

Name: Inegbedion Stephanie

Matric No: 17/sms02/026

Question 3

a) Originating and reversing timing differences:
Originating difference: This includes the initial timing difference between pretax accounting income and taxable income. This could include both credit and debit entries to deferred income taxes.

Reversing difference: This includes those journal entries required to eliminate the impact timing difference had on deferred income taxes in prior periods.

Originating timing difference occur for the first time and Reversing timing differences, which reverse originating timing differences from previous accounting periods.

b) Current tax and deferred tax:

Total income tax expense equals current income tax obligation adjusted for the effect of transfer of income tax between different periods i.e. ~~defer~~ deferred tax is expense is negative for a period, current tax expense is lower than current income tax payable.

Current tax is the amount of income tax determined to be payable (recoverable) in respect of the taxable income tax determined to be payable (recoverable) in respect of the taxable income (tax loss) for a period.

Deferred tax is the tax effect of timing differences.

No 4p

a) Night Fury Nig Ltd & Light Fury Nig Ltd.
 Computation and Interpretation of Accounting Ratios

Miss and Pay-out Ratio

No 1b

No 3b

It is important for companies to compute and account for deferred tax because paying in advance to create deferred tax assets can and a business/company looking to decrease their tax liability in the future period. Deferred tax is accounted for in accordance with IAS 12, "Income taxes".
 Deferred tax normally results in a liability being recognised within the statement of financial position.

No 3c

Jay Tee Ltd

Debenture Interest Receivable

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

Deferred tax

Bal c/d	16,760	Bal b/d	15,000
		Por L	960
	<u>16,760</u>		<u>16,760</u>

Statement of Por L

Debenture Interest

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

Net profit	470,500
Interest income	17,500
Interest paid	(18,800)
	<u>469,200</u>

Capital allowance	38,700
Depreciation	(35,500)
Timing diff.	<u>3,200</u>

Deferred Tax:
 = 30% x 3200
 = 960 //

Bank

Debenture Reciev.	16,875	Debenture Interest	17,860
		Current tax	35,000

Current tax

Bank	35,000	Bal b/d	65,500
Bal c/d	65,000	Por L	34,500
	<u>100,000</u>		<u>100,000</u>

No 1b

No 1a

NUASA BANK

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31st Dec, 2019.

	#	#
Interest Income		185,003,000
Interest expenses		<u>(58,000,000)</u>
Net Interest Income		127,003,000
Loan Impairment charges		<u>(2,880,000)</u>
Fee & Commission Income		124,123,000
Fee & Commission expense.		46,651,900
Net gains on financial income.		<u>(1,800,000)</u>
Other income.		168,974,900
Net impairment charges		7,690,000
Personnel expenses		3,980,000
General & Admin Expenses		<u>180,644,900</u>
Operating lease expense.		(150,000)
Depreciation & Ammortization		(23,700,000)
Other Operating expenses		(22,500,000)
Profit before tax		(807,000)
Income tax expenses		(12,115,000)
Profit for the year.		<u>(27,273,000)</u>
		94,099,900
		<u>(17,000,000)</u>
		<u>77,099,900</u>

NUASA 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	655,769
Income tax (25%)		(163,942)
Foreign currency translation translation diff. for foreign (25%) ^{Operations}		1,039,643 (163,942)
Income tax relating to foreign currency		(259,911)
Net change in fair value		4,080,429
Income tax (25%)		(1,020,107)
Total Comprehensive Income for the year		<u>81,431,781</u>

~~1~~

NUASA BANK

Statement of financial position of NUASA Bank (a)
The Yr ended 31st December, 2019.

	₹	₹
<u>ASSETS</u>		
Cash and bank balances	455,296,196	455,296,196
Debtenture financial assets	2,839,078	
Available for sale assets	483,089,625	
Assets held to maturity	2,007,283	
Assets pledged is collateral	58,961,722	
Restricted deposits and other assets	433,528,669	
Investment in subsidiaries	46,207,004	
Property and Equipment	84,979,798	
Intangible Assets	4,501,296	
Financial assets held for trading	16,652,356	
Assets classifid as held for sale	850,820	
TOTAL ASSETS		
<u>LIABILITIES;</u>		
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	43,450	
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	12,814,966
Liabilities incurred in assets classified as held for sale	847,600

TOTAL LIABILITIES

EQUITY AND RESERVES

Retained earnings	109,594,239
Other components of equity	330,795,833
Share capital	14,715,590
Share premium	123,471,114
TOTAL	20,496,133

NO 2 a

NUASA INSURANCE PLC

Statement of financial position as at 31st Dec. 2017

ASSETS

Cash and cash equivalents	6,437,403
Financial Assets	57,903,833
Trade receivable	123,848
Receivable Assets	2,479,069
Other receivables and Prepayment	264,842
Deferred Acquisition cost	282,805
Deferred acquisition	1,707,077
Deferred receivables and prepayments	
Deferred tax assets	

Investment in subsidiaries		2,308,690
Investment in property		1,115,000
Goodwill and other intangible assets		1,210,871
Property and equipment		5,111,828
Statutory deposit		530,000
		<u>79,385,266</u>

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	1,548,548	
Other payables and accruals	<u>2,432,087</u>	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	<u>1,026,516</u>	<u>9,444,775</u>
		<u>79,385,266</u>

NO 4

a) Night Fury Nig Ltd & Light Fury Nig Ltd.
Computation and Interpretation of Accounting Ratios

i. Dividend Pay-out Ratio

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

For Night Fury

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

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

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

$$= 0.472$$

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

For Night Fury

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

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

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

$$= 0.493$$

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

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

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 ^(Capital structure)

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

For Night Fury

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

$$= \frac{91,670,000}{390,275,500}$$

$$= 0.23$$

For Light Fury

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

$$= \frac{57,850,000}{327,250,000}$$

$$= 0.18$$

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

iv Quick Ratio

$$= \frac{\text{Current assets} - \text{Inventory}}{\text{Current liabilities}}$$

For Night Fury

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

$$= -0.092$$

For Light Fury

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

$$= -0.150$$

4. ROCE

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

$$\begin{aligned} \text{For Night Fury} &= \frac{150,000,000}{390,275,000} \\ &= 0.3845 \\ &= 0.38 \end{aligned}$$

$$\begin{aligned} \text{For Light Fury} &= \frac{138,250,000}{327,259,000} \\ &= 0.4224 \\ &= 0.42 \end{aligned}$$