JULY 2026 PROFESSIONAL EXAMINATIONS
CORPORATE REPORTING (PAPER 3.1)
CHIEF EXAMINER'S REPORT, QUESTIONS AND MARKING SCHEME

STANDARD OF THE PAPER

The questions were based on the syllabus. It contained five major questions, testing a wide range of IFRS-based financial reporting competencies, including foreign consolidation, fair value measurement, foreign exchange translation, borrowing costs, and financial instruments. The paper also examined environmental, social and governance issues as well as capital reduction and reconstruction and financial statement 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.

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 capital reduction required candidates to work through complex adjustments before arriving at final computations.

PERFORMANCE OF CANDIDATES

The general performance of candidates in this exam's diet was worse than the previous diet. Candidates who performed well demonstrated a clear understanding of the subject matter.

QUESTION ONE

The following draft financial statements relate to Sene PLC (a holding company), Bosom PLC (a local subsidiary) and Disue PLC (a foreign subsidiary).

Draft statements of Financial Position as at 31 October 2025

	Sene	**Bosom**	**Disue**
	GH¢' million	**GH¢' million**	**KSh' million**
Assets			
Non-current assets			
Property, Plant and Equipment	840	315	1,170
Investment in Bosom	330	-	-
Investment in Disue	138	-	-
Financial assets	36	27	294
Total non-current assets	**1,344**	**342**	**1,464**
Current assets			
Inventories	60	36	48
Trade and other receivables	90	75	108
Cash and cash equivalents	42	33	270
Total current assets	**192**	**144**	**426**
Total assets	**1,536**	**486**	**1,890**
Equity and liabilities			
Equity shares	240	150	630
Retained earnings	690	222	876
Other components of equity	120	36	-
Total equity	**1,050**	**408**	**1,506**
Non-current liabilities	285	21	330
Current liabilities	201	57	54
Total current liabilities	**486**	**78**	**384**
Total equity and liabilities	**1,536**	**486**	**1,890**

The following information is relevant to the preparation of the group statement of financial position:

i) Sene acquired 80% of the equity shares of Bosom on 1 November 2023 when Bosom's retained earnings were GH¢168 million and other components of equity were GH¢24 million. The fair value of the net assets of Bosom was GH¢360 million at the date of acquisition. This does not include a contingent liability which was disclosed in Bosom's financial statements as a possible obligation of GH¢15 million. The fair value of the obligation was assessed as GH¢3 million at the date of acquisition and remained unsettled as at 31 October 2025. The GH¢15 million is still disclosed as a possible obligation with no change in its fair value. Any remaining difference in the fair value of the net assets at acquisition relates to non-depreciable land. The fair value of the non-controlling interest at acquisition was estimated at GH¢75 million. Sene always adopts the full goodwill method under ***IFRS 3: Business Combinations***.

ii) Sene also owns 60% of the equity shares of Disue, a company located in Kenya which uses the Kenyan Shillings (KSh) as its functional currency. The shares in Disue were acquired on 1 November 2024 at a cost of KSh1,104 million. At the date of acquisition, retained earnings were KSh774 million and Disue had no other components of equity. No fair value adjustments were deemed necessary in relation to the acquisition of Disue. The fair value of the non-controlling interest was estimated at KSh660 million at acquisition.

An impairment review of goodwill was undertaken as at 31 October 2025. No impairment was necessary in relation to Bosom, but the goodwill of Disue is to be impaired by 20%. Neither Sene, Bosom nor Disue has issued any equity shares since acquisition.

iii) On 1 February 2025, Sene gave an interest-free loan to Disue for GH¢30 million. Disue recorded this correctly in its financial statements using the spot rate of exchange. Disue repaid GH¢15 million on 1 July 2025 when the spot exchange rate was GH¢1 to KSh10. Disue therefore reduced its non-current liabilities by KSh150 million. No further entries were made in Disue's financial statements. The remaining balances remain within the financial assets of Sene and the non-current liabilities of Disue.

iv) Sene wished to expand its overseas operations and on 1 May 2025 acquired an overseas property in Kenya with a fair value of KSh175.5 million. In exchange for the building, Sene paid the supplier with land which Sene had held but had yet to determine its use. The carrying amount of the land was GH¢15 million but it had an open market value of GH¢21 million. Sene was unsure as to how to deal with this transaction and so has transferred GH¢15 million from investment properties to property, plant and equipment. The transaction has commercial substance.

In addition, Sene spent GH¢1.5 million to help relocate staff to the new property and added this amount to the cost of the asset. Sene has made no other entries in its financial statements in relation to the property. Sene has a policy of depreciating properties over 35 years and follows the revaluation model under ***IAS 16: Property, Plant & Equipment***. Due to a surge in the market, it is estimated that the fair value of the property is KSh222 million as at 31 October 2025.

v) The following exchange rates are relevant for the preparation of the group financial statements:

	GH¢ to KSh
1 November 2024	8
1 February 2025	9
1 May 2025	9
31 October 2025	9.5
Average for the year to 31 October 2025	8.5

Required:
Prepare the Consolidated Statement of Financial Position of the Sene Group as at 31 October 2025 in accordance with International Financial Reporting Standards.

(Total: 20 marks)

QUESTION TWO

a) Pru LTD (Pru) is a Ghanaian construction company that has a prominent presence in the West African Region through its unique synergy that provides top quality services in the broad infrastructure and engineering industry.

Pru is constructing a new warehouse. For the scenarios listed below, assume that GH¢300,000 was disbursed on the first day of the financial year, and during the entire year the warehouse was under construction with interest eligible for capitalisation. Additional disbursements for the warehouse were incurred in the following financial year as outlined in each scenario below. Each scenario should be considered without reference to the other scenarios unless specifically stated.

Scenario 1:
Pru utilised its overdraft and credit facility of GH¢200,000 with a local bank, along with a loan of GH¢200,000. The bank overdraft facility charges 8% p.a. and the loan charges 12% p.a. Pru's cost of equity is 20%. There are no other disbursements for this project.

Scenario 2:
In addition to the financing noted in scenario 1, there was an additional specific loan of GH¢600,000 for this warehouse. This loan had an interest rate of 15% and the utilised funds of GH¢300,000 were in a separate bank account and earned interest of 3%.

Scenario 3:
In addition to the financing noted in scenario 1, there was an additional specific loan of GH¢200,000 with an interest rate of 15%.

Required:
In accordance with ***IAS 23: Borrowing Costs***, identify the borrowing costs and determine the appropriate accounting treatment for an adjustment to capitalise interest. **(6 marks)**

b) Zealow LTD, a major consumer goods conglomerate with a significant beauty division prepares its financial statements in accordance with International Financial Reporting Standards (IFRS).

The company has top class apartments in Cantonments. The company owns luxury brands of cosmetics that are sold worldwide. The apartments were purchased a number of years ago as the Chief Executive Officer believed that they had significant capital appreciation potential. He was right as prices have increased and continue to increase. Currently, until the apartments are sold, they are rented at low rates to celebrities on short term rental arrangements for periods of six to eight months. The celebrities are under contract during the rental term to promote the cosmetics.

Currently, Stonewash (a popular Ghanaian musician) is under contract promoting the company's super seductive cologne. They have been owned by the company for the past 20 years and have been used with celebrities for the last 12 years and these celebrities are an integral part of the company's success in promoting the products.

Required:
In accordance with IFRS, determine the appropriate accounting treatment for the apartments in Cantonments. **(4 marks)**

c) Kpasa Bank LTD (KBL), a mid-sized commercial bank in Ghana, holds a significant portfolio of Government of Ghana bonds classified as financial assets measured at amortised cost under IFRS 9. In early 2023, the Government launched a Domestic Debt Exchange Programme (DDEP) as part of efforts to restructure its debt and restore macroeconomic stability.

Under the terms of the DDEP, holders of existing government bonds are invited to exchange them for new instruments with significantly modified features, including reduced coupon rates, extended maturities and increased exposure to sovereign credit risk. These proposed changes have raised concerns within KBL's management regarding the appropriate accounting treatment should the bank decide to participate in the exchange.

Separately, KBL disbursed a GH¢5 million loan to a customer in January 2024. By December of the same year, the customer had experienced significant credit deterioration. The bank's forward-looking analysis estimates a 30% lifetime expected credit loss (ECL). For loans in Stage 1, the bank applies a 1% ECL rate.

KBL similarly maintains a trading portfolio measured at fair value through profit or loss, which comprises:

- GH¢3 million in unquoted equity instruments valued using internal models
- GH¢6 million in over-the-counter (OTC) derivatives and
- GH¢4 million in listed equity instruments.

Required:
Prepare a technical memorandum to KBL's management that addresses the following:

i) Based on the relevant provisions of IFRS 9, advise the bank on the appropriate accounting treatment of its government bonds if it accepts the DDEP offer. **(5 marks)**

ii) Advise the bank on the appropriate ECL stage classification for the loan and calculate the corresponding impairment allowance. **(5 marks)**

(Total: 20 marks)

QUESTION THREE

a) Oda LTD plans to close down one of its divisions. This division, which is classified as a separate business segment, will cease all of its activities on 31 July 2026. Most of the assets of the business will be redeployed elsewhere in Oda LTD's business, however some smaller items of plant will be sold off or scrapped. Approximately half of the staff of the division will be made redundant and they were notified of the decision in late May 2026. Customers and suppliers were notified at the same time.

   The 2026 annual financial statements are scheduled to be released to the public on 9 August 2026.

   Required:
   In accordance with the appropriate financial reporting standards, advise the directors as to the appropriate treatment in Oda LTD's financial statements. **(5 marks)**

b) Atronie PLC (Atronie), a public limited company, has just acquired a company which comprises a farming and mining business. Atronie is seeking for advice on how to fair value some of the assets acquired.

   One such asset is a piece of land, which is currently used for farming. The fair value of the land if used for farming is GH¢15 million. If the land is used for farming purposes, a tax credit currently arises annually, which is based upon the lower of 15% of the fair market value of land or GH¢1,500,000 at the current tax rate. The current tax rate in the jurisdiction is 20%.

   Atronie has determined that market participants would consider that the land could have an alternative use for residential purposes. The fair value of the land for residential purposes before associated costs is thought to be GH¢22.2 million. In order to transform the land from farming to residential use, there would be legal costs of GH¢600,000, a viability analysis cost of GH¢900,000 and costs of demolition of the farm buildings of GH¢300,000. Additionally, permission for residential use has not been formally given by the local authority and because of this, market participants have indicated that the fair value of the land, after the above costs, would be discounted by 20% because of the risk of not obtaining planning permission.

   In addition, Atronie has acquired the brand name associated with the produce from the farm. Atronie has decided to discontinue the brand on the assumption that it will gain increased revenues from its own brands. Atronie has determined that if it ceases to use the brand, then the indirect benefits will be GH¢60 million. If it continues to use the brand, then the direct benefit will be GH¢51 million.

   Required:
   Discuss the appropriate recognition and measurement of the above assets in the financial statements of Atronie with reference to the principles of ***IFRS 13: Fair Value Measurement***. **(5 marks)**

c) Totua Textiles LTD (TTL) is a leading garment manufacturing company based in Ghana, supplying large fashion retailers across Europe and North America. Known for its fast delivery and competitive pricing, the company has recently signed a high-volume contract with a global clothing brand that markets itself as environmentally responsible.

To meet growing demand, TTL has expanded production in its Ashanti Region plant, where labour is cheap and energy is supplied mainly through diesel-powered generators due to frequent grid outages. The facility operates on tight deadlines, with most workers earning below the national minimum wage. Reports have surfaced of employees working up to 14 hours a day, with limited rest periods and no union representation.

In an effort to cut costs, the company has also been disposing of chemical dyes from its production process directly into a nearby river that serves as a primary water source for several rural communities. Local residents have begun complaining about skin irritations and declining fish stocks, but no formal investigation has been launched.

TTL's latest sustainability report, however, makes bold claims. It highlights the company's commitment to "*ethical sourcing*" and "*environmentally friendly production practices*." The report contains attractive images of clean factories and smiling workers but omits any reference to environmental or social risks in its supply chain. The Board is preparing to present this report at an upcoming investor forum focused on ESG-aligned financing opportunities.

Required:
Identify and briefly explain the key sustainability issues raised in the scenario above. Your answer should consider the sustainability dimensions related to:

i) Two environmental issues, **(4 marks)**
ii) Three social issues, and **(3 marks)**
iii) Two governance issues. **(3 marks)**

(Total: 20 marks)

QUESTION FOUR

a) Singou LTD (Singou), a consumer product company in Ghana, has experienced a significant drop in demand over the past four years following a widely circulated exposé about Singou's dodgy tax practices and poor treatment of local workers.

Consequently, they have agreed at a meeting with shareholders and creditors to implement a scheme of capital reconstruction. The following sets out Singou's latest statement of financial position:

Statement of Financial Position of Singou as at 31 October 2024

	GH¢' 000
Non-current assets	
Properties, plant, and equipment	9,045
Franchise	1,967
Total non-current assets	**11,012**
Current assets	
Inventories	2,670
Trade receivables	4,166
Total current assets	**6,836**
Total assets	**17,848**
Equity and liabilities	
Ordinary shares	12,500
17% Preference shares	4,000
Share deals	1,900
Retained earnings	(6,160)
Total Equity	**12,240**
Non-current liabilities	
15% Loan notes (October 2032)	3,000
Bank loan	800
Total non-current liabilities	**3,800**
Current liabilities	
Trade payables	1,808
Total equity and liability	**17,848**

Additional information

i) All tangible assets (including short-term assets) are worth 20% less than their recorded value; franchise requires a full write-off.

ii) Singou currently has 5,000 ordinary shares in circulation and 4,000 preferences shares in issue. The ordinary shares are to be written down to GH¢1 per share and then consolidated into new ordinary shares of GH¢2 per share fully paid. The preference shareholders have accepted to receive GH¢400,000 in new ordinary shares of GH¢2 each and GH¢60,000 cash in exchange for waiving their right to their dividends in arrears. Preference share capital is to be converted into 2 million 18% preference shares of GH¢1.50 each as fully paid in final settlement.

iii) The loan notes holders have agreed to waive their right to the next two annual coupon payments which are due on 31 October 2025 and on 31 October 2026. Annual payments will resume in 2027 and continue until maturity. The coupon rate will remain unchanged.

iv) All creditors have granted the company a six-month moratorium except one supplier who has expressed no interest in taking part in such arrangement. Mr. Kofi Archie, a board member, has pledged to settle the full amount (GH¢180,000) owed this dissenting creditor. In return, Mr. Kofi Archie will be issued a commensurate number of the new ordinary shares for free.

Long-term contracts with some suppliers found to rank low on carbons are to be immediately terminated at a penalty cost of GH¢85,000 against Singou.

v) The Government of Ghana, through its revitalisation programme, has agreed to take over Singou's bank loan. This arrangement will however be annulled if the restructured business fails to improve its social ratings in the next 12 months.

vi) The Directors have agreed to refund in full GH¢450,000 fees which were paid to them during the current period. They have also agreed to tie 50% of their remuneration to measures that will incentivise them to ensure clean tax management and fair employee pay practices.

vii) The balance on the retained earnings account is to be written off. The share deals balance should be utilized for the reorganisation. Reorganisation costs amount to GH¢240,000.

viii) The existing ordinary shareholders have agreed to subscribe for new ordinary shares at GH¢2 each. The number of shares to be bought by them must be exactly one-fourth the number that would result after considering all the above cancellations, conversions and issues. The share proceeds will be applied to procure a new solar-powered equipment three weeks after the reorganisation.

Required:
Prepare

- Capital reduction account and ordinary share capital account.
- Opening statement of financial position immediately after the reorganisation.

(15 marks)

b) ***IFRS 10: Consolidated Financial Statements*** establishes the principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. Although IFRS 10 generally requires a parent to present consolidated financial statements, certain exemptions apply.

Required:
Explain **FOUR** conditions that must all be satisfied for a parent entity to be exempt from preparing consolidated financial statements under IFRS 10. **(5 marks)**

(Total: 20 marks)

QUESTION FIVE

a) Mo PLC is a listed company, with a number of subsidiaries. The consolidated financial statements of Mo PLC at 30 April 2024 and 30 April 2025 are provided below:

Consolidated statements of profit and loss for the years ended 30 April

	2025	**2024**
	GH¢' 000	**GH¢' 000**
Revenue	17,800	18,600
Cost of sales	(14,310)	(14,880)
Gross profit	**3,490**	**3,720**
Operating expenses	(1,842)	(1,560)
Finance costs	(105)	(162)
Profit before tax	**1,543**	**1,998**
Income tax	(480)	(600)
Profit for the year	**1,063**	**1,398**
Attributable to:		
Owners of the parent	948	1,180
Non-controlling interest	115	218
	1,063	**1,398**

Consolidated statements of financial position as at 30 April

	2025	**2024**
	GH¢' 000	**GH¢' 000**
Assets		
Property, plant, and equipment	6,870	9,370
Goodwill	600	600
Right-of-use assets	1,430	1,550
	8,900	11,520
Current assets	10,160	8,800
	19,060	**20,320**
Equity		
Ordinary share capital	4,000	4,000
Retained earnings	6,870	6,740
Non-controlling interest	2,490	2,720
	13,360	13,460
Lease payable	1,180	1,490
Other liabilities	4,520	5,370
	19,060	**20,320**

Additional information

1) On 1 August 2024, Mo PLC sold its entire shareholding in Daka LTD, a wholly owned subsidiary. The disposal of Daka LTD was part of a plan to sell a major part of the business of Mo PLC. This constitutes a discontinued operation under ***IFRS 5: Non-Current Assets Held For Sale And Discontinued Operations***. Mo PLC made a loss of GH¢450,000 (ignore tax) on the sale. The loss has been included within operating expenses. The initial goodwill in Daka LTD was fully impaired prior to the sale.

Below are the extracts from the separate Statements of Profit or Loss of Daka LTD for the years ended 30 April 2024 and 30 April 2025.

	2025	2024
	GH¢' 000	**GH¢' 000**
Revenue	2,300	3,200
Cost of sales	(2,114)	(2,620)
Gross profit	186	580
Operating expenses	(314)	(282)
Operating profit/(loss)	(128)	298
Tax (expense)/credit	20	(58)
Profit/(loss) for the year	(108)	240

2) Excerpts from the annual sustainability reports of Mo PLC (consolidated) and Daka LTD (individual) show the following:

Metrics	**2025**		**2024**	
	Consolidated	**Daka LTD**	**Consolidated**	**Daka LTD**
Energy (fossil) consumed (kWh)	922,300	118,600	1,150,000	185,000
Number of staff training hours recorded	16,100	1,800	16,410	1,340
Number of data/cyber breaches recorded	13	4	12	3

3) The lease payable for Mo PLC represents the discounted amount of annual (future) lease payments in respect of a lease of some equipment. The lease payment, which is required to be made in arrears, is pegged at GH¢400,000. The directors have estimated next year's interest to be GH¢56,500. The **other liabilities** are fully payable within the next twelve (12) months.

Required:

Using the financial ratios below and the sustainability measures in note (2), write a report to the Directors of Mo PLC to assess the financial and non-financial performance of Mo PLC for the year ended 30 April 2025 relative to the preceding period. Clearly show how the sale of Daka LTD has affected the group's performance.

i) Operating margin (with and without the effects of the sale)
ii) Profit (after tax) margin (with and without the effects of the sale)
iii) Return on capital employed
iv) Return on equity
v) Long-term debt/equity ratio
vi) Current ratio

(15 marks)

b) Integrated thinking and reporting have many benefits when embedded within mainstream business practice in the public and private sectors. It results in efficient and productive capital allocation and acts as a force for financial stability and sustainability.

Required:
In reference to the statements above, discuss **FOUR** benefits of integrated reporting to preparers and users of financial statements. **(5 marks)**

(Total: 20 marks)

SUGGESTED SOLUTION

QUESTION ONE

Sene Group
Consolidated Statement of Financial Position as at 31 October 2025

	GH¢' million
ASSETS	
Non-current assets:	
Goodwill (W3)	78.30
Property, Plant & Equipment (W6)	1,303.20
Financial assets (W7)	78.90
	1,460.40
Current assets:	
Inventory (W8)	101.10
Trade and other receivables (W9)	176.40
Cash & cash equivalents (W10)	103.50
	381.00
Total Assets	**1,841.40**
EQUITY AND LIABILITIES	
Equity:	
Equity shares	240.00
Retained earnings (W12)	738.00
Translation reserve (W4)	(21.00)
Other components of equity (W11)	132.30
Total shareholders' equity	**1,089.60**
Non-Controlling Interest (W13)	157.20
Total equity	**1,246.80**
Non-current liabilities (W14)	382.20
Current liabilities (W15)	266.70
Total Equity and Liabilities	**1,841.40**

Workings

1) **Bosom**

	GH¢' million
Share capital	150
Retained earnings	168
Other components of equity	24
FV adjustment for land	18
	360
Contingent liability at fair value	(3)
FV of net assets at acquisition	357

Goodwill of Bosom

	GH¢' million
FV of consideration for 80% interest	330
FV of NCI at acquisition	75
	405
FV of net assets at acquisition	(357)
Goodwill	**48**

2) **Intra-group loan**

The loan is a foreign currency monetary item in Disue's financial statements which means it needs to be retranslated at the closing rate of exchange. The exchange differences should have been recorded through Disue's profit or loss and will therefore affect retained earnings.

	GH¢' million	Exchange rate	KSh' million
1 February 2025	30	9	270
Cash paid 1 July 2025	(15)	10	(150)
			120
Exchange rate loss – balancing figure 31 October 2025			22.5
		9.5	142.5

To correct, increase Disue's non-current liabilities by KSh'22.5 million and reduce retained earnings by a corresponding amount. In addition, after retranslation, GH¢15 milliom will be cancelled from both financial assets and non-current liabilities as an intra-group adjustment.

3) **Translation and goodwill of Disue**

	KSh' million	KSh' million	Exchange rate	GH¢' million
		Loan Adj't		
Property, plant and equipment	1,170		9.50	123.20
Financial assets	294		9.50	30.90
Inventories	48		9.50	5.10
Trade and other receivables	108		9.50	11.40
Cash and cash equivalents	270		9.50	28.40
				199.00
Share capital	630		8.00	78.80
Retained earnings: pre-acquisition	774		8.00	96.80
post-acquisition	102	(22.50)	8.50	9.40
Exchange difference (balance)				(28.80)
Non-current liabilities	330	22.50	9.50	37.1
Current liabilities	54		9.50	5.70
				199.00

The exchange differences on Disue's profits and opening net assets may also be calculated as:

	KSh' million	Exchange rate	GH¢' million
Opening net assets at the opening rate (630m + 774m)	1,404	8.00	175.50
Profit for the year at the average rate (102m – 22.5m)	79.5	8.50	9.40
Exchange difference (balance) (W4)			(28.80)
Closing net assets at the closing rate (630m + 876m – 22.5m)	1,483.50	8.00	156.20

Goodwill of Disue:

	KSh' million	Exchange rate	GH¢' million
Cost of acquisition	1,104	8.00	138.00
Non-controlling interest	660	8.00	82.50
Total	1764		220.50
Less net assets acquired (630m + 774m)	(1404)	8.00	(175.50)
	360		45.00
Impairment (360 x 20%)	(72)	8.50	(8.40)
			36.60
Exchange difference (balance)			(6.30)
	288	**9.50**	**30.30**

Since goodwill is under the fair value method, both the impairment and the exchange loss will be apportioned 60:40 between the shareholders of the parent and non-controlling interest respectively. Any goodwill arising on the acquisition of a foreign operation is treated as an asset of the foreign operation and retranslated at the closing rate.

In summary:
Goodwill for consolidated SOFP will be GH¢48 million (W1) + GH¢30.3 million = GH¢78.3m.
The impairment is GH¢8.4m of which 60% (GH¢5.1m) will be charged against group retained earnings and 40% (GH¢3.3m) will be charged to the NCI.

4) **Summary of exchange differences**

	Total	**60%**	**40%**
	GH¢' million	**GH¢' million**	**GH¢' million**
Exchange loss on opening net assets and profits (W3	28.80	17.30	11.50
Exchange loss on goodwill (W3)	6.30	3.80	2.50
	35.10	**21.10**	**14.00**

5) **Exchange of assets**
The transaction has commercial substance and so the cost of the property acquired should be measured at the fair value of the asset given up. Therefore, the property should have been recorded at GH¢21m rather than GH¢15m. A profit on disposal should have arisen of GH¢6m which will need to be credited to retained earnings. The GH¢1·5m spent on staff relocation is not directly attributable to the property and so should have been expensed. Depreciation should be charged of GH¢21m/35 x 6/12 = GH¢300,000. This would leave a carrying amount before revaluation at 31 October 2025 of GH¢20.7m (i.e. 21m – 0.3m). The fair value at this date is NGN222m/9·5 = GH¢23.4m. A revaluation gain should be recorded in other components of equity of GH¢2.7m (i.e. 23.4m – 20.7m).

6) **Property, plant and equipment**

	GH¢' million
Sene	840
Bosom	315
Disue (KSh1,170 million/9.5)	123.20
Gain on disposal on exchange (W5)	6.00
Depreciation (W5)	(0.30)
Write-off of relocation expenses (W5)	(1.50)
Revaluation gain (W5)	2.70
Fair value adjustment land – Bosom (W1)	18.00
	1,303.20

7) **Financial assets**

	GH¢' million
Sene	36.00
Bosom	27.00
Disue (KSh294 million/9.5)	30.90
Intra-group loan (W2)	(15.00)
	78.90

8) **Inventory**

	GH¢' million
Sene	60.00
Bosom	36.00
Disue (KSh48 million/9.5)	5.10
	101.10

9) **Trade and other receivables**

	GH¢' million
Sene	90.00
Bosom	75.00
Disue (KSh108 million/9.5)	11.40
	176.40

10) Cash and cash equivalents

	GH¢' million
Sene	42.00
Bosom	33.00
Disue (KSh270 million/9.5)	28.50
	103.50

11) **Other components of equity**

	GH¢' million
Sene	120.00
Revaluation gain (W5)	2.70
Share of post-acquisition of Bosom (80% of (GH¢36m – GH¢24m)))	9.60
	132.30

12) **Retained earnings**

	GH¢' million
Sene	690.00
Disposal gain on exchange of PPE (W5)	6.00
Removal staff relocation expenses (W5)	(1.50)
Depreciation of PPE (W5)	(0.30)
Impairment of goodwill of Disue (W3)	(5.10)
Share of post-acquisition profits of Bosom (80% of (GH¢222m – GH¢168m))	43.20
Share of post-acquisition profits of Disue (W3) (60% x (NGN79.5m/8.5))	5.70
	738

13) **Non-controlling interest**

	GH¢' million
Fair value of NCI in Bosom at acquisition	75.00
Fair value of NCI in Disue at acquisition (W3) (NGN660m/8)	82.50
Exchange loss attributable to NCI (W4)	(3.30)
NCI share of post-acquisition OCE (20% of (GH¢36m – GH¢24m))	2.40
Exchange loss attributable to NCI (W4)	(13.80)
NCI share of post-acquisition profits of Bosom (80% of (GH¢222m – GH¢168m))	10.80
Share of post-acquisition profits of Disue (W3) (60% x (NGN79.5m/8.5))	3.60
	157.20

14) **Non-current liabilities**

	GH¢' million
Sene	285
Bosom	21
Disue KSh((330m + 22.5m)/9.5)	37.2
Intra group adjustment (W2)	(15)
	328.20

15) **Current liabilities**

	GH¢' million
Sene	201.00
Bosom	57.00
Disue (NGN54m/9.5)	5.70
Contingent liability	3.00
	266.70

(Marks are evenly spread using ticks. Total: 20 marks)

EXAMINER'S COMMENTS
The question involved a foreign subsidiary. Candidates were required to prepare a consolidated statement of financial position for the Sene Group, considering several complex adjustments including translation of the functional currency of the Disue PLC, the foreign subsidiary, from the Kenyan Shillings (KSh) to the Ghanaian Cedis which is the presentation currency. Some candidates missed the appropriate translation rate.

The question was answered by almost all the candidates who wrote the paper. Some candidates demonstrated a clear understanding of the question. The performance of candidates was average. Some candidates, however, appeared unprepared, and that was reflected in the relatively poor responses to the question. Candidates are advised to prepare adequately and solve past questions before taking the paper.

QUESTION TWO
a)
Scenario 1
Only actual interest incurred on borrowings is considered. The cost of equity is not a borrowing cost under IAS 23.

- Overdraft interest: GH¢200,000 × 8% = GH¢16,000
- Loan interest: GH¢200,000 × 12% = GH¢24,000
- Total interest: GH¢16,000 + GH¢24,000 = GH¢40,000

Capitalisation rate = GH¢40,000/ GH¢400,000 x 100 = 10%

Since the warehouse is a qualifying asset, borrowing costs of GH¢30,000 (i.e. 10% x GH¢300,000 loan drawn) should be capitalised in full as part of the cost of the warehouse under IAS 23.

Scenario 2
- Overdraft: GH¢200,000 × 8% = GH¢16,000
- Loan: GH¢200,000 × 12% = GH¢24,000
- Specific loan (drawn GH¢300,000): GH¢300,000 × 15% = GH¢45,000
- Investment income on unused funds: GH¢300,000 × 3% = GH¢9,000

Per IAS 23: "To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset and are temporarily invested, the income earned on such investments is deducted from the borrowing costs eligible for capitalization."

Borrowing costs = GH¢30,000 + GH¢45,000 - GH¢9,000 = **GH¢66,000**

Capitalise **GH¢66,000** as part of the cost of the warehouse.

Scenario 3:

- Overdraft: GH¢200,000 × 8% = GH¢16,000
- Loan: GH¢200,000 × 12% = GH¢24,000
- Specific loan: GH¢200,000 × 15% = GH¢30,000

GH¢30,000 + GH¢30,000 = **GH¢60,000**

Borrowing costs of **GH¢60,000** should be capitalised under IAS 23.

(Marks are evenly spread using ticks = 6 marks)

b) **An investment property** is *Property (land or a building or part of a building or both) held (by the owner or by the lessee under a finance lease)* ***to earn rentals or for capital appreciation or both****, rather than for:*

- use in the production or supply of goods or services or for administrative purposes; or
- sale in the ordinary course of business.

Facts about Zealow LTD's Apartments

Fact	**Implication**
Owned for 20 years	Long-term asset
Initially acquired for capital appreciation	✓ Fits IAS 40 purpose
Rented out to TV celebrities at low rates (6–8 months)	✓ Generates rental income, albeit below market
Celebrities are under contract to promote cosmetics	✕ Part of advertising/promotion (operating activity)
Apartments used as part of marketing strategy	✕ Used in the production/supply of services

Even though the apartments were originally bought for capital appreciation and are rented out, they are currently used as part of Zealow LTD's promotional activities—an operating purpose.

- The promotional use overrides the investment purpose.
- Since the properties are used to promote the company's products, they are not held solely to earn rentals or capital appreciation.
- Instead, they are being used in the supply of services which falls outside the scope of IAS 40.

Under IAS 40, the apartments do not qualify as investment property because:
They are used in the supply of services (product promotion through celebrity endorsements), even though they generate rental income.

Correct Classification:
Property, Plant, and Equipment (PPE) under IAS 16, since they are owner-occupied for business operations.

(4 marks)

c)

i) **Accounting Treatment of Government Bonds under DDEP (IFRS 9)**

Under IFRS 9, a financial asset measured at amortised cost must be derecognised when the contractual terms are substantially modified, resulting in a new financial instrument that differs significantly from the original. In the case of KBL, the Government of Ghana's Domestic Debt Exchange Programme (DDEP) proposes material changes to the existing bonds, including significantly reduced coupon rates, extended maturities, and an increase in sovereign credit risk.

These changes represent both quantitative modifications in terms of the timing and amount of expected cash flows. Also, the increased credit risk profile of the new instruments represents qualitative modifications. Taken together, they indicate a substantial modification under IFRS 9.

Accordingly, if KBL accepts the DDEP offer, it should derecognise the original bonds and recognise the new bonds at fair value on initial recognition. Any difference between the carrying amount of the old bonds and the fair value of the new instruments should be recognised as a gain or loss in profit or loss. This treatment is consistent with the guidance in IFRS 9 and ensures that the financial statements continue to present a faithful representation of the bank's financial position and performance.

(5 marks)

ii) **ECL Stage Classification and Impairment Allowance**

Under IFRS 9, loans are classified into three stages based on changes in credit risk. Stage 1 includes performing assets that have not experienced a significant increase in credit risk since initial recognition, and a 12-month expected credit loss (ECL) is recognised. Stage 2 applies to loans that have experienced a significant increase in credit risk, requiring recognition of lifetime ECL, even if the loan is not yet credit-impaired. Stage 3 is for credit-impaired assets, where lifetime ECL is also recognised, but interest income is calculated on the net carrying amount.

In the case of KBL, the loan disbursed in January 2024 showed signs of significant credit deterioration by December, although no default has occurred. Based on this deterioration, the loan should be classified as a Stage 2 asset, and lifetime ECL must be recognised in accordance with IFRS 9.

Using the bank's forward-looking estimate, the expected credit loss is 30% of the GH¢5 million (*30%*GH¢5 million*) loan, resulting in an impairment allowance of GH¢1.5 million. Had the loan remained in Stage 1, the allowance would have been limited to GH¢50,000 (*1%* GH¢5 million*) based on the bank's 1% rate for performing loans.

In summary, the loan should be moved to Stage 2, and KBL should recognise a GH¢1.5 million impairment loss in profit or loss to reflect the increased credit risk exposure as required under IFRS 9.

(5 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

This question on selected accounting standards (IFRS) examined the application of IAS 23, IAS 40/IAS16 and IFRS 9. The question begins with treatment of borrowing costs under three connected scenarios. Candidates were required to determine the appropriate accounting treatment for an adjustment to capitalise interest. Most candidates were unable to compute the capitalisation rate of 10% which is based on the total interests of GH¢40,000 divided by the total borrowed funds of GH¢400,000.

The second part of the question was on the appropriate treatment of the apartments either as investment property or owner-occupied property. This was a tricky one. Although held for capital appreciation, the apartments serve as an ancillary operational base for strategic marketing (celebrity endorsements). They are actively occupied for primary business activities and are an integral driver of operational revenues. Therefore, the appropriate treatment is to classify as owner-occupied property under the cost or revaluation model, depreciated over useful life. Classification under IAS 40 (Investment Property) is prohibited due to operational links.

The third part of the question on IFRS 9, required candidates to determine the appropriate treatment of the government bonds based on the debt exchange programme. Candidates were required to first state that qualitative and quantitative (10% test) assessments must be conducted to establish if the contractual cash flows are substantially modified. If substantial modification, derecognise the old bonds, register new ones at fair value, and identify the derecognition difference in profit or loss. If not substantial, recalculate the gross carrying value based on original effective interest rate and identify a modification gain/loss in profit or loss. Since the investment in the debt instrument showed signs of significant credit deterioration, the lifetime expected credit losses must be recognised which most candidates could not compute.

Overall, the performance was below average. Most candidates could not relate the requirements of the question to the appropriate accounting standards. 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) **Treatment of the division in Oda LTD's financial statements**

A discontinued operation is defined as a component of an entity that either has been disposed of or is classified as held for sale and:

- Represents a separate major line of business or geographical area of operations, or
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or
- Is a subsidiary acquired exclusively with a view to resale.

As the discontinued operation has not been disposed of at the year end, it can only be classified as discontinued in the 2026 financial statements if it meets the definition of *held for sale*. Disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sales transaction rather than through continuing use. This is not the case here as most of the assets are being redeployed elsewhere in the business. The small assets could potentially be classified as held for sale if all the relevant criteria, but not as a discontinued operation.

Provision should be made for a redundancy costs if a constructive obligation exists at the year end. This appears to be the case as, assuming a detailed formal plan for the restructuring has been made, the entity has raised a valid expectation in those affected that the restructuring will be carried out by notifying them of the redundancy before the year end.

As the annual financial statements were not scheduled to be released until after the closure of the division, the closure should be disclosed as a non-adjusting event after the reporting period due to its significance to the business (it is a separate operating segment).

(5 marks)

b) **Atronie LTD**

IFRS 13 requires the fair value of a non-financial asset to be measured based on its highest and best use from a market participant's perspective. This requirement does not apply to financial instruments, liabilities or equity. The highest and best use takes into account the use of the asset which is physically possible, legally permissible and financially feasible. The highest and best use of a non-financial asset is determined by reference to its use and not its classification and is determined from the perspective of market participants. It does not matter whether the entity intends to use the asset differently. IFRS 13 allows management to presume that the current use of an asset is the highest and best use unless market or other factors suggest otherwise.

In this case, the agricultural land appears to have an alternative use as market participants have considered its alternative use for residential purposes. If the land zoned for agricultural use is currently used for farming, the fair value should reflect the cost structure to continue operating the land for farming, including any tax credits which could be realised by market participants. Thus the fair value of the land if used for farming would be GH¢(15 + (20% of 1.5)) million, i.e. GH¢15.3 million.

If used for residential purposes, the value should include all costs associated with changing the land to the market participant's intended use. In addition, demolition and other costs associated with preparing the land for a different use should be included in the valuation. These costs would include the uncertainty related to whether the approval needed for changing the usage would be obtained, because market participants would take that into account when pricing value of the land if it had a different use. Thus, the fair value of the land if used for residential purposes would be GH¢16.32 million, computed as follows:

	GH¢'m
Gross value of land	22.2
Legal costs	(0.6)
Viability analysis cost	(0.9)
Costs of demolition	(0.3)
	20.4
Risk discount (20%)	(4.08)
Fair value of land	**16.32**

Therefore, the value of the land would be GH¢16.32 million on the highest and best use basis.

In this situation, the presumption that the current use is the highest and best use of the land has been overridden by the market factors which indicate that residential development is the highest and best use. A use of an asset need not be legal at the measurement date, but it must not be legally prohibited in the jurisdiction.

In the absence of any evidence to the contrary, Agrico should value the brand on the basis of the highest and best use. The fair value is determined from the perspective of a market participant and is not influenced by the Agrico's decision to discontinue the brand. Therefore, the fair value of the brand is GH¢51 million.

(5 marks)

c)

i) **Environmental Issues**

Water Pollution: The company is disposing off chemical dyes directly into a river, posing serious environmental risks including water contamination, damage to aquatic life, and public health concerns for local communities relying on the river.

Reliance on Fossil Fuels: The factory's dependence on diesel generators contributes to greenhouse gas emissions and undermines climate-related sustainability goals. This contradicts the global push for clean energy in supply chains.

(2 relevant points for 4 marks)

ii) **Social Issues**

Exploitative Labour Practices: Workers are reportedly working up to 14 hours a day with minimal rest, potentially breaching labour laws and international standards on decent work conditions (e.g.ILO conventions).

Below-Minimum Wage Payments: Paying below the national minimum wage raises concerns about fair pay, poverty alleviation, and employee wellbeing, key components of social sustainability.

Lack of Union Representation: Employees have no representation, which limits their ability to voice concerns or negotiate for better conditions, undermining labour rights and ethical employment practices.

(3 relevant points for 3 marks)

iii) **Governance Issues**

Misleading Sustainability Reporting: The company's ESG report presents an inaccurate and overly positive picture, omitting significant environmental and social risks. This raises issues of greenwashing and undermines transparency.

Lack of Accountability and Oversight: Despite community complaints, there is no internal or external investigation into the pollution. This suggests weak governance structures, poor stakeholder engagement, and a disregard for long-term risk management.

(2 relevant @ 1.5 marks each = 3 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

The third question had three parts: a question on discontinued operations; a question on fair value measurement; and a question on ESG. The question which focused on environmental, social and governance (ESG) issues was relatively straightforward. Some candidates however wrote generally on the sustainability without supporting the explanation with the scenario.

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

QUESTION FOUR

a)

Capital reduction account

	GH¢' 000		GH¢' 000
PPE (9,045 x 20%)	1,809	Ordinary shares	7,500
Franchise	1,967	(12,500/2.50 x 1.50)	
Inventories (2,670 x 20%)	534	17% Preference shares	1,000
Retained earnings	6,160	(4,000 – (2,000 x 1.50))	
Reorganization costs	240	Share deals	1,900
Preference dividends (400 + 60)	460	Debenture	732
Penalty	85	[(450/1.15) +	
		$(450/1.15^2)$]	
Capital surplus (Difference)	327	Directors' fees	450
	11,582		**11,582**

Statement of financial position of Singou immediately after reorganization

	GH¢' 000
Non-current assets	
Properties, plant, and equipment (9,045 x 80%)	7,236
Current assets	
Inventories (2,670 x 80%)	2,136
Trade receivables	4,166
Bank	2,855
	9,157
Total assets	**16,393**
Equity and liabilities	
Ordinary shares (4,185@GH¢2 each)	8,370
18% Preference shares (2,000 x 1.5)	3,000
Capital surplus	327
	11,697
Non-current liabilities	
15% Debentures (3,000 – 732)	2,268
Current liabilities	
Government grant	800
Trade payables (1,808 – 180)	1,628
	2,428
Total equity and liability	**16,393**

Workings

1) **Number of new shares to be issued for cash:**

	GH¢' 000
New ordinary shares out of existing shares (12,500/2.5 x ½)	2,500
New issue for preference dividends (400/2)	200
New issue to Mr. Kofi Archie (180/2)	90
Total number of shares before the cash issue	2,790
New shares to be issued for cash (2,790 x ½)	1,395

2) **Bank account**

	GH¢000		**GH¢000**
Issue of new shares	2,790	Preference dividends	60
(1,395 *see above* x 2)		Penalty	85
Refund of director fees	450	Reorganization costs	240
		Balance c/d	2,855
	3,240		**3,240**

3) **Ordinary share capital account**

	GH¢000		**GH¢000**
Capital reduction	7,500	Balance b/d	12,500
Balance c/d	8,370	Preference dividends	400
		Mr. Kofi Archie	180
		Cash issue	2,790
	15,870		**15,870**

(60 ticks @ 0.25 for 15 marks)

b) **Conditions that must all be satisfied for a parent entity to be exempt from preparing consolidated financial statements under IFRS 10.**

1) The parent must be a wholly-owned subsidiary, or a partially-owned subsidiary of another entity, and all its other owners including those not otherwise entitled to vote have been informed about, and do not object to, the parent not presenting consolidated financial statements.

2) The parent's debt or equity instruments must not be traded in a public market

3) The parent must not have filed, nor be in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market.

4) The ultimate or any intermediate parent of the entity must produce consolidated financial statements that are available for public use and that comply with IFRS Accounting Standards.

(4 relevant points @ 1.25 marks each = 5 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

Question Four was in two parts. The first part was poorly attempted by most candidates. It seems that most candidates did not expect this type of question even though it was based on the syllabus. The standard of the question was appropriate for the level of professional accounting examination. The question tested the ability of candidates to account for capital reduction and reconstruction with the objective of eliminating accumulated losses, revaluing assets, restructuring liabilities and restoring a company's financial position. The general performance of candidates was below average. Although most candidates demonstrated a good appreciation of the question, they focused on opening individual accounts and posting the opening balances indicated in the statement of financial position given in the question. Most candidates were unable to compute the preference dividend in arrears, the number and value of the new share capital as well as the treatment of the debentures.

Part (b) of Question Four required candidates to explain the conditions that must all be satisfied for a parent entity to be exempt from preparing consolidated financial statements under IFRS 10. Most candidates were able to indicate at least one of the four conditions. A good number of candidates rightly indicated the condition in which the parent entity is a wholly owned or partly owned subsidiary of another entity. However, such candidates failed to add that the owners must be informed and must not object to, the parent not presenting consolidated financial statements.

QUESTION FIVE

a)

To: **Directors, Mo PLC**
From: **Accountant**
Date **1 May 2025**
Subject: **Analysis of the relative financial performance, financial position and non-financial performance**

This report presents a comprehensive assessment of the financial and nonfinancial performance of Mo PLC for the year ended 30 April 2025 against its performance from the previous year. This assessment, which is based on financial ratios and non-financial measures, reveals how the company has fared in terms of profitability, liquidity, gearing and commitment to sustainable operations. It also dives into analysing the appropriateness of the group's decision to sell off its controlling interest in Daka LTD. The attached appendix provides the ratios used in this analysis.

Profitability

Profitability gauges a company's performance around revenue generation, control over costs, and resource utilisation, and is assessed here using four ratios: operating margin, profit (after tax) margin, return on capital employed, and return on equity. A quick glance at all four measures shows that there has been a dip in the group's performance. Operating margin has seen a noticeable drop from 11.58% to 9.26%, providing an indication that Mo PLC has been less impressive in keeping operational costs under control in the current period. It is clear that revenue reduction of 4.3% [(GH¢18.6m - GH¢17.8m)/GH¢17.8m x 100] was matched by less than equivalent reduction in operational costs over the two years.

This perhaps could suggest that a chunk of the group's operational costs is fixed in nature. Profit after tax margin has reduced to 5.97% in 2025 from 7.52% in 2024. This has occurred despite significant decline in interest (35%) and tax (20%) expenses, suggesting that the depressed overall profit margin is driven largely by the poor control over operational costs. The return on capital employed has not been spared either by the poor operational controls as the ratio has reduced significantly from 15.22% to 11.61%. The implication is that providers of long-term capital earn about a quarter [(15.22 – 11.61)/15.22 x 100 = 24%] less on their investments in 2025 than they did in 2024. When focus is turned to only ordinary shareholders, the same gloomy picture is painted as these shareholders have also seen their returns drop materially from nearly 11 pesewas on a cedi to about 9 pesewas across the two years.

Overall, the group's profitability has been poor in the current year. However, it appears that much of this uninspiring show can be attributed to the discontinued operation – Daka LTD. The exclusion of the effects of Daka LTD reveals that had Mo PLC not had Daka LTD in its ranks the group would have seen a jump in both operating margin and profit (after tax) margin. In fact, the operating margin would have increased from 12.05% to 12.22% whereas the after-tax profit margin would have risen by more than one-percentage point to 8.84%. In a nutshell, it seems the decision to get rid of Daka LTD is a good one, at least on the basis of financial reasons. Daka obviously suffered a loss in reputation given that its goodwill was fully impaired before it was sold.

Liquidity

An assessment of a firm's liquidity is concerned with showing how able and ready the firm is in meeting its short term commitments. In this analysis, liquidity is examined using one metric: current ratio. Current ratio indicates how many times short term liabilities can be paid off using available current assets. With current ratio of 2.09 in 2025 as against 1.43 in 2024, Mo PLC has materially improved its ability to meet current liabilities with its available current assets. Unless this improved liquidity position occurred at the expense of profitability and good working capital management, this is a remarkable show of the group's ability to service its short-term commitments.

Gearing

Gearing reflects the extent to which the resources of a company are represented by owners' interests and are therefore financed by external parties. One ratio – debt/equity ratio – is used to conduct such assessment in this analysis. Clearly, Mo Plc relies heavily on equity in financing its operations and the implication is that the group faces a minimal financial risk. With debt/equity ratio dropping to 6.26% this year from 8.15% last year, the group's exposure to bankruptcy risk has been further lowered. But with interest expenses in both years having huge profit coverage even if profit levels have declined over the two years, it is questionable why debt levels have remained this low. The group may therefore have to consider altering its capital structure given debt offers a cheaper financing source, and this would even make more sense with the sale of Daka LTD expected to cause significant cost savings in future.

Sustainability

The group's sustainability performance is appraised using three non-financial metrics: energy consumption, staff training hours, and data breaches.

The group's energy consumption has seen a remarkable reduction over the two years, and this could be attributed to the fact that Daka LTD's figure included in the current year's is limited to only three months. However, the decline still exists after removing the effects of Daka LTD. Specifically, the consumption falls by

227,700 kWh (1,150,000 less 922,300) with the inclusion of Daka LTD and by 72,375 kWh [(1,150,000-185,000) less (922,300-(118,600x3/12))] after its exclusion. This reduced energy use may have resulted in enhanced environmental reputation and lower environmental risk. Even if these expectations seem not to be clearly evident in the current group's financial performance, it could be argued that these may have been offset by the ill effects of the poor performance of Daka LTD and that it is likely that the dividends from this improved environmental performance would materialise in future.

The number of hours spent training staff has reduced, and this could suggest that the group has become less committed to developing the capacity of its human resources. But a deeper look at the figures suggests that this reduction occurred because only a quarter of Daka LTD's training hours have been consolidated in the current year. If Daka LTD's figures were excluded, the number of staff training hours would increase from 15,070 (16410 less 1,340) to 15,650 (16,100 less (1,800 x 3/12)). Hence, the group has rather invested more this year to enhance and add value to their employees than last year.

The group has seen the number of its recorded cyber-attacks increase, albeit marginally, from 13 to 14. And this happened when only a quarter of Daka LTD's attacks in 2025 were consolidated. Were Daka LTD's figures not considered, the number of breaches would rise from 9 (12 less 3) in 2024 to 12 (13 less (4x3/12)) in 2025. The increase in the number of data breaches suggests a decline in the group's cyber hygiene and weakened governance oversight.

Conclusion

The above analyses have demonstrated that Mo PLC's financial performance and position across the two years have improved across all metrics especially if the contributions of Daka LTD are excluded from the analyses. Without sounding too optimistic though, it appears the sale of Daka LTD would be a blessing in disguise for the group moving forward. Non-financially, the group's performance has not been all rosy. While good show has been seen on both environmental and social dimensions there are increasing concerns about the integrity of the group's data and cyber systems.

Computation of ratios:

Including Daka LTD

	Formula	2025	2024
(i) Operating margin	*PBIT x 100* *Revenue*	1,543+105 x 100 17,800 =9.26%	1,998+162 x 100 18,600 =11.58%
(ii) Profit (after tax) margin	*PAT x 100* *Revenue*	1,063 x 100 17,800 =5.97%	1,398 x 100 18,600 =7.52%
(iii) Return on capital employed *(see note below)*	*PBIT x 100* *CE*	1,648 x 100 14,196.5 =11.61%	2,160 x 100 14,640 =14.75%
(iv) Return on parent's equity	*Profit attributable* *to parent owners x 100* *Parent's equity*	948 x 100 4,000+6,870 =8.72%	1,180 x 100 4,000+6,740 =10.99%
Return on equity	*Profit after tax x 100* *Total equity*	1,063 x 100 13,360 =7.96%	1,398 x 100 13,460 =10.39%
(v) Debt/equity ratio	*Long-term liab. x 100* *Total equity*	836.5 x 100 13,360 = 6.26%	1,180 x 100 13,460 = 8.77%
(vi) Current ratio *(see below)*	*Current assets* *Current liabilities*	10,160 4,863.5 = 2.09:1	8,800 5,680 = 1.53:1

Capital employed	*2025*		*2024*	
	GH¢000	*GH¢000*	*GH¢000*	*GH¢000*
Total assets		*19,060*		*20,320*
Less: Current liabilities:				
Other liabilities	*4,520*		*5,370*	
Lease payable (current portion)	*343.5**	*(4,863.5)*	*310*	*(5,680)*
Capital employed		***14,196.5***		***14,640***

**343.5 = 400 – 56.5   ** 310 = 1,490 – 1,180*

Excluding Daka LTD

	2025	**2024**
(i) Operating margin	2,130 x 100 17,425 =12.22%	1,856 x 100 15,400 =12.05%
(ii) Profit (after tax) margin	1,540 x 100 17,425 =8.84%	1,158 x 100 15,400 =7.52%

	With Daka LTD	**Daka LTD** **2025 @ x 3/12** **2024@full year**	**Disposal loss**	**Without Daka LTD**
2025	**GH¢000**	**GH¢000**	**GH¢000**	**GH¢000**
Revenue	17,800	375	-	17,425
Operating profit	1,648	(32)	(450)	2,130
Profit (after tax)	1,063	(27)	(450)	1,540
2024				
Revenue	18,600	3,200	-	15,400
Operating profit	2,154	298	-	1,856
Profit (after tax)	1,398	240	-	1,158

(15 marks)

b) **Benefits of integrated reporting to preparers and users of financial statements.**

1) Integrated reporting brings together financial and non-financial information (covering the six capitals: financial, manufactured, intellectual, human, social/relationship, and natural) in a single, coherent report. This gives providers of financial capital a more holistic and comprehensive view of an entity's performance, strategy, and prospects, enabling more efficient and productive allocation of capital to organisations that create value sustainably.

2) By integrating previously disparate reporting strands (financial statements, sustainability reports, governance reports) into one report built around a single value-creation story, entities reduce reporting duplication and complexity. This improves internal reporting efficiency for preparers and makes information more digestible and comparable for users, rather than requiring them to piece together multiple, disconnected reports.

3) Integrated reporting strengthens accountability for the management of all six capitals, not just financial capital. This encourages preparers to consider the connectivity between the capitals used and affected by the organisation, promoting better stewardship and helping users understand how value is created, preserved, or eroded over the short, medium, and long term.

4) The process of preparing an integrated report requires integrated thinking — considering the interdependencies between operating segments and the various capitals used by the organisation in the course of its business activities. This encourages management to break down internal silos, leading to better-informed strategic decisions, more effective risk management, and behaviour that is aligned with long-term value creation rather than short-term financial performance alone.

5) Integrated reporting explains how an organisation's strategy, governance, performance, and prospects lead to the creation of value over time. This helps users better assess the long-term viability and sustainability of the business model, improving their ability to make informed assessments about future cash flows and risks — thereby contributing to financial stability, as poorly informed capital allocation decisions (a contributing factor to financial crises) are reduced.

(4 relevant points @ 1.25 marks each = 5 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

Question Five was attempted by most candidates, but their performance was below average. The principal weakness was the failure to isolate the effect of Daka LTD's disposal. The requirement demanded ratios both as reported and for continuing operations, which meant stripping out three months of Daka results and the loss on disposal from operating expenses. Most candidates computed ratios based solely on reported figures, so their commentary wrongly concluded that performance had deteriorated when the retained business had, in fact, improved. Many could not split the lease liability into its current portion, and the balance was carried as long-term debt, thereby distorting gearing and liquidity ratios.

Interpretation of ratios was largely mechanical; candidates merely narrated that ratios rose or fell without explaining causes, linking movements to the disposal, or drawing implications for the attention of the directors of the entity in question. The sustainability metrics were ignored or discussed only on a reported basis, missing the insight that the energy improvement was genuine while training investment declined. With respect of the format of the report, some candidate lost marks due to the absence of an appropriate report format indicating clearly the addressee, introduction, appendix and conclusion.

In part (b), most candidates listed the benefits of integrated reporting without explanation. Several candidates confused integrated reporting with sustainability reporting, earning only a few of the five marks available.

It is recommended that candidates should practise analysis questions that require both adjusted and unadjusted computations and learn to reconstruct capital employed, owners' equity, and debt figures accurately. Candidates should also cultivate analytical writing skills involving explanation of why ratios moved and what action should follow; integrate non-financial indicators into their evaluation; adopt a professional report structure and manage time so that the discursive requirement receives adequate attention.

CONCLUSION

Overall, the examination paper was comprehensive and demanding, integrating numerical consolidation work with theoretical explanation. The question set reflects the evolving expectations of modern corporate reporting, where financial accuracy, transparency, and sustainability considerations are increasingly intertwined. The general performance of candidates in this exam's diet was worse than the previous diet. Those who performed poorly showed ill preparation and lack of appreciation of accounting standards.