NAME: AMBAIOWEI ANGEL EBIKIO.

MATRIC NO: 17/SMS02/010

QUESTION 1A:

NUASA BANK

A Statement of Profit or Loss and other comprehensive Income for the year ended 31st December, 2019.

	₦	₦
Interest Income		185,003,000
Interest Expenses		(58,000,000)
Net Interest Income		127,003,000
Loan impairment charges		(2,880,000)
		124,123,000
fee & commission income.		46,651,900
fee & commission expense		(1,800,000)
		168,974,900
Net gains on financial instrument		7,690,000
Other income		3,980,000
		180,644,900
Net impairment charges		(150,000)
Personal Expenses		(23,709000)
General & Admin Expenses		(22,500,000)
Operating Lease Expense		(807,000)
Depreciation & Amortization		(12,115,000)
other operating Expenses		(27,273,000)
Profit before tax		94,099,900
Income tax expenses		(17,000,000)
Profit for the year		77,099,900

QUESTION 1A: NNASA BANK

Statement of other comprehensive Income for the year ended 31st December, 2019

	₦	₦
Profit for the year		77,099,900
Other comprehensive Income to be re-classified to P/L in subsequent years;		
Actuarial Gain	655,769	
Income tax <25%>	(163,942)	491,827
foreign currency translation differences for foreign operations	1,039,643	
Income Tax <25%>	(259,911)	779,732
Net change in fair value available for sale financial assets	4,080,429	
Income Tax <25%>	(1,020,107)	3,060,322
Total comprehensive Income for the year.		81,431,781

QUESTION 2A

NUASA INSURANCE PLC

Statement of financial Position as at 31st December, 2017.

	₦	₦
Assets:		
Cash and cash Equivalents		6,437,403
financial assets		57,903,833
Trade Receivable		123,848
Reinsurance Assets		2,479,069
Deferred Acquisition cost		264,842
Other receivables and prepayments		282,805
Deferred Tax Assets		1,707,077
Investment in subsidiaries		2,308,690
Investment in property		1,115,000
Goodwill and other intangible assets		1,120,871
Property and Equipment		5,111,828
Statutory deposit		530,000
		79,385,260
Liabilities:		
finance lease obligation	49,854	
Borrowing	1,134,840	
Derivative liabilities	319,274	
Insurance contract liabilities	55,379,977	
Investment contract liabilities	8,295,046	
Current tax payable	518,443	
Deferred Tax Liability	263,422	
Trade Payables	1,547,548	
Other payables & Accruals	2,432,087	69,940,491

Equity:	₦	₦
Issued share capital	3,465,102	
Share premium	2,824,389	
Revaluation Reserves	1,221,707	
Available for-sale reserve	(2,723,536)	
Exchange gains reserve	148,521	
Contingency reserve	3,482,076	
Retained Earnings	1,026,516	9,444,775
		79,385,266

QUESTION 2B:

NUASA INSURANCE PLC

Statement of profit or loss

	₦	₦
Gross premium written		32,449,376
Reinsurance expenses		(3,662,162)
Net premium Income.		28,787,214
Commission Income:		
Insurance contract		744,069
Pension and other contrat		1,355,846
Net underwriting income		30,887,129
Claims expences:		
Gross claim expenses		13,045,452
Claims expenses recovered from reinsurers		(2,377,750)
Net claim expenses		10,667,702
underwriting expenses		

QUESTION 3:

A ①

Originating Timing Difference	Reversing Timing Difference.
- This is the type of timing difference that occurs for the first time in a situation	This is the type of timing difference that reverses/changes the originating timing differences from previous accounting periods.
- This includes the initial timing difference between pre-tax accounting income and taxable income. This could include both credit and debit entries to deferred income taxes.	This includes those journal entries required to eliminate the impact timing differences had on deferred income taxes in prior periods.

ⅱ

Current Tax	Deferred Tax.
This is the amount of tax payable by an entity from its taxable profit or loss in a period.	This represents the tax payable in future periods in relations to transactions that have taken place.

B

(i) Deferred tax will translate to actual liability in future periods.

(ii) Ignoring deferred tax will lead to the reported profit in a period to be misinterpreted.

C

(1) JAYTEE Ltd

Debenture Receivables a/c

	₦		₦
P or L	17,500	Bank	16,625
			875
	17,500		17,500

Debenture Interest a/c

	₦		₦
Bank	17,860	P or L	18,800
WHT	940		
	18,800		18,800

Withholding Tax a/c

	₦		₦
Debenture Rec.	875	Debenture Int.	940
Bank	65		
	940		940

Bank a/c

	₦		₦
Deb. Receivable	16,625	Deb. Interest	17,860
		Current Tax	35,000

Current Tax a/c

	₦		₦
Bank	35,000	Bal b/d	65,500
Bal c/d	65,000	P or L	34,500
	100,000		100,000

Deferred Tax a/c

	₦		₦
Bal c/d	16,760	Bal b/d	15,000
		P or L	960
	16,760		16,760

QUESTION 3:

C (ii) JAYTEE LTD

Statement Of Profit or Loss

	₦
Net profit	470,500
Interest income	17,500
Interest paid	(18,800)
	469,200
Capital Allowance	38,700
Depreciation	(35,500)
Timing Difference	3,200

$\Longrightarrow$ Deferred Tax

$= 30\% \times 3,200$

$=$ ₦960

QUESTION 4

Nigeria fung Nig Ltd & Ligua fung Nig Ltd

A computation and Interpretation of Accounting Ratios

(1) Dividend Pay out Ratio

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

→ for Nigeria fung

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

$$= 0.2422$$

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

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

$$= 0.472$$

$$\therefore DPR = \frac{0.2422}{0.472} \times \frac{100}{1}$$

$$= 51.3\%$$

→ for Ligua fung

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

$$= 0.2557$$

$$EPS = \frac{138,250,000 - 29,800,000}{220,000,000}$$

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

$$= 0.493$$

$$\therefore DPR = \frac{0.2557}{0.493} \times \frac{100}{1}$$

$$= 51.9\%.$$

(ii) Earnings Yield.

→ for Nipuni firm

$$\frac{EPS}{MPS} = \frac{0.432}{0.325}$$

$= 1.33$ times

→ for Liyani firm.

$$\frac{EPS}{MPS} = \frac{0.468}{0.255}$$

$= 1.7$ times.

(iii) Gearing Ratio

→ Nipuni firm

$$\frac{Debt}{Total\ capital}$$

$$= \frac{26{,}000{,}000}{390{,}275{,}500}$$

$= 0.067$

$\simeq 0.07$ //

→ for Liyani firm

$$\frac{Debt}{Capital}$$

$$= \frac{27{,}200{,}000}{327{,}250{,}000}$$

$= 0.08$ //

(iv) Quick Ratio

→ Nipuni firm

$$\frac{Current\ Asset - Inventory}{Current\ Liability}$$

$$= \frac{84{,}900{,}000 - 45{,}500{,}000}{65{,}670{,}000}$$

$= 0.6 : 1$ //

→ Liyani firm

$$\frac{Current\ Asset - Inventory}{Current\ Liability}$$

$$= \frac{95{,}400{,}000 - 50{,}000{,}000}{30{,}650{,}000}$$

$= 1.5 : 1$ //

QUESTION 4 Cont'd

(v) ROCE

$= \frac{\text{PBIT}}{\text{Capital employed}}$

→ Nigun fury

$\frac{150,000,000}{390,275,500}$

$= 0.4$

→ Ligun fury

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

$= 0.4$

B

Nigun fury	Ligun fury
(i) DPR: They give more percentage of dividend than ligun fury.	They give lesser percentage to shareholders than nigun fury
(ii) Earnings Yield: Their potential returns is more than ligun fury	Their potential return is less.
(iii) Gearing Ratio: They use less of their debt to finance	They use more of their debt to finance.
(iv) Quick Ratio: They can hardly cover up their liabilities	They can cover up their liabilities.

Nigeria firm	Ligera firm.
(v) ROCE:	
They are more efficient than profitable	They are also more efficient than profitable.