

Contrast

- 3ai. Originality timing difference: It is the initial timing difference between pre-tax accounting income and taxable income.
- Reversing timing difference: It includes journal entries required to eliminate the impact timing difference had on deferred income tax in prior period.
- ii. Current tax: It is the amount of tax (income) determined to be payable (receivable in respect of the taxable income (tax loss) for a period.
- Deferred tax: It is the tax effect of timing difference.

Compare

- ai. Although timing difference ~~should~~ could be permanent or temporary, both are used in the calculation of pre-tax net income for the accounting books which will be used to determine income tax purposes. When a difference in timing is temporary in nature, companies will make both originating and reversing entries to smoothen those vacancies over time.
 - ii. Current tax and deferred tax are both used to calculate the total income tax expenses in an income tax.
- 3b. A deferred tax liability occurs when a business has a certain amount of income for an accounting period and that amount is different from the taxable amount on their tax return.
- Deferred tax typically refers to liability in which the amount entered on the balance sheet is payable at a future time and that is why companies need to compute and account for deferred taxes.

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JAYTEE LTD

3b.
3c.

Debtenture Receivables		₹
Por L	17,500	
Bank	16,625	
WHT	875	
		<u>17,500</u>

Withholding Tax

Debtenture Interest		₹
Bank	17,860	
Por L	18,800	
WHT	940	
		<u>18,800</u>

Bank

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Statement of Profit or Loss

₹

Net Profit	470,000
Interest income	17,500
Interest paid	(18,800)
	<u>469,200</u>
Capital allowance	38,700
Depreciation	(35,500)
Timing difference	<u><u>3,200</u></u>

Deferred tax $30\% \times 3200 = 960$

1a

NUASA Bank
Statement Of Profit Or Loss and Other Comprehensive Income for the year ended 31st December 2019.

Interest income	#	#
Interest expense		18,500,000
Net Interest Income		(56,000,000)
Loan impairment charges		127,000,000
Net Interest Income after impairment charges		(2,880,000)
Fee and commission income		124,123,000
Fee and commission expense		46,657,900
Net Fee Income		(1,800,000)
Net gains on financial instrument		44,851,900
Other income		7,670,000
Depreciation & amortization		3,980,000
Other operating expenses		(12,115,000)
Net impairment change		(27,273,000)
Personnel expenses		(150,000)
General & admin exp.		(29,700,000)
Operating lease expense		(22,500,000)
Profit Before Taxation		(807,000)
Income tax expense		94,099,900
Profit for the year		(17,000,000)
		77,099,900

NUASA BANK
Statement of Other Comprehensive Income for the year ended 31st December 2019

Profit for the year	#	#
Other comprehensive income to be re-classified to P/L in subsequent years		77,099,900
Actuarial gain		655,769
Income tax (25%)		(163,942)
Foreign currency translation differences for foreign operations		491,827
		1,039,643

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	<u>At</u>	<u>At</u>
Income tax (25%)	<u>(259,911)</u>	779,732
Net change in fair value available for sale financial Assets	4,050,429	
Income tax (25%)	(1,020,107)	<u>3,060,322</u>
Total Comprehensive Income for the year		<u><u>81,431,781</u></u>

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NUASA Insurance Plc

Za. Statement of Financial Position As At 31st December 2017

	A/	A/
<u>Assets</u>		
Cash and cash equivalent		6,437,403
Financial assets		57,903,833
Trade receivables		123,868
Reinsurance assets		2,479,069
Deferred acquisition cost		2,641,842
Other receivable and prepayment		282,805
Deferred tax assets		1,707,077
Investment subsidiaries		2,308,690
Investment property		1,115,000
Goodwill and other intangible assets		1,120,871
Property and equipment		5,111,828
Statutory deposit		530,000
<u>Total Assets</u>		<u>81,762,266</u>
<u>Liabilities:</u>		

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	A	A
Borrowing	1,134,840	1,134,840
Finance lease obligation	49,854	1,134,840
Derivative liabilities	319,274	
Total liabilities	<u>69,940,491</u>	

<u>Equity</u>		
Issued share capital	3,465,102	
Share premium	2,824,389	
Revaluation reserve	1,221,787	
Available for sale reserve	(2,723,536)	
Exchange reserve	148,521	
1st contingency reserve	3,482,076	
Retained earnings	<u>1,026,516</u>	
Total liability & equity	<u>79,885,266</u>	

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4. Night Fury Nig. Ltd & Light Fury Nig. Ltd
5. Computation and Interpretation of Accounting Ratios.

i Dividend payout ratio

$$= \frac{\text{DPS}}{\text{EPS}} \times 100$$

For Night fury

$$\text{DPS} = \frac{60,550,000}{250,000,000}$$

$$= 0.2422$$

For Light Fury

$$\text{DPS} = \frac{56,250,000}{220,000,000}$$

$$= 0.2557$$

$$\text{EPS} = \frac{150,000,000 - 32,000,000}{250,000,000}$$

$$= \frac{118,000,000}{250,000,000}$$

$$= 0.472$$

$$\text{EPS} = \frac{138,250,000 - 29,300,000}{220,000,000}$$

$$= \frac{108,450,000}{220,000,000}$$

$$= 0.493$$

$$\therefore \text{DPR} = \frac{0.2422}{0.472} \times 100$$

$$= 51.31\%$$

$$\therefore \text{DPR} = \frac{0.2557}{0.493} \times 100$$

$$= 51.91\%$$

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ii. Earnings Yield
 $= \frac{EPS}{MPS} \times 100$

For Night Fury

$$= \frac{0.472}{3.25} \times 100$$
$$= 14.5\%$$

For Light Fury

$$= \frac{0.493}{2.55} \times 100$$
$$= 19.3\%$$

iii Gearing Ratio
 $= \frac{Debt}{Equity}$

For Night Fury

$$= \frac{26,000,000 + 65,670,000}{390,275,500}$$
$$= 0.23$$

For Light Fury

$$= \frac{27,200,000 + 30,650,000}{327,250,000}$$
$$= 0.18$$

Both comparisons are lowly geared meaning that they have more equity capital than debts to be paid. However, Fury is less geared.

iv Quick ratio = $\frac{\text{Current assets} - \text{Inventory}}{\text{Current liability}}$

For night Fury

$$= \frac{39,400,000 - 45,500,000}{65,670,000}$$
$$= -0.09$$

For light Fury

$$= \frac{45,400,000 - 50,000,000}{30,650,000}$$
$$= -0.15$$

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v. ROCE

$$= \frac{\text{Profit (return)}}{\text{Capital employed}}$$

For night fury

$$= \frac{150,000,000}{390,275,000}$$

$$= 0.3875$$

$$= 0.38$$

For light fury

$$= \frac{138,250,000}{327,250,000}$$

$$= 0.4225$$

$$= 0.42$$

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