

NAME: KHAIRAT YUSUF

MATRIC NO: 18/sms02/055

QUESTION 3

- a.
- i) - Originating Timing difference are timing differences that occur for the first time. It includes the initial timing difference between pretax accounting income and taxable income.
  - Reversing timing difference are timing differences which reverse originating timing differences from previous accounting periods. It includes the journal entries required to eliminate the impact timing differences had on deferred income taxes in prior periods.
  - ii) - Current tax is seen as the amount of income tax payable, or recoverable by an entity in respect of the taxable profit or loss for a period.
  - Deferred tax is seen as an accounting measure rather than a tax levied by government; it represents tax payable or recoverable in future accounting periods. In relation to transactions which have already taken place.
- b. Paying in advance to create deferred tax assets can aid a business looking to decrease their tax liability in a future period. A deferred tax asset can also occur due to losses that are carried over to a new accounting period from a previous accounting period and can then be claimed in the new period as an asset.

c. i.

Debiture Int. Rec. A/c	
P or L <u>17,500</u>	Bank <u>17,500</u>

  

Debiture Int. Rec. A/c	
P or L <u>17,500</u>	Bank <u>17,500</u>

Debiture Int. A/c	
Bank <u>18,800</u>	P or <u>18,800</u>

  

current tax A/c	
Bank 35,000	Bal b/d 65,500
Bal b/d 65,000	

JAYTEE LTD

Ci Debiture int. Rec A/c

P or L	17,500	bank	16,625
		WHT	875
	<u>17,500</u>		<u>17,500</u>

Debiture int. A/c

Bank	17,860	P. or L	18,800
WHT	940		
	<u>18,800</u>		<u>18,800</u>

Withholding Tax A/c

Debiture int. Rec.	875	Debiture int.	940
Bank	65		
	<u>940</u>		<u>940</u>

Bank A/c

Deb. Int. Rec.	16,625	Deb. Int.	17,860
		Current tax	35,000

Current Tax A/c

bank	35,000	Bal b/d	65,500
bal/d	65,000	P or L	34,500
	<u>100,000</u>		<u>100,000</u>

Deferred Tax A/c

Bal d	16,760	Bal b/d	15,800
		P or L	960
	<u>16,760</u>		<u>16,760</u>

Statement of profit or loss < Extract >

Net profit	470,500
Interest income	17,500
Interest paid	(18,800)
	<u>469,200</u>
Capital Allowance	38,700
Depreciation	(85,500)
Timing difference	<u>3,200</u>

Deferred tax = 30% x 3200  
= 960.

QUESTION 1a

IOUASA BANK

Statement of Profit or loss & other comprehensive income for the year ended 31st Dec, 2019.

Interest income		185,003,000
Interest expenses		(58,000,000)
Net interest income		127,003,000
Loan impaired charges		(2,880,000)
Fee & commission income		124,123,000
Fee & commission expense		(46,651,900)
Net gains on financial instrument		(168,974,900)
Other income		7,610,000
		<u>3,980,000</u>
		180,644,900
Net impairment charges		(150,000)
Personnel expenses		(23,700,000)
General & Admin expenses		(22,500,000)
Operating lease expenses		(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		<u><u>77,099,900</u></u>

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	655,769
Insurance income (P/100)	(655,769)	(655,769)

Foreign currency translation differences for foreign operations	1,039,643	
Income tax (25%)	<u>(259,911)</u>	779,732
Net change in fair value available for sale financial assets	4,080,429	
Income tax (25%)	<u>(1,020,107)</u>	<u>3,060,322</u>
Total comprehensive income for the year		<u><u>81,595,723</u></u>

Statement of financial position IB. NUASA BANK for the year ended 31<sup>st</sup> Dec 2019

ASSETS		
Cash & bank balances	455,296,196	
Derivative financial assets	2,839,078	
Available for sale assets	453,089,625	
Assets held to maturity	2,007,253	
Assets pledged as collateral	58,961,722	
Restricted deposits & other assets	433,528,669	
Investment in subsidiaries	40,207,004	
Property and equipment	84,979,798	
Intangible Assets	4,501,296	
Financial Assets held for trading	10,652,356	
Assets classified as held for sale	<u>850,820</u>	<u>1,774,913,817</u>
<b>TOTAL ASSETS</b>		
<b>LIABILITIES</b>		
Current income tax liabilities	24,009,770	
Debt securities issued	92,131,925	
Financial liabilities held for trading	2,647,469	
Loans & advances to banks	43,480	
Loans & advances to customers	4,265,971,688	
Derivative financial liabilities	2,606,586	
Other liabilities	203,019,404	
Other borrowed funds	210,671,384	
Deposits from customer	1,617,560,947	
Deposits from banks	42,360	

Deferred Tax liability  
Liabilities included in Assets  
classified as held for sale

18  
12,814,766  
847,600

TOTAL LIABILITIES

EQUITY AND RESERVES

Retained Earnings  
other components of equity  
Share capital  
Share premium

109,594,239  
330,795,833  
14,715,590  
123,471,114

4,090,944,153

Total

49. Night Fury LTD & Light Fury Ltd.

Computation & interpretation of accounting ratios

i. Dividend pay-out Ratio

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

Night Fury

$$\text{DPS} = \frac{60,550,000}{250,000,000} \\ \approx 0.2422$$

$$\text{EPS} = \frac{150,000,000 - 32,000,000}{250,000,000} \\ \approx \frac{118,000,000}{250,000,000} \\ \approx 0.472$$

$$\therefore \text{DPR} = \frac{0.2422}{0.472} \times 100 \\ \approx 51.3\%$$

ii. Earnings Yield

$$\frac{\text{EPS}}{\text{MPS}} \times 100$$

Night Fury

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

iii. Gearing Ratio

$$\frac{\text{Debt}}{\text{Equity}}$$

Night Fury

$$\frac{26,000,000 + 65,670,000}{310,275,500} \\ \approx 0.23$$

Light Fury

$$\text{DPS} = \frac{56,250,000}{220,000,000} \\ \approx 0.2557$$

$$\text{EPS} = \frac{138,250,000 - 29,280,000}{220,000,000} \\ \approx \frac{108,970,000}{220,000,000} \\ \approx 0.493$$

$$\text{DPR} = \frac{0.2557}{0.493} \times 100 \\ \approx 51.9\%$$

Light Fury

$$\approx \frac{0.493}{3.25} \times 100 \\ \approx 15.3\%$$

Light Fury

$$\frac{27,200,000 + 30,050,000}{327,250,000} \\ \approx 0.18$$

### 4. Quick Ratio

$$= \frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}}$$

Might Fury

$$= \frac{50,400,000 - 45,500,000}{65,670,000}$$

$$= 0.6:1$$

$$= 0.6:1$$

Light Fury

$$= \frac{40,400,000 - 50,000,000}{30,650,000}$$

$$= 1.5:1$$

$$= 1.5:1$$

### 5. ROCE

$$= \frac{\text{Profit (Return)}}{\text{Capital Employed}}$$

Might Fury

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

$$= 0.3845$$

$$= 0.38$$

Light Fury

$$= \frac{137,250,000}{327,250,000}$$

$$= 0.4224$$

$$= 0.42$$

QUESTION 2:9

NUASA INSURANCE PLC

Statement of financial position as at 31<sup>st</sup> Dec. 2019

ASSETS.	
Cash and cash equivalents	6,437,403
Financial Assets	57,903,833
Trade Receivables	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	2,308,610
Investment in property	1,115,000
Goodwill and other intangible assets	1,120,871
Property and equipment	5,111,828
Statutory deposit	530,000
	<hr/>
	79,385,266

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 and accruals	2,432,087	
	<hr/>	
		69,940,491
<u>Equity</u>		
Issued share capital	3,465,102	
Share premium	2,824,389	
Resvaluation reserves	1,221,707	
Available for-sale reserve	(2,723,536)	
Exchange gains reserve	48,521	



Contingency reserve  
Retained Earnings

#  
3,482,076  
4,026,516

#  
9,444,775  
71,385,266

2B.

STATEMENT OF PROFIT OR LOSS

Gross premium written  
Reinsurance expenses

#  
32,449,376  
(3,662,162)

#  
28,787,214

Commission income:  
Insurance contract  
Person and other contract

744,069  
1,355,846

2,091,915  
30,887,129

Net underwriting income  
claims expenses:

13,045,452

~~(13,045,452)~~

Gross claim expenses  
claim expenses recovered from reinsurers

(2,377,750)

~~(11,667,702)~~

19,667,702

Net claim expense

Underwriting profit

4,415,428

Investment income

26,471,701

net realized gains

5,717,056

Net fair value losses

7,630,227

Other operating income

(88,000)

Personnel expenses

569,965

Other operating expenses

~~3,039,353~~

Finance cost

3,540,441

87,121