

**MARCH 2026 PROFESSIONAL EXAMINATIONS
CORPORATE REPORTING (PAPER 3.1)
CHIEF EXAMINER’S REPORT, QUESTIONS AND MARKING SCHEME**

STANDARD OF THE PAPER

The paper was comparable 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, foreign exchange translation, intangible assets, revenue recognition, data analytics, ESG, sustainability reporting and ratio analysis. 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.

The paper was pitched at a high level of difficulty, with questions demanding advanced cognitive skills across accounting standards and group accounting. Approximately 70% of the paper involved complex group accounting scenarios and the application of professional-level accounting standards. Over half of the questions required candidates to demonstrate a sound theoretical understanding of the relevant topic areas. As a result, candidates who lack the ability to express themselves clearly and coherently in writing will find it difficult to pass this paper. Even the relatively moderately difficult questions such as those on ratios and business valuation required candidates to work through complex adjustments before arriving at final computations, whether for ratios or value per share.

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

Firaw PLC (Firaw), a public limited company, operates in the technology sector and has investments in other entities operating in the sector. The draft Statements of Financial Position as at 31 March 2025 are as follows:

	Firaw GH¢' million	Oti GH¢' million	Bui GH¢' million
Assets			
Non-current assets			
Property, Plant And Equipment	648	123	114
Investment in subsidiary: Bui	156	-	-
Finance lease receivables	<u>150</u>	<u>42</u>	<u>24</u>
	954	165	138
Current assets	<u>132</u>	<u>75</u>	<u>192</u>
Total assets	<u>1,086</u>	<u>240</u>	<u>330</u>
Equity and liabilities			
Share capital of GH¢1 each	129	39	78
Retained earnings	123	72	45
Other components of equity	<u>36</u>	<u>15</u>	<u>12</u>
Total equity	288	126	135
Non-current liabilities	201	36	84
Current liabilities			
Trade and other payables	<u>597</u>	<u>78</u>	<u>111</u>
	<u>798</u>	<u>114</u>	<u>195</u>
Total equity and liabilities	<u>1,086</u>	<u>240</u>	<u>330</u>

Additional information:

- i) On 1 October 2024, Firaw acquired 70% of the equity interests of Oti, a public limited company. The purchase consideration comprised 60 million shares of Firaw at the acquisition date and 15 million shares on 31 March 2026 if Oti's net profit after taxation was at least GH¢12 million for the year ending on that date. The market price of Firaw's shares on 1 October 2024 was GH¢2 per share and that of Oti was GH¢4.2 per share. It is estimated that there is a 20% chance of the profit target being met.

Firaw wishes to measure the non-controlling interest at fair value at the date of acquisition. At acquisition, the fair value of the non-controlling interest (NCI) in Oti was based upon quoted market prices. On 1 October 2024, the fair value of the identifiable net assets acquired was GH¢144 million and retained earnings of Oti were GH¢54 million and other components of equity were GH¢9 million. The excess in fair value is due to non-depreciable land. No entries had been made in the financial statements of Firaw for the acquisition of Oti.

- ii) On 1 April 2024, Firaw acquired 80% of the equity interests of Bui, a privately owned entity, for a consideration of GH¢171 million. The consideration comprised cash of GH¢156 million and the transfer of non-depreciable land with a fair value of GH¢15

million. The carrying amount of the land at the acquisition date was GH¢9 million and the land has only recently been transferred to the seller of the shares in Bui and is still carried at GH¢9 million in the financial records of Firaw at 31 March 2025. The only consideration shown in the financial records of Firaw is the cash paid for the shares of Bui.

At the date of acquisition, the identifiable net assets of Bui had a fair value of GH¢165 million, retained earnings were GH¢36 million and other components of equity were GH¢12 million. The excess in fair value is due to non-depreciable land. Bui had made a net profit attributable to ordinary shareholders of GH¢10.8 million for the year ended 31 March 2024.

Firaw wishes to measure the non-controlling interest at fair value at the date of acquisition. The NCI is to be fair valued using a public entity market multiple method. Firaw has identified two companies who are comparable to Bui and who are trading at an average price to earnings ratio (P/E ratio) of 21. Firaw has adjusted the P/E ratio to 19 for differences between the entities and Bui, for the purpose of fair valuing the NCI.

- iii) Firaw had purchased an 80% interest in Pra for GH¢120 million on 1 April 2024 when the fair value of the identifiable net assets was GH¢132 million. The partial goodwill method had been used to calculate goodwill and an impairment of GH¢6 million had arisen in the year ended 31 March 2025. There were no other impairment charges or items requiring reclassification. The holding in Pra was sold for GH¢150 million on 31 March 2025 and the gain on sale in Firaw's financial statements is currently recorded in other components of equity. The carrying value of Pra's identifiable net assets other than goodwill was GH¢180 million at the date of sale. Firaw had carried the investment in Pra at cost.
- iv) Firaw manufactures equipment for lease or sale. On 31 March 2025, Firaw leased out equipment under a 10-year finance lease. The selling price of the leased item was GH¢150 million and the present value of the minimum lease payments was GH¢141 million. The carrying value of the leased asset was GH¢120 million and the present value of the residual value of the product when it reverts back to Firaw at the end of the lease term is GH¢8.4 million. Firaw has recorded sales of GH¢150 million and cost of sales of GH¢120 million in its financial statements.

Required:

Prepare the Consolidated Statement of Financial Position for the Firaw Group as at 31 March 2025.

(Total: 20 marks)

QUESTION TWO

- a) Osae PLC (Osae) is a listed company which manufactures personal computers (PCs). It is preparing its financial statements for the year ended 31 May 2025 and would like advice on the following accounting issue:

During the year, Osae entered into a new arrangement with one of its customers, Ankobra, to manufacture a large volume of tablet PCs. The design and components of the tablet PCs are specified by Ankobra.

In order to make the tablet PCs, specialised manufacturing equipment is required. In addition to their toughened glass touch-screen, the PCs are set into a single body made of moulded aluminium.

The technical know-how to make the equipment belongs to Ankobra. However, Osae has constructed the specialised manufacturing equipment at its own cost to Ankobra's design. Osae is paid a fixed price per tablet PC produced. However, there is a minimum fee even if no tablet PCs are made, such that the cost of the construction of the manufacturing equipment needed to assemble the tablet PCs is covered over a three-year period.

A clause in the contract with Ankobra prevents Osae from using the manufacturing equipment to make tablet PCs for other customers.

Required:

In accordance with the appropriate financial reporting standards, advise the directors as to the appropriate treatment in Osae's financial statements. **(8 marks)**

- b) Tano LTD (Tano) is a Ghanaian financial technology and e-commerce company headquartered in Accra, Ghana. From 1 January 2023, Tano started developing an internal software for the production of high resolution maps. Development costs totaled GH¢1.2 million during the first two years. The cost to define the requirement of the project was GH¢200,000 (included in the total costs of GH¢1.2 million already mentioned). The system was placed in service on 1 January 2025, and is expected to have a useful life of 5 years.

A third party consulting firm was engaged for a fee of GH¢100,000 to consult and design a new brand name.

Required:

In accordance with *IAS 38: Intangible Assets* justify the appropriate financial reporting treatment of the above transaction in financial statements of Tano LTD. **(6 marks)**

- c) Densu Ghana PLC (Densu) is a leading indigenous FinTech company headquartered in Accra, Ghana, with operations extending into Nigeria and Kenya. The entity had the following transactions during the year ended 31 December 2025:
- i) Densu invested in a convertible bond on its issue date. The bond matures five years after the issue date and at that date the bond can be converted into ordinary shares of the investee or repaid at par. Densu's plan for the bond is to hold it until it matures and collect the cash flows.

- ii) Densu entered into a contractual commitment to advance a variable rate loan to a customer beginning on 1 January 2026 for a fixed period at 1% less than the rate at which the Densu can borrow money.
- iii) Densu sold to a third party the right to receive the interest cash flows on a fixed maturity debt instrument it holds and will continue to legally own up to the date of maturity. The debt instrument is quoted in an active stock market. Densu has no obligation to compensate the third party for any cash flows not received.

Required:

Advise the Directors of Densu of the appropriate accounting treatment of the above transactions under ***IFRS 9: Financial Instruments*** (insofar as the information permits) for the year ended 31 December 2025. **(6 marks)**

(Total: 20 marks)

QUESTION THREE

- a) On 31 December 2023, Bia Renewables LTD (BRL), a Ghanaian renewable energy company based in Wiawso, acquired 90% of the ordinary shares in Rainbow Solar SA (RSSA), a solar energy provider headquartered in South Africa, for ZAR180 million. The acquisition was part of BRL's regional expansion strategy to enhance cross-border clean energy distribution in Africa.

At the date of acquisition:

- i) The fair value of the non-controlling interest (NCI) in RSSA was ZAR14 million.
- ii) The net assets of RSSA were valued at ZAR70 million.
- iii) RSSA prepares its financial statements in ZAR while BRL presents its Consolidated Financial Statements in Ghana cedis (GH¢).

Relevant exchange rates between ZAR and GH¢ are as follows:

Date	ZAR: GH¢1
31 December 2023	3
31 December 2024	2
Average for the year to 31 Dec 2024	2.6

Required:

In accordance with the requirements of *IAS 21: The Effect of Changes in Foreign Exchange Rates*, calculate the exchange difference arising on the translation of the consolidated goodwill and then determine who and how much of this difference is attributable to in the year ended 31 December 2024. **(10 marks)**

- b) You are a financial reporting advisor at Ayensu Advisory Services (AAS), an accounting and consultancy firm that supports companies operating in emerging markets. One of your key clients, Continental Harvest PLC (CHP), is a UK-listed multinational agribusiness with significant operations in Ghana, where it sources and processes cocoa and cashew for export.

In line with its commitments under the African Continental Free Trade Area (AfCFTA) and the UN Sustainable Development Goals (SDGs), the Ghanaian government has introduced stricter sustainability disclosure requirements for high-impact sectors such as agriculture. This regulatory shift is driven by growing concerns over deforestation, child labour, and environmental degradation associated with cocoa farming and agro-processing. A new ESG reporting framework, spearheaded by the Ministry of Finance, the Environmental Protection Agency (EPA) and the Ghana Stock Exchange (GSE), is currently being piloted to align large firms with international reporting standards.

In response to these heightened regulatory expectations, alongside increasing pressure from Continental investors for more robust, timely and transparent disclosures, CHP's board is exploring the potential of leveraging recent technological developments to enhance its corporate reporting processes, particularly within its Ghana operations.

To support strategic decision-making, the Chief Finance Officer (CFO) is evaluating the potential of Big Data and Data Analytics, as well as Distributed Ledger Technology (DLT), including Blockchain. To effectively engage the Board, the CFO seeks a clear

understanding of the impacts, benefits, and risks these technological developments may present within the context of corporate reporting.

Required:

- i) Explain **FOUR** likely impacts of using big data, data analytics and distributed ledger technology (including blockchain) in the context of corporate reporting, with specific reference to the company’s operations in Ghana. **(4 marks)**
- ii) Evaluate **THREE** potential benefits of adopting these technologies for improving financial and sustainability reporting. **(3 marks)**
- iii) Assess **THREE** key risks or challenges that the company may face in implementing these technologies. **(3 marks)**

(Total: 20 marks)

QUESTION FOUR

- a) Birim LTD is a family-owned limited liability company which operates in the basic materials industry. The company manufactures and distributes its own manufactured products, along with merchandise purchased from other local producers, across all the sixteen regions in Ghana. The directors of Offin PLC have approached the directors of Birim LTD with a proposal to purchase majority equity stake in Birim LTD.

Below are the draft financial statements of Birim LTD for the year ended 31 August 2025:

Summarised Statement of Comprehensive Income for The Year Ended 31 August 2025

	GH¢000
Profit before tax	58,500
Income tax	<u>(12,880)</u>
Profit for the year	45,620
Other comprehensive income	<u>1,570</u>
Total comprehensive income	<u>47,190</u>

Statement of Financial Position as at 31 August 2025

Non-current assets	GH¢000	GH¢000
Properties		293,500
Plant	132,000	
Less: accumulated depreciation to date – plant	<u>(49,500)</u>	<u>82,500</u>
		376,000
Current assets		<u>120,000</u>
		<u>496,000</u>
Equity and liabilities		
Share capital (ordinary shares @ GH¢0.80 each)		40,000
Retained earnings		107,940

Other reserves	12,060
18% debentures (mature on 28 February 2027)	80,000
Other liabilities	<u>256,000</u>
	<u>496,000</u>

Additional information

- i) The following relate to the Non-current assets:
- The plant was bought four years ago and represents a custom-made industrial facility. Its current (gross) replacement cost is estimated at GH¢140 million. For valuation purpose, a facility model difference discount of 10% should be assumed.
 - Valuation of properties is tied to Commercial Property Price Index (CPPI). The property amount in the above draft accounts is based on valuation as at 31 August 2024. The following indices should be applied for any required revision:

<u>Date</u>	<u>CPPI</u>
Date of original purchase	110
31 August 2024	150
31 August 2025	180

- ii) Inventories include the cost of some items in which the original supplier still retains significant involvement. The list price (to Birim LTD) of these items is GH¢9 million (including one-fifth mark-up). Payables require no adjustment for this.
- iii) The 18% debentures, whose face value is GH¢80 million, were issued on 1 March 2025 at a 10% premium and are due to mature on 28 February 2027. The effective interest rate is 22%. The company has credited the draft profit and loss account with the received premium.
The other liabilities include an amount of GH¢27 million relating to a financial liability which is accounted for at fair value. The fair value of this liability at 31 August 2025 is GH¢31.6 million; 40% of the fair value movement is attributable to Birim LTD's own credit profile.
- iv) The only movement in the draft statement of changes in equity is the dividend paid. The total equity balance as at 31 August 2024 was GH¢123.81 million. Management expects that, by retaining and reinvesting part of its profits each year, dividends can grow at 5% p.a. The appropriate cost of equity, estimated using asset-pricing models, is 13%.
- v) The average current price/earnings ratio based on figures from five similar quoted firms is 9.5 times. Assume a non-quotations risk factor of 25%.

Required:

Using net asset basis, price/earnings basis and dividend growth model, determine a range of values to be placed on each ordinary share of Birim LTD.

(Note: Only notes (ii), (iii), and (iv) may necessitate revision of the draft profit after tax; however, tax and dividend as per the draft accounts should NOT be adjusted.)

(15 marks)

- b) Kankani Ghana LTD (Kankani) owns a non-controlling equity interest in Nini LTD (Nini), a private company, and wishes to fair value it as at its financial year end of 31 March 2025. Kankani acquired the ordinary share interest in Nini on 1 April 2023. During the current financial year, Nini has issued further equity capital through the issue of preferred shares to a venture capital fund.

As a result of the preferred share issue, the venture capital fund now holds a controlling interest in Nini. The terms of the preferred shares, including the voting rights, are similar to those of the ordinary shares, except that the preferred shares have a cumulative fixed dividend entitlement for a period of four years and the preferred shares rank ahead of the ordinary shares upon the liquidation of Nini. The transaction price for the preferred shares was GH¢5 per share.

Kankani wishes to know the factors which should be taken into account in measuring the fair value of their holding in the ordinary shares of Nini at 31 March 2025 using a market-based approach.

Required:

Discuss how Kankani should measure the above assets with reference to the principles of *IFRS 13: Fair Value Measurement*. (5 marks)

(Total: 20 marks)

QUESTION FIVE

- a) Below are the Group Financial Statements of Tordzie PLC (Tordzie) for the years ended 30 June 2024 and 2025:

Statement of comprehensive income for the year ended 30 June

	2025	2024
	GH¢000	GH¢000
Revenue	46,600	40,910
Cost of sales	(32,220)	(28,040)
Selling, general and administrative expenses	(6,450)	(6,335)
Finance costs (net of interest income)	<u>(2,105)</u>	<u>(1,681)</u>
Profit before tax	5,825	4,854
Tax charge	<u>(1,318)</u>	<u>(1,210)</u>
Profit for the year	<u><u>4,507</u></u>	<u><u>3,644</u></u>
Profit attributable to:		
Owners of the parent	3,898	3,132
Non-controlling interests	<u>609</u>	<u>512</u>
	<u><u>4,507</u></u>	<u><u>3,644</u></u>
Basic earnings per share (GH¢)	0.534	0.506
Diluted earnings per share (GH¢)	0.520	0.498

Statement of financial position as at 30 June

	2025 GH¢000	2024 GH¢000
Assets		
Property Plant and Equipment	48,990	31,150
Lease receivables (<i>See Note 1</i>)	20,284	24,400
Inventory	8,870	6,430
Trade receivables	11,100	8,905
Cash and bank	<u>1,266</u>	<u>8,002</u>
	<u>90,510</u>	<u>78,887</u>
Equity and liabilities		
Share capital:		
Ordinary shares	20,600	16,800
12% Preference shares (irredeemable)	6,000	6,000
Retained earnings	30,140	27,920
Other reserves	2,440	1,790
Non-controlling interests	3,020	2,890
Share based payment (<i>See Note 2</i>)	3,400	-
11% Convertible debentures (mature on 30 June 2029)	16,800	16,280
Trade payables and accruals	<u>8,110</u>	<u>7,207</u>
	<u>90,510</u>	<u>78,887</u>

Additional information

- 1) On 1 January 2024, Tordzie entered into a four-and-half-year finance lease arrangement with Anum LTD at a six-monthly rental of GH¢4 million. The rentals are expected to be received in advance starting on 1 January 2024. The initial (total) lease receivable is GH¢22 million. For the purpose of analysing the lease receivables between current and non-current components at each year-end, the following lease table is made available:

Six months ending	Opening balance GH¢000	Lease receipts GH¢000	Finance interest GH¢000	Closing balance GH¢000
30/06/2024	22,000	-	2,200	24,400
31/12/2024	24,400	(4,000)	2,040	22,440
30/06/2025	22,440	(4,000)	1,844	20,284
31/12/2025	20,284	(4,000)	1,628	17,912
30/06/2026	17,912	(4,000)	1,391	15,303

- 2) The share-based payment figure relates to a fully vested share-with-cash-alternative arrangement which was agreed on 30 June 2025. The arrangement gives the counterparty the choice of settlement but the settlement cannot occur before 30 June 2027. The fair value of the cash alternative at the grant date is GH¢2.6 million.
- 3) The following metrics should be deemed relevant:

	2025	2024
Operating profit margin	-	15.97%
Return on capital employed	-	9.12%
Return on parent's equity funds	-	5.19%

Debts/all equity ratio	-	29.39%
Current ratio	-	3.09:1
Basic earnings per share (in pesewas)	53.46	50.61
Diluted earnings per share (in pesewas)	52.05	49.8
Human right offences – own operations	5	7
Human right offences – top ten suppliers	35	25
Human right offences – top twenty corporate customers	58	42

Required:

- i) Calculate the following missing ratios for the year ended 30 June 2025:
- Operating profit margin
 - Return on capital employed (*capital employed = total assets less current liabilities*)
 - Return on parent’s equity funds
 - Debt/equity ratio
 - Current ratio
- (7 marks)**
- ii) Produce a report addressed to the company’s board to assess the financial and social performance of Tordzie for the year ended 30 June 2025, relative to the comparative year, using the computed ratios (*in “i” above*), the earnings per share figures, and the human right measures provided in *Note (3)*.
- (8 marks)**
- b) Double materiality is a concept in Environmental, Social and Governance (ESG) and sustainability reporting. However, the point of divergence in relation to ESG and sustainability reporting is their focal point.

Required:

Explain the concept of double materiality as used in ESG and sustainability reporting.

(5 marks)

(Total: 20 marks)

SUGGESTED SOLUTION

QUESTION ONE

Firaw Group

Consolidated Statement of Financial Position as at 31 March 2025

	GH¢'m
Assets	
Non-current assets	
Property, Plant and Equipment (W7)	957.00
Goodwill (W2)	78.18
Finance lease receivable (W8)	<u>215.40</u>
	1,250.58
Current assets (132 + 75 + 192)	<u>399.00</u>
Total assets	<u>1,649.58</u>
Equity and liabilities	
Equity	
Share capital (129 + 60)	189.00
Retained earnings (W4)	178.20
Other components of equity (W5)	<u>76.20</u>
	443.40
Non-controlling interest (W6)	<u>99.18</u>
	542.58
Non-current liabilities (201+36+84)	321.00
Current liabilities	
Trade and other payables (597+78+111)	<u>786.00</u>
	<u>1,107.00</u>
Total equity and liabilities	<u>1,649.58</u>

Group Structure

	Oti	Bui
Firaw (Parent) %	70%	80%
NCI %	30%	20%
	100%	100%

W1 Oti

	GH¢'m	GH¢'m
Fair value of consideration for 70% interest:		
Immediate consideration (60 million shares x GH¢2)	120.00	
Contingent consideration (15 million shares x GH¢2 x 20%)	<u>6.00</u>	
		126.00
Fair value of non-controlling interest (30% x 39m shares x GH¢4.20)		<u>49.14</u>
		175.14
Fair value of identifiable net assets acquired		<u>(144)</u>
Goodwill		<u>31.14</u>

Contingent consideration should be valued at fair value and will have to take into account the various milestones set under the agreement. The expected value is (20% x 15 million shares) 3 million shares x GH¢2, i.e. GH¢6 million. There will be no remeasurement of the fair value in subsequent periods. If this were a liability, there would be remeasurement. The contingent consideration will be shown in OCE. The fair value of the consideration is therefore 60 million shares at GH¢2 plus GH¢6 million totaling GH¢126 million.

The purchase should be accounted for as follows:

Dr Investment in Oti	GH¢126million
Cr Ordinary share capital	GH¢60million
Cr Other components of equity	GH¢66million

The fair value of the NCI is 30% x 39 million x GH¢4.20 = GH¢49.14 million

The fair value adjustment for land is GH¢(144 - Share capital 39 - Retained earnings 54 - OCE 9)m, i.e. **GH¢42 million**.

The net assets schedule of Oti can be summarized as follows:

	At Reporting GH¢'million	At Acquisition GH¢'million	Post-Acquisition GH¢'million
Share Capital	39	39	-
Retained Earnings	72	54	18
OCE	15	9	6
FV Adjustment - Land	42	42	-
	168	144	24

W2 Bui

Net profit of Bui for the year to 31 March 2024 is GH¢10.8 million. The P/E ratio (adjusted) is 19. Therefore, the fair value of Bui is 19 x GH¢10.8 million, i.e. GH¢205.2 million. The NCI has a 20% holding; therefore, the fair value of the NCI is GH¢41.04 million.

	GH¢'m	GH¢'m
Fair value of consideration for 80% interest(156m+15m)	171.00	
Fair value of non-controlling interest	<u>41.04</u>	212.04
Fair value of identifiable net assets acquired		<u>(165)</u>
Goodwill		<u>47.04</u>

The land transferred as part of the purchase consideration should be valued at its acquisition date fair value of GH¢15 million. Therefore, the increase of GH¢6 million over the carrying amount should be shown in retained earnings.

The fair value adjustment for land is GH¢39m (165 - Share capital 78 - Retained earnings 36 - OCE 12), i.e. **GH¢39 million**.

The net assets schedule of Bui can be summarized as follows:

	At Reporting	At Acquisition	Post-Acquisition
	GH¢'million	GH¢'million	GH¢'million
Share Capital	78	78	-
Retained Earnings	45	36	9
OCE	12	12	-
FV Adjustment - Land	39	39	-
	174	165	9

Total goodwill is **GH¢78.18 million** (47.04 million +31.14 million)

W3 Pra

	GH¢'m
Sales proceeds	150.0
Share of identifiable net assets at date of disposal (80% x GH¢180 million)	(144)
Goodwill GH¢(120m - (80% of GH¢132m) - GH¢6m)	<u>(8.4)</u>
Loss on sale of Pra	(2.4)
Post-acquisition profits: (GH¢180m - GH¢132m) x 80% - impairment GH¢6m	<u>32.4</u>
	<u>30.0</u>

The net effect of the above is to transfer GH¢30 million from OCE to retained earnings.

W4 Retained Earnings

	GH¢'m
Firaw:	
Balance at 31 March 2025	123
Gain on land given as consideration for Bui (W2)	6
Loss on sale of Pra (W3)	(2.4)
Post-acquisition profits – Pra (W3)	32.4
Finance lease – revenue (W8)	(9)
Finance lease – cost of sales (W8)	8.4
Oti (70% x (72 – 54))	12.6
Bui (80% x (45 – 36))	<u>7.2</u>
	<u>178.2</u>

W5 Group Other Components of Equity

	GH¢'m
Firaw	36
Purchase of Oti (W1)	66
Post-acquisition reserves:	
Oti (70% x (15 – 9))	4.2
Bui (80% x (12 – 12))	-
Loss on sale of Pra to retained earnings (W3)	2.4
Post-acquisition profits to retained earnings (W3)	<u>(32.4)</u>
	<u>76.2</u>

W6 Non-Controlling Interests

	GH¢'m
Oti:	
Fair value at 1 October 2024 (W1)	49.14
Retained earnings (30% x (72 – 54))	5.4
OCE (30% x (15 – 9))	1.8
Bui:	
Fair value 1 April 2024 (W2)	41.04
Retained earnings (20% x (45 – 36))	1.8
OCE (20% x (12 – 12))	<u>-</u>
	<u>99.18</u>

W7 Property, Plant and Equipment

	GH¢'m
Firaw	648
Oti	123
Bui	114
Increase in value of land – Oti (W1)	42
Increase in value of land – Bui (W2)	39
Sale of land as consideration for Bui (W2)	<u>(9)</u>
	<u>957</u>

W8 Finance Lease

Firaw should have shown the lease receivable at the lower of the fair value of the asset and the present value of the minimum lease payments, i.e. GH¢141 million. Therefore, an adjustment of GH¢9 million will have to be made to profit or loss and the lease receivable. Similarly, the cost of transaction should have been GH¢(120 - 8.4) million, i.e. GH¢111.6 million as the asset reverts back to Firaw at the end of the lease.

An adjustment should be made to profit or loss and lease receivable of GH¢8.4 million.

Dr Profit or loss	GH¢9 million
Cr Lease receivable	GH¢9 million
Dr Lease receivable	GH¢8.4 million
Cr Profit or loss	GH¢8.4 million

(The net amount of GH¢0.6 million could be adjusted in this case).

The finance lease receivable figure in the financial statements will be GH¢ (150 - 9+8.4+42+24) m, i.e. **GH¢215.4 million**.

(Total: 20 marks)

EXAMINER'S COMMENTS

The first question presented draft statements of financial position of Firaw and two subsidiaries, Oti and Bui. Candidates were required to prepare a consolidated statement of financial position for the Firaw Group, considering several adjustments. These included goodwill calculations, fair value adjustment for land and finance lease adjustment. The question also required treatment of a full disposal of a subsidiary, Pra, in the consolidated statement of financial position. The question required the recognition of a disposal loss of GH¢2.4 million in retained earnings, and the correction of the treatment of a disposal gain of GH¢30 million which Firaw incorrectly recorded as a gain in OCI. Some candidates could not compute the fair value of NCI using a discounted P/E ratio.

The question was fairly straightforward and was answered by almost all the candidates who wrote the paper. Most candidates demonstrated a clear understanding of the question. The performance of candidates was above average. Some candidates, however, appeared unprepared, and that was reflected in the relatively poor responses to the question. Such candidates struggled to compute the PPE, the stated capital, retained earnings and the finance lease receivable. Candidates are advised to prepare adequately and solve past questions before taking the paper.

QUESTION TWO

a)

Nature of the Equipment

The manufacturing equipment was constructed by Osae, at its own cost, but based on Ankobra's design and specifications. The technical know-how and design belong to Ankobra, but ownership of the equipment is not explicitly transferred which implies Osae may own the asset physically.

Control and Restriction of Use

A clause restricts Osae from using the equipment for any other purpose or customer. This limits Osae's ability to derive economic benefits from the equipment outside of the Ankobra contract. Under *IAS 16: Property, Plant & Equipment*, an asset should be recognised if the entity controls the asset and expects future economic benefits. Osae appears to control it physically but economically dependent on Ankobra.

Treatment under IFRS 15: Revenue from Contract with Customers

Since the equipment is custom-built and can only be used to satisfy the Ankobra contract, the cost of the equipment may be treated as a contract asset or part of contract fulfilment asset under IFRS 15. It is not a general-purpose PPE. It is a cost to fulfil a specific contract and recoverable via the minimum payment from Ankobra. The cost should be capitalised and amortised over the contract period of 3 years.

Revenue Recognition and Contract Consideration

Osae receives a fixed price per unit produced, but a minimum fee is guaranteed even if production doesn't occur. This implies the existence of a fixed component of consideration. Revenue is likely recognised over time as performance obligations (manufacturing units) are satisfied. The minimum fee provides assurance that the cost of equipment will be recovered, reducing risk.

Lease Consideration

One might consider whether the arrangement constitutes a lease of the equipment by Osae to Ankobra. However, Ankobra does not control the asset (they can't direct its use or obtain substantially all benefits), so this is not a lease under IFRS 16.

Instead, Osae uses the asset in providing a service to Ankobra - more consistent with a service contract.

Summary of Accounting Treatment

Manufacturing equipment:

Capitalise as a contract fulfilment asset under IFRS 15 and Amortise over the three-year contract term to match revenue recognition.

Revenue:

Recognise per unit delivered. Recognise minimum payments over the contract term on straight-line unless performance obligation pattern differs.

(8 marks)

b) Intangible Asset**Internally Developed Software for High-Resolution Maps**

IAS 38 defines an intangible asset as an *identifiable non-monetary asset without physical substance*.

To recognise an intangible asset, the asset must be:

- Identifiable (either separable or arising from contractual/legal rights)
- Controlled by the entity
- Expected to provide future economic benefits
- Cost of the asset can be measured reliably

Internally Generated Intangibles:

IAS 38 distinguishes between research and development (R&D) phases:

Costs incurred during the *research phase* must be expensed as they occur.

The GH¢200,000 cost to define the requirement is part of the research phase, so must be expensed.

Costs in the *development phase* can be capitalised *only if all six criteria* in IAS 38 are met:

- Technical feasibility of completing the asset
- Intention to complete and use/sell it
- Ability to use/sell it
- How the asset will generate probable future economic benefits
- Availability of resources
- Ability to measure the costs reliably

If all criteria are met, the remaining GH¢1 million (GH¢1.2 million – GH¢200,000) can be capitalised as an intangible asset and amortised over its useful life of 5 years.

Cost of Designing a New Brand Name (GH¢100,000)

IAS 38 prohibits the recognition of internally generated brands, mastheads, publishing titles, customer lists, and similar items. Even if a third party is engaged, if the brand name is internally generated, it cannot be recognised as an intangible asset. This is because such expenditures are seen as part of developing goodwill and not a separately identifiable intangible. The GH¢100,000 spent on consulting/designing a new brand name must be expensed as incurred.

(6 marks)

c)

- **Convertible bond investment**

The bond has a conversion option, meaning it's a hybrid instrument with both debt and equity features. The conversion feature gives Densu the right to convert the bond into shares.

Under IFRS 9, The SPPI (solely payments of principal and interest) test must be passed to be measured at amortised cost or FVOCI. A convertible bond fails the SPPI test, because the conversion into equity introduces variability unrelated to principal and interest.

The convertible bond fails SPPI, so it must be measured at Fair Value Through Profit or Loss (FVTPL), regardless of the business model. Fair value changes must be recognised in profit or loss for the year ended 31 December 2025.

- **Loan commitment at off-market terms**

A loan commitment is a type of financial instrument under IFRS 9 if it is irrevocable, and it will result in a financial asset for the entity.

If a loan commitment is made at below-market terms, IFRS 9 requires it to be recognised at inception, and any loss (onerous terms) should be recognised immediately.

As at 31 December 2025, Densu should recognise a liability (or provision) for the loss on initial recognition, i.e. the present value of the expected future loss due to lending at below-market rate.

- **Sale of interest cash flows but retention of legal title**

This is a case of partial derecognition under IFRS 9.

The entity retains the asset legally, but sells the right to interest only.

Since it has no obligation to compensate for shortfalls, it seems that the risk and rewards of interest have been transferred.

- ✓ Derecognise the portion of the asset related to the interest cash flows.
- ✓ Continue to recognise the residual asset i.e. the right to principal repayment.
- ✓ Recognise any gain or loss on the derecognition of the interest rights in profit or loss.
- ✓ The remaining asset (just the principal cash flows) is measured based on the original classification model, likely at amortised cost or FVOCI, depending on business model and SPPI.

(6 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

This question on selected accounting standards (IFRS) examined the application of IAS 16, IFRS 15 and IFRS 16. The question begins accounting for a specialised manufacturing equipment constructed by Osae PLC. Candidates were required to determine whether or not Osae PLC controls the asset constructed. Osae appears to control the asset physically but economically dependent on Ankobra. Since the equipment is custom-built and can only be used to satisfy the Ankobra contract, the cost of the equipment may be treated as a contract asset or part of contract fulfilment asset under IFRS 15. Revenue is likely recognized over time as performance obligations (manufacturing units) are satisfied. In accordance with IFRS 16, candidates were also required to determine whether the arrangement constitutes a lease of the equipment by Osae to Ankobra. Since Ankobra does not control the asset (they can't direct its use or obtain substantially all benefits), this is not a lease under IFRS 16.

The second part of the question on IAS 38, required candidates to determine appropriate treatment of the research and development costs involved in an internally developed software for high-resolution maps amounting to GH¢1.2m. Candidates must recognise that the cost to define the requirement of the project of GH¢0.2m (included in the total costs of GH¢1.2m) is a research cost and must be expensed immediately. The remaining GH¢1m constituting development costs can be capitalised only if all six criteria in IAS 38 are met. The development costs of GH¢1m is subsequently amortised over the useful life of five years. IAS 38 prohibits the recognition of internally generated brands, mastheads, publishing titles, customer lists, and similar items. Therefore, the cost of designing a new brand name of GH¢100,000 is expensed immediately.

The third part of question two required candidates to demonstrate the appropriate accounting treatments of financial instruments transactions in accordance with IFRS 9 in the books of Densu Ghana PLC. These transactions constituted the following:

- convertible bond investment which fails SPPI and must be measured at Fair Value Through Profit or Loss (FVTPL), regardless of the business model;
- loan commitment at off-market terms, which Densu should recognise a liability (or provision) for the loss on initial recognition; and
- sale of interest cash flows but with retention of legal title, which requires partial derecognition under IFRS 9 where Densu will continue to recognise the full debt instrument as an asset and recognise a financial liability for the obligation to pass interest to the buyer.

Overall, the performance was below average. Most candidates could not relate the requirements of the question to the appropriate accounting standards. Since the question was more theoretical than computational, most candidates could not express themselves. This is a great challenge which must be addressed. In effect, question two was partly answered. Some candidates did not attempt to answer this question at all.

QUESTION THREE

a)

Computation of Goodwill at Acquisition (in ZAR)

Consideration transferred	ZAR180 million
Fair value of NCI	<u>ZAR14 million</u>
Total consideration	ZAR 194 million
Less Fair value of net assets	<u>(ZAR 70 million)</u>
Goodwill (in ZAR)	<u>ZAR 124 million</u>

Translate Goodwill into GH¢

At Acquisition Date (31 Dec 2023)

Exchange rate = GH¢1 = ZAR3

Goodwill in GH¢ (initial recognition) = $124/3.0 = \text{GH¢}41.33 \text{ million}$

At Reporting Date (31 Dec 2024)

Goodwill remains in ZAR (since it relates to a foreign subsidiary) but must be retranslated at *closing rate* under IAS 21:

Exchange rate = 1 GH¢ = ZAR 2.0

Goodwill in GH¢ (at 31 Dec 2024) = $124/2.0 = \text{GH¢}62 \text{ million}$

Summary of Computation of Goodwill and Translation

	ZAR' m	Opening Rate [GH¢1 = ZAR3]	GH¢'m	Closing Rate [GH¢1 = ZAR2]	GH¢'m
Consideration transferred	180	3	60	2	90
Fair value of NCI	14	3	4.67	2	7
Total consideration	194	3	64.67	2	97
Fair value of net assets	(70)	3	(23.33)	2	(35)
Goodwill	124	3	41.33	2	62

Exchange Difference on Goodwill

Exchange gain = GH¢62million - GH¢ 41.33million = **GH¢20.67 million**

Accounting for the Exchange Difference

Under IAS 21, goodwill arising on the acquisition of a foreign operation is treated as part of the foreign operation's net assets and therefore is subject to retranslation at the closing rate at each reporting date.

The resulting exchange difference is not recognised in profit or loss. Instead, it is recognised in Other Comprehensive Income (OCI) and accumulated in a Currency Translation Reserve (CTR) within equity. Since both the parent BRL and non-

controlling interest (NCI) have ownership in the foreign operation, the exchange gain is shared between them in proportion to ownership.

Allocation of Exchange Gain

Parent's share (90%) = 90% x GH¢20.67m = **GH¢18.60 million**

NCI share (10%) = 10% x GH¢ 20.67m = **GH¢2.07 million**

These amounts are reflected in the consolidated statement of changes in equity as movements in the Currency Translation Reserve (CTR):

GH¢18.60 million to equity attributable to owners of the parent

GH¢2.07 million to non-controlling interest

(10 marks)

b)

i) Impacts of Big Data, Data Analytics and DLT on Corporate Reporting

Enhanced data collection and real-time processing: Big data tools can extract high volumes of financial and sustainability-related data from Global Harvest's cocoa and cashew supply chains in Ghana, enabling real-time reporting on production volumes, environmental indicators, and social compliance.

Improved traceability and auditability through Blockchain: Blockchain (a form of DLT) enables immutable records of each transaction or product movement. This would allow Global Harvest to provide investors and regulators with a transparent view of its sourcing and environmental impact in Ghana. DLT provides immutable transaction records, allowing CHP to trace cocoa from farm to export. This strengthens compliance with Ghana's ESG regulations on deforestation and child labour.

Integrated financial and non-financial reporting data: Data analytics tools can link operational, financial and ESG data supporting more comprehensive, decision-useful reports aligned with global frameworks like the ESRS or IFRS Sustainability Standards. Data analytics enables CHP to merge production data, environmental metrics, and social impact indicators. This supports integrated reporting; which Ghana's regulators are moving toward.

Audit trail and reliability: DLT can strengthen the audit trail by recording each entry or transaction (e.g. supplier payments or delivery dates) in a tamper-proof ledger, increasing the credibility of both financial and sustainability disclosures.

Increased transparency for investors and regulators: With automated data capture and blockchain verification, CHP can provide timely, verifiable disclosures, improving investor confidence and meeting GSE sustainability requirements.

(Any 4 relevant points for 4 marks)

ii) **Benefits of Adopting these Technologies for improving Financial and Sustainability Reporting.**

Improved reporting quality and timeliness: Automated data capture and analytics reduce manual errors and shorten reporting cycles, ensuring timely submissions to investors and regulators.

Enhanced stakeholder confidence: Transparent and traceable records (e.g. showing sustainable sourcing of cocoa) improve investor confidence and support ethical branding, which can influence access to capital and markets.

Regulatory readiness and competitive advantage: Adoption of such technologies positions Global Harvest ahead of future Ghanaian and international reporting regulations and may improve compliance scores in ESG assessments.

Stronger ESG compliance and reduced regulatory risk: Automated data collection ensures CHP meets Ghana's new sustainability disclosure rules with fewer errors and lower compliance costs.

Better decision making: Analytics provides insights into yield efficiency, supplier performance, and environmental impact hotspots. This improves strategic planning and resource allocation.

Enhanced trust and reputation: Blockchain verified supply chain data reassures international buyers, investors, and NGOs. This can improve market access and brand value.

(Any 3 relevant points for 3 marks)

iii) **Risks and Challenges of Implementation**

High implementation and integration costs: Deploying Big Data systems, IoT sensors, and blockchain infrastructure across Ghanaian operations requires significant investment. High initial costs and lack of local technical expertise in Ghana could hinder adoption or lead to implementation failures.

Data governance and quality risks: The value of big data analytics depends on the quality of the input data; inaccurate or unstructured data from rural Ghanaian operations could compromise output reliability.

Data privacy, cybersecurity risks and assurance challenges: Large datasets and distributed ledgers increase exposure to cyberattacks, data breaches, and unauthorised access, especially in cross border operations. Blockchain and big data systems are vulnerable to cyber threats. Moreover, auditors may lack the tools or skills to provide assurance on blockchain-based records, raising audit risk.

Complexity, skills and capability gaps: CHP may lack data scientists, blockchain engineers, and analytics specialists. This can hinder adoption and increase reliance on external consultants.

(Any 3 relevant points for 3 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

The third question had two main parts: a question on IAS 21 and a question on current developments in financial reporting relating to big data, data analytics, and distributed ledger technology (including blockchain). The question on IAS 21 required candidates to calculate the exchange difference arising on the translation of a consolidated goodwill and then determine who (parent and NCI) and how much of the exchange difference is attributable to. The computation of goodwill was a very simple question for most candidates to answer. The difficulty was the measurement of goodwill at acquisition date using the acquisition-date exchange rate, the remeasurement of goodwill using the closing rate, and the treatment of the exchange difference recognised in OCI. Some candidates could not apply the appropriate exchange rate to compute the exchange gain/loss.

The second part of the question focused on current developments in the profession, with questions touching on modern trends such as big data, data analytics, distributed ledger technology (including blockchain). Candidates were required to explain the impacts (both positives and negatives) of using big data, data analytics and distributed ledger technology (including blockchain) in the context of corporate reporting. Some candidates however repeated the positive impacts as potential benefits of adopting these technologies, and the negative impacts as the key risks or challenges in implementing these technologies.

Overall, most candidates earned very high marks from this question, with some candidates earning full marks.

QUESTION FOUR

a)

- **Net Asset Basis**

Under this method, the value of a business is based on the firm's net assets attributable to ordinary shareholders. The net assets figure is given by total assets less total liabilities.

Determination of net assets

	GH¢000
Properties [293,500 x 180/150]	352,200
Plant (140,000 x 90% x 82,500/132,000)	78,750
Current assets [120,000 - (9,000 x 5/6)]	<u>112,500</u>
	543,450
18% debentures (see below)	(97,850)
Other liabilities [256,000 + (31,700 - 27,000)]	<u>(260,700)</u>
Net assets attributable to ordinary shares	<u>184,900</u>

Net asset value per share = Net assets divided by number of ordinary shares issued. But number of ordinary shares issued = GH¢40m / GH¢0.80 = 50m shares.
 Net asset value per share = GH¢184.9m / 50m = GH¢3.70

Workings

	GH¢000
W1 18% debentures	
Face value	80,000
Premium at issue (10% x 80,000)	<u>8,000</u>
Proceeds received - 1 March 2025	88,000
Interest on debentures (22% x 88,000 x 6/12)	<u>9,850</u>
At 31 August 2025	<u>97,850</u>

- **Price-Earnings Basis**

Value per share = Birim's earnings per share x adjusted price/earnings ratio

But Earnings per share = Earnings (as revised) / number of issued ordinary shares

Revised profit after tax - Birim

	GH¢000
Draft profit after tax	45,620
<i>Adjustments:</i>	
Inventories (9,000 x 5/6) or [9,000 - (9,000x1/6)]	(7,500)
Premium on debentures	(8,000)
Interest on debentures	(9,850)

Fair value loss on liability [(31,600 – 27,000) x 60%]	<u>(2,760)</u>
Revised profit after tax	<u>17,510</u>

Earnings per share = GH¢17.51m/50m = GH¢0.3502

Value per share = GH¢0.3502 x 13 x 75% = GH¢3.41

- **Dividend Growth Model**

Value per share = $D_0 (1 + g) / (k_e - g)$

D_0 = Current period's dividend per share

g = Expected dividend growth rate

k_e = cost of equity

D_0 = Current ordinary dividends/number of issued ordinary shares

Current ordinary dividend is given as follows:

	GH¢000
Equity balance b/f	123,810
Comprehensive income	<u>47,190</u>
	171,000
Less: equity balance c/d (40,000 + 107,940 + 12,060)	<u>(160,000)</u>
Dividends	<u>11,000</u>

Dividend per share = GH¢11m / 50m = GH¢0.22

Value per share = $0.22 (1 + 0.05) / (0.13 - 0.05) = \text{GH¢}0.2442$

Range of values per share

Thus, the value to be placed on each ordinary share of Birim LTD ranges from GH¢0.2442 to GH¢3.70.

(15 marks)

- b) Measuring the fair value of individual unquoted equity instruments which constitute a non-controlling interest in a private company falls within the scope of *IFRS 9: Financial Instruments* in accordance with the principles set out in *IFRS 13: Fair Value Measurement*. There is a range of commonly used valuation techniques for measuring the fair value of unquoted equity instruments within the market and income approaches as well as the adjusted net assets method. IFRS 13 states that fair value is a market-based measurement, although it acknowledges that in some cases observable market transactions or other market information might not be available.

IFRS 13 does not contain a hierarchy of valuation techniques nor does it prescribe the use of a specific valuation technique for meeting the objective of a fair value measurement. However, IFRS 13 acknowledges that, given specific circumstances, one valuation technique might be more appropriate than another.

The market approach takes a transaction price paid for an identical or a similar instrument in an investee and adjusts the resultant valuation. The transaction price paid recently for an investment in an equity instrument in an investee which is similar, but not identical, to an investor's unquoted equity instrument in the same investee would be a reasonable starting point for estimating the fair value of the unquoted equity instrument.

Kankani would take the transaction price for the preferred shares and adjust it to reflect certain differences between the preferred shares and the ordinary shares. There would be an adjustment to reflect the priority of the preferred shares upon liquidation. Kankani should acknowledge the benefit associated with control. This adjustment relates to the fact that Kankani's individual ordinary shares represent a non-controlling interest whereas the preferred shares issued reflect a controlling interest. There will be an adjustment for the lack of liquidity of the investment which reflects the lesser ability of the ordinary shareholder to initiate a sale of Nini relative to the preferred shareholder. Further, there will be an adjustment for the cumulative dividend entitlement of the preferred shares. This would be calculated as the present value of the expected future dividend receipts on the preferred shares, less the present value of any expected dividend receipts on the ordinary shares. The discount rate used should be consistent with the uncertainties associated with the relevant dividend streams.

Kankani should review the circumstances of the issue of the preferred shares to ensure that its price was a valid benchmark. Kankani must, however, use all information about the performance and operations of Nini, which becomes reasonably available to it after the date of initial recognition of the ordinary shares up to the measurement date. Such information can have an effect on the fair value of the unquoted equity instrument at 31 March 2025. In addition, Kankani should consider the existence of factors such as whether the environment in which Nini operates is dynamic, or whether there have been changes in market conditions between the issue of the preferred shares and the measurement date.

(5 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

Question Four was poorly attempted by most candidates. Candidates were required to determine a range of values for the ordinary shares of Birim LTD using the net asset basis; the price/earnings basis; and the dividend growth model. Candidates were provided with summarized financial statements and additional information, which necessitated specific adjustments to arrive at the revised net assets and revised profit after tax attributable to ordinary shareholders. The question was the most difficult question for most candidates although it was the usual business valuation question. Candidates had knowledge of the formulars to use to compute the value per share under each method and stated them clearly. Candidates however could not correctly perform the necessary adjustments to the

financial data, i.e. adjust the net assets and earnings correctly. They had a challenge computing the revised profit after tax. Candidates also had a challenge of computing the dividends.

Part (b) of Question Four required candidates to demonstrate the treatment of the fair valuation of an investment in shares of a private company, with specific reference to the principles of *IFRS 13: Fair Value Measurement*. With the fair valuation of ordinary shares, IFRS 13 requires that fair value must reflect market participant assumptions and must consider rights and preferences of different share classes. Since the venture capital fund now holds a controlling interest, the ordinary shares held by Kankani are non-controlling, so a minority discount will apply, and then a lack of marketability discount (private company) will also apply. When using the GH¢5 preferred share price as a reference for the fair valuation of the ordinary shares, the market-based approach adjustments requires that we adjust for seniority differences, dividend preferences, control premium, marketability discount and subordination of ordinary shares. Candidates again scored very low marks on this part of the question as they failed to state that in the valuation of unquoted equity instruments, in some cases, observable market information might not be available.

QUESTION FIVE

a)

REPORT

To: Board, Tordzie

From: Finance Director

Date: 2 March 2026

Subject: Assessment of financial and social performance of Tordzie

This report provides an analysis of the financial performance, financial position, and social performance of Tordzie for the year ended 30 June 2025, relative to the comparative year. The report should be read along with attached appendix which contains the relevant ratios.

Profitability

Profitability is about how well resources are used to generate revenues. It shows the extent to which a company's level of activity and resources employed translate into profit. Three measures – operating profit margin, return on capital employed, return on equity – are used to assess the company's profitability.

Revenue has increased by nearly 14% ($5,690/40,910 \times 100$) over the two years, suggesting that 2025 was more active than the previous year. This improved revenue performance appears to have fed through all the profitability measures. For instance, Tordzie's operating profit margin has risen from 15.97% in 2024 to 17.02% in 2025. The meaning of this upward movement is that the year-on-year increase in revenue was higher than the corresponding increase in operational expenses. In other words, the group increased its operational spending less proportionately than the additional revenue achieved. Hence, the company appears to have had better control over operational costs in 2025. A look at the return on capital employed indicates that the group generated more profit for providers of long-term capital in 2025 than in 2024. The group returned 9.62 pesewas on each cedi amount of capital invested during the current period as against 9.12 pesewas in the previous year. Similarly, the group returned more to equity holders on their investment in 2025 than to them in 2024 as evidenced by the increase in return on parent's equity from 5.19% to 5.89%.

Liquidity

An entity's liquidity position is about the relationship between its short term assets and short term liabilities. The assessment of this is here based on current ratio. Current ratio shows how well current obligations are covered by current assets. The group's current ratio is higher in 2025 than in 2024, suggesting that the group can better meet its current liabilities with current assets this year than last year. Unless deterioration in the management over receivables and inventory is responsible given the significant increases in inventories (37.9%) and trade receivables (24.6%) across the two years, the improved current ratio provides a firm signal about the company's ability to meet pressing payments.

Gearing

Gearing shows how a firm mixes debt and equity funds to finance its operations, and this is gauged in this analysis by the company's debt/equity ratio. Tordzie's debt-to-equity ratio of 30.79% in 2025 compares slightly less favourably than the 29.39% in 2024. The increased ratio indicates that the group now faces a higher bankruptcy and financial risk regardless of the fact that more equity than debt is still used in 2025.

Earnings per share

Earnings per share represents a key shareholder-focused ratio and measures the amount of earnings achieved on every one ordinary share. The group's basic earnings of 53.4 pesewas per share achieved in 2025 compares more favourably than the 50.6 made in 2024. Even after considering the effects of dilutive potential share instruments across both years, Tordzie's earnings per share in 2025 still topples 2024's. Ordinary shareholders are more likely to welcome these increments and may react by offering to pay more for the company's shares especially if they believe this trend would continue. Such belief could be expected especially given that the more predictive diluted earnings per share has also increased.

Social performance

Companies the world over are now under increased pressure to balance profit making and welfare management. Specifically, this report discusses the company's human right credentials within its operations and across its supply chain. A look at the reported metrics shows that there has been some reduction in the number of times the group was cited for human right abuses within its own operations. But when focus is turned on the human right footprints across its supply chain, both downstream and upstream, the number of offences has jumped significantly. Since a firm's own misconducts and the misconducts of its business partners can all drive down its reputation, it would be prudent to consider the totality of offence counts within and without. Doing this shows a combined rise from 74 offences in 2024 to 98 offences in 2025, indicating that the company now faces increased risk of being socially sanctioned. Such backlash could also lead to product boycotts, reduced sales, legal penalties and negative screening.

Conclusion

The above analyses have revealed that while Tordzie's gearing has worsened slightly the company has witnessed noticeable improvements in profitability, liquidity, and earnings per share across the two years. Non-financially, the group's human rights record paints a sorry picture about its commitment to conducting business in a responsible and ethical manner.

(8 marks)

Appendix

	<i>Formula</i>	2025	2024
Operating profit margin	$\frac{PBIT}{Revenue} \times 100$	$\frac{7,930}{46,600} \times 100$ = 17.02%	15.97%
Return on capital employed (see note below)	$\frac{Profit\ before\ interest\ and\ tax}{Capital\ employed} \times 100$	$\frac{7,930}{82,400} \times 100$ = 9.62%	9.12%
Return on parent's equity funds	$\frac{Profit\ attributable\ to\ owners\ of\ the\ parent - Preference\ dividend}{Ordinary\ shareholder's\ funds} \times 100$	$\frac{3,898 - 720}{53,980} \times 100$ = 5.89%	5.19%
Debt/equity ratio	$\frac{Long-term\ liability}{Total\ equity} \times 100$	$\frac{19,400}{63,000} \times 100$ = 30.79%	29.39%
Current ratio	$\frac{Current\ assets}{Current\ liabilities}$	$\frac{27,608}{8,110}$ = 3.40:1	3.09:1

Workings

	2025
Profit before interest and tax:	GH¢000
Revenue	46,600
Cost of sales	(32,220)
Selling, general and administrative expenses	<u>(6,450)</u>
	<u>7,930</u>
<i>Alternatively,</i>	
Profit before tax	5,825
Finance costs	<u>2,105</u>
	<u>7,930</u>
Fair valuation of share-based payment:	
Share-based payment at 30 June 2025	3,400
Share-based payment at grant date (FV of cash alternative)	<u>2,600</u>
Equity component (credited to ordinary shareholders funds)	<u>800</u>
Preference dividend:	
12% x 6,000	<u>720</u>
Long-term liability	
11% convertible debentures	16,800
Share-based payment at grant date (FV of cash alternative)	<u>2,600</u>
	<u>19,400</u>

Capital employed:	
Total assets	90,510
Less: current liabilities	<u>(8,110)</u>
	<u>82,400</u>
 Current assets:	
Inventories	8,870
Trade receivables	11,100
Lease receivables (2025: 4,000 + 4,000 -2,040)	6,372
Cash and bank	<u>1,266</u>
	<u>27,608</u>
 Ordinary shareholders' funds and total equity:	
Ordinary shares	20,600
Retained earnings	30,140
Other reserves	2,440
Share based payment (3,400 - 2,600)	<u>800</u>
Ordinary shareholders' funds	53,980
Preference shares	6,000
Non-controlling interests	<u>3,020</u>
Total equity	<u>63,000</u>

(7 marks)

b)

Double materiality recognises two dimensions of materiality: financial materiality and impact materiality (environmental & social materiality). The concept of double materiality is relevant to ESG and sustainability reporting and relates to impacts and dependencies. A matter is material if it affects the company financially or the company affects the environment/society significantly. This is the foundation of modern sustainability reporting frameworks such as: EU CSRD; GRI Standards; and Ghana's emerging ESG framework.

Double materiality encompasses:

- **Financial materiality:** This is where sustainability issues are material if they could have a significant economic impact on a company's business model and value. This is related to both ESG and sustainability and it is often described as outside in. Information is material if it affects cash flows, financial performance, asset values, investor decisions, among others. This is the traditional IFRS/financial reporting perspective.
- **Impact materiality (or environmental and social materiality):** This is where sustainability issues are material if they could have a significant impact on society and the environment. This is related to sustainability, and it is often considered as inside out. Information is material if the company's activities have a significant impact on the environment, society, communities, human

rights, climate change, among others; even if the impact does not affect the financial statements.

The concept of materiality helps to explain the difference between ESG and sustainability. ESG focuses on the impact of environmental, social and governance issues on an organisation's ability to create value; it does not consider an organisation's impact on society and the environment, nor does it consider social and environmental limits to the creation of value (known as the 'safe operating space' within which company can sustainably operate). In other words, ESG is concerned with financial rather than impact materiality, whereas sustainability considers both.

(5 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

The fifth and final question combines ratio analysis, performance evaluation, and the concept of double materiality as it relates to ESG and sustainability reporting. Candidates were required to calculate operating profit margin, return on capital employed, return on parent's equity funds, debt/equity ratio, and current ratio. Based on the ratios computed, candidates were required to produce a report addressed to the company's board to assess the financial and social performance. The difficulty with this ratio question was requirement to derive the figures from the financial statements before the required ratios could be computed. Most candidates were able to compute only the first two ratios. Majority could not perform the necessary adjustments to derive the appropriate figures for the ratio computation. Somehow, they managed to produce a report. The part of Question Five that focused on double materiality were answered very well by majority of the candidates. Most candidates were also to explain the two dimensions of double materiality: financial materiality and impact materiality (environmental & social materiality), and their relevance to ESG and sustainability reporting and how they relate to impacts and dependencies.

CONCLUSION

Overall, the examination paper was comprehensive and demanding, integrating numerical consolidation work with theoretical explanation. The paper reflected current developments in the profession, with questions touching on modern trends such as big data, data analytics, distributed ledger technology (including blockchain) as well as sustainability accounting and ESG reporting. The question set reflected 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.