

NAME: JOHN OGUN PEACE
MATIC NO. 17/SMCD2(030)

Question 1

NUASA BANK STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER, 2019

	₦
Interest Income	185,000,000
Interest expense	(58,000,000)
Net interest income after loan impairment charges	127,000,000
Loan impairment charges	(2,880,000)
Net interest income after loan impairment charges	124,120,000
Fees and Commission income	46,651,900
Fees and Commission expense	(1,800,000)
Net fee and Commission income	44,851,900
Net gains on financial instrument for trading	7,690,000
Other income	3,980,000
Net impairment charge on financial asset	(150,000)
Personnel expenses	(23,700,000)
General and administrative expenses	(22,800,000)
Operating lease expenses	(807,000)
Depreciation and Amortization	(12,115,000)
Other operating expense	(27,273,000)
Profit before tax	94,099,900
Income tax expense	(17,000,000)
Profit after tax	<u>77,099,900</u>

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31st DECEMBER 2017

	R	R
Profit for the year		71,077,900
Other comprehensive income not to be reclassified to profit or loss in subsequent years		
Net change in fair value of available for sale financial assets		47,020,409
Actuarial gain	655,769	
Income tax (25%)	(163,972)	491,827
Foreign currency translation differences for foreign operations		

b) NUASA BANK

STATEMENT OF FINANCIAL POSITION OF NUASA BANK-FOR THE YEAR
ENDED 31ST DECEMBER, 2019

	A	B
Assets		
Cash and bank balances		455,296,116
Derivative financial assets		2,839,078
Available for sale asset		453,089,625
Assets held to maturity		2,009,253
Assets pledged as collateral		58,961,922
Restricted deposits and other assets		433,528,669
Investment in subsidiaries		46,209,004
Property and equipment		84,979,778
Intangible Assets		4,501,296
Financial assets held for trading		16,652,356
Assets classified as held for sale		850,820
Total Assets		2,412,117,177
Liabilities		
Current income tax liabilities	24,009,770	
Debt securities issued	92,131,923	
Financial liabilities held for trading	2,647,469	
Loans and advances to banks	43,480	
Loans and advances to customers	1,265,971,688	
Derivative financial liabilities	2,606,586	
Other liabilities	203,019,404	
Other borrowed funds	210,671,384	
Deposits from customer	1,697,560,947	
Deposits from banks	42,360	
Deferred tax liabilities	12,814,766	
Liabilities included in assets classified as held for sale	847,600	
Total liabilities		

16)

NUASA BANK

	R	R
Equity and Reserves		109,594,239
Retained Earnings		330,795,833
Other components of equity		14,715,590
Share Capital		123,471,114
Share premium		<u> </u>
Total liabilities and equity		<u>204,776,776</u>

Question 2

NIASA Insurance Plc

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER, 2017

	K
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 asset	1,707,077
Investment in subsidiaries	2,308,690
Investment property	1,115,000
Goodwill and other intangible assets	1,120,871
Property and other equipment	5,111,828
Statutory deposit	<u>530,000</u>
Total assets	<u>79,355,266</u>
<u>Liabilities</u>	
Insurance contract liabilities	55,379,977
Investment contract liabilities	8,295,046
Trade payables	1,547,548
Other payables and accruals	2,432,287
Current tax payable	518,443
Deferred tax liability	263,422
Borrowing	1,134,840
Finance lease obligation	49,854
	<u>69,940,491</u>
<u>Equity</u>	
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	<u>1,026,516</u>
Total equity & liabilities	<u>9,444,775</u>
	<u>79,355,266</u>

26) NLIASA Insurance Plc
STATEMENT OF PROFIT OR LOSS

	12
Gross Premium written	32,449,376
Reinsurance expenses	<u>(3,662,162)</u>
Net premium income	28,787,214
Commission income:	
Insurance contract	744,069
Reinsur and other contract	<u>1,355,846</u>
Net underwriting income	<u>30,887,129</u>
Claims expenses:	
Gross Gross claim expenses	13,045,452
Claim expenses recovered from reinsurers	<u>(2,377,750)</u>
Net claim expenses	<u>10,667,702</u>
Underwriting expenses	<u>4,415,428</u>
Underwriting profit	<u>26,471,901</u>
Investment Income	5,717,056
Net realised gains	7,630,227
Net fair value losses	<u>(88,000)</u>
Other operating income	569,965
Personnel expenses	3,039,353
Other operating expenses	3,540,411
Finance cost	89,121

Question 3 z

zi) Contrast

Originating timing difference is timing difference that occurs for the first time. It is an initial timing difference while

Reversing timing difference are timing difference which reverse originating timing difference from previous accounting periods as they are used to eliminate the impact timing difference has had on deferred income

Comparison

- They are both temporary in nature
- They are both timing difference

ii) Current & Deferred tax

Current tax is the amount of income tax determined to be payable in respect of the taxable income for a period. ~~As~~ Current tax is usually prepared by the business/organisation's account

While
Deferred tax is an accounting measure ~~representing~~ for tax payable or recoverable in future accounting periods in relation to transactions which have already taken place.

Comparison

They are both methods of calculating tax

b) Deferred tax is important for companies to compute because paying in advance to create deferred tax asset can aid a business looking to decrease their tax liability in the future period also ~~the~~ deferred tax not computed can lead to reported profit in a period being misinterpreted

Question 3c

JAYTEE LTD

Dr		Debtors Interest Receivable		Cr	
Par L		17,500		Bank	16,625
		<u>17,500</u>		Withholding Tax	875
					<u>17,500</u>

Dr		Debtors Interest Payable		Cr	
Bank	17,860	Par L		18,800	
Withholding Tax	940			<u>18,800</u>	
	<u>18,800</u>				

Dr		Withholding Tax		Cr	
Debtors Interest Receivable	875	Debtors Interest Payable		940	
Bank	65			<u>940</u>	
	<u>940</u>				

Dr		Bank		Cr	
Debtors Interest Receivable	16,625	Debtors Interest Payable	17,860		
		Current tax	35,000		

Dr		Bank		Cr	
Bank	35,000	Current Tax		65,500	
Bank Bal'd	65,000	Bal'd		<u>34,500</u>	
	<u>100,000</u>	Par L		100,000	

Statement of Profit or Loss

Net Profit
Interest Income
Interest paid

470,500
17,500
(18,800)
469,200

Cr

no Interest Recd.	17,500	Bank Withholding Tax	17,500
	<u>17,500</u>		81
		Net Interest Payable Cr	<u>18,800</u>

Question 4
Night Fury Ltd & Light Fury Ltd

21) Dividend Pay - Oct Ratio

$$= \frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$$

Night fury

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

Light fury

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

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

EPS = $\frac{138,250,000 - 29,800,000}{220,000,000} = 0.493$

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

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

Light fury is higher than Night fury this states that Light fury pays their dividends more than Night fury

ii) Earnings Yield

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

Net Profit
Interest
Interest
Ca

Night fury

$$= \frac{0.472}{3.52} \times 100 = 14.5\%$$

Light fury

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

iii) Gearing Ratio

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

$$\begin{aligned} \text{Night Fury} &= \frac{26,000,000 + 65,670,000}{390,275,500} \\ &= \frac{91,670,000}{390,275,500} \\ &= 0.23 \end{aligned}$$

$$\begin{aligned} \text{Light Fury} &= \frac{27,200,000 + 30,650,000}{327,250,000} \\ &= \frac{57,850,000}{327,250,000} \\ &= 0.18 \end{aligned}$$

Both companies are lowly geared but Light Fury is better than Night Fury gearing ratio is better meaning it has more equity capital than debts to be paid compared to Light Fury

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

$$\begin{aligned} \text{Night Fury} &= \frac{19,050,000 - 84,900,000 - 45,500,000}{65,670,000} \\ &= 0.59 \end{aligned}$$

$$\begin{aligned} \text{Light Fury} &= \frac{96,400,000 - 50,000,000}{64,750,000} \\ &= 0.70 \end{aligned}$$

Light Fury is higher than Night Fury this states that Light Fury can easily convert their assets to cash and meet their liabilities more than Night Fury

$$\text{ROCE} = \frac{\text{Profit}}{\text{Capital Employed}}$$

$$\begin{aligned} \text{Night Fury} &= \frac{150,000,000}{390,275,000} \\ &= 0.3845 \end{aligned}$$

$$\begin{aligned} \text{Light Fury} &= \frac{138,250,000}{327,250,000} \\ &= 0.4224 \end{aligned}$$

Light Fury's ROCE is higher than that of Night Fury this means that

Light Fury's profitability is higher

Light Fury this is because their investors/shareholder ratio are better than that of Night Fury and they would earn better

Light Fury this is because they can easily meet the requirement of the bank looking at their profitability ratios