in finance costs (199%) between the two years. But it is unsurprising to see the equity returns rather increase after eliminating the effects of Ndaa LTD given that much of the finance costs was occasioned by its acquisition. This evidence is revealed by how much contribution – at least 67.5% ( $240/355.7 \times 100$ ) – Ndaa LTD's acquisition has made to the group's long-term borrowings.

So far Ndaa LTD has been part of the Pampa Group for just six months and it remains to be seen how much impact it will make when it starts making full year's contribution. For now, it can be seen that Ndaa LTD has left a positive impression on operating margins despite expected acquisition- and integration-related expenses, but its wide capital base and higher debt levels have left the group with worrying returns to investors.

### **Efficiency**

Efficiency ratios are a group of ratios that measure how efficient a firm has managed its working capital items such as inventories, accounts receivable, and accounts payable. Two ratios – accounts receivable period and accounts payable period – are used for this assessment in this report. The group's accounts receivable period in 2025 compares less favourably than the corresponding period in 2024. This is because it takes the group 0.2 weeks (3.3 less 3.1) more this year than last year to collect its debts. But it appears the group may have financed the increased receivables by prolonging the period used to pay off suppliers. Specifically, the company takes, on average, 1.5 (4 less 3.5) more weeks to pay suppliers in 2025 compared to 2024. Meanwhile, this delay in payment may have come about because of weak cash flows due to lengthening collection period.

### **Liquidity**

Liquidity is reflection of how able and well-positioned a firm is in meeting its short term commitments, and is measured here using acid-test ratio. With acid-test ratio of 1.02 in 2025 as compared to 0.99 in 2024, the group has experienced a slight improvement in how well it can use quick assets to meet all current liabilities. It now can pay off every cedi of amount owed to short-term creditors with current assets without needing to use any of its inventories.

### **Gearing**

Gearing measures the extent to which a firm depends on debt capital relative to equity financing. More reliance on debt sources for finance puts more pressure on the firm as it must have to repay the amount borrowed. The group has recorded a very significant rise in gearing level as debt/equity ratio is up from a mere 9.9% to nearly 27%. This suggests that the group now faces a more than insignificant amount of financial risk. But it appears this heightened financial risk has been occasioned by Ndaa Ltd's acquisition. In fact, but this acquisition, the debt/equity ratio would have fallen to 9.6% from the 2024's 9.9%.



## **Non-financial performance**

The focus of this section is to appraise the group's non-financial performance over the two years. Four metrics including carbon footprints, waste generation, pay differences, and tax avoidance are used for this evaluation.

Based on the available metrics, it can be seen that the group emitted more greenhouse gases in 2025 than in 2024. This increase would definitely have suggested that the company's exposure to environmental risk has increased. However, a more careful look at the figures shows that the rise in emission levels came about because of Ndaa LTD's half-year's contribution in 2025. Removing the effects of Ndaa LTD's emission of 29,000 CO<sub>2</sub>e ( $58,000 \times 6/12$ ) from the 2025's consolidated figure leads to a drop of 18,000 CO<sub>2</sub>e [ $240,000$  less ( $251,000 - 29,000$ )]. So on the basis of these more comparable figures, the group has rather experienced a reduced exposure to climate-related risks.

With respect to waste generated, the group's consolidated numbers show an increase of about 18,500 kg across the two years. This increase, unlike the carbon emissions, seems to be an organic one rather than driven by the new acquisition. Specifically, if half the amount of the waste generated by Ndaa LTD were to be removed from the 2025 total waste generated, there would still be an increase, albeit smaller, from 80,600 in 2024 to 84,500 [ $109,100 - (49,200 \times 6/12)$ ]. This is a reflection of poor waste management in 2025 relative to 2024. Higher waste levels are likely to reflect negatively on the group's reputation with stakeholders.

A pay gap metric is used to gauge the extent to which a firm demonstrates fairness in its compensation practices. Over here, the gap under consideration is the one that exists between the pay CEO receives and how much a median worker earns yearly. The annual pay gap, which stood at GH¢202,000 in 2024, widened to GH¢225,000. This could lead to lower employee morale, increased worker turnover rates, and reduced social capital.

Finally, I turn attention to tax avoidance measure which is defined as the gap between actual corporate tax and effective corporate tax rates. It can be observed that the tax gap has grown wider in 2025 than in 2024, suggesting that the company may have been more aggressive in managing its taxes. Adopting such aggressive posture in handling its tax affairs to allow it to pay less to support the state than its activity levels may require is a reflection of irresponsible business practice and weak management integrity. It is unclear how much effect the new acquisition has had on this widening tax gap.

## **Conclusion**

From the above analyses, it can be said that Pampa PLC has seen improved liquidity. But group's profitability and efficiency measures only provide a mixed picture while the gearing level has worsened. The what-if analysis carried out with a key focus on the new acquisition has shown the telling effects Ndaa LTD has had on the group's profitability and gearing levels. It is clear that without Ndaa LTD

both profitability and gearing would have improved, at least in the short term. Though it seems too early to give a verdict on the value of the new acquisition, if what impact it has had in the current year were anything to go by then the group would need to take another look. In terms of sustainability performance, the group's environmental, pay gap, and tax avoidance metrics have all revealed a worrying picture even though Ndaa LTD's half-year's contribution to this year's figures presents some distortion in some of the measures especially carbon footprint.

(9 marks)

**b) Ethical Dilemmas and ICAG Fundamental Principles**

The Group Financial Controller (GFC) faces several ethical dilemmas that conflict with the fundamental principles of the ICAG Code of Ethics and Conduct:

- *Integrity*: The recognition of revenue before transfer of control (IFRS 15) misstates performance. Signing off on knowingly inaccurate financial and ESG reports would breach the obligation to be truthful and honest.
- *Objectivity*: Pressure from senior management to overlook inappropriate accounting and reporting treatments creates a threat of undue influence, impairing professional judgment.
- *Professional competence and due care*: The GFC has a duty to apply relevant reporting standards correctly (e.g. IAS 37 and ESG frameworks). Failing to do so could mislead stakeholders.
- *Professional behaviour*: Failing to report or correct unethical practices may damage public trust and discredit the profession.
- *Confidentiality* is also tested if whistleblowing becomes necessary, especially in balancing internal loyalty and external reporting obligations.

(5 marks)

**EXAMINER'S COMMENTS**

The final question combined ratio analysis, performance evaluation, and ethics. Candidates were required to recompute key profitability and leverage ratios after excluding the effects of a newly acquired subsidiary, Ndaa LTD, and then write a report evaluating the group's financial and non-financial performance, including carbon emissions, waste generation, pay-gap metrics, and tax rates. The question concluded with an ethical scenario involving premature revenue recognition, failure to recognise environmental provisions, and manipulation of sustainability metrics. Candidates were required to identify the ethical issues involved with reference to the ICAG Code of Ethics.

Generally, questions on ratio analysis are mostly well attempted by majority of the students. The question was a standard question and generally straightforward. Candidates were generally able to state the various formula for computing the

ratios but failed in substituting the correct values in arriving at the correct computed ratios. This was due to the fact that candidates were unable to adjust the consolidation figures without the effect of Ndaa LTD. This process may not have been familiar for candidates. In the case of the report writing on both the financial and non-financial performance of Pampa PLC, most candidates failed to categorise the various ratios under the financial i.e. profitability, efficiency, liquidity, gearing etc. as was required but rather analysed the ratios as stand-alone. Also, most candidates failed to explain the meaning and essence of each financial ratio before linking them to the specific case in question.

On the ethical issues in the “b” part, most candidates were able to identify and explain all the relevant principles and were able to link them to the specific case. Some, however, mixed up the various threats faced by Accountants i.e. familiarity, self-interest, self-review threats, etc. with the ethical principles.

## **CONCLUSION**

Overall, the examination paper was comprehensive and demanding, integrating numerical consolidation work, conceptual IFRS application, sustainability reporting, and ethical judgement. It reflects the evolving expectations of modern corporate reporting, where financial accuracy, transparency, and sustainability considerations are increasingly intertwined. As indicated earlier, overall, candidates did perform better than the previous diet. Those who performed poorly showed ill preparation and lack of appreciation of accounting standards.