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Matric No: 17/Sms 02/003

Dept: Accounting

Test

(a) Originating timing differences are differences that occur for the first time while reversing timing differences are those differences that reverses originating timing differences from previous accounting periods.

(ii) Current tax is the amount of tax payable payable or recoverable by an entity in a particular period while deferred taxes are taxes which are payable or recoverable in future accounting periods in relation to transactions which have already taken place.

(b) It is important for companies to prepare deferred taxes so they will be able to know the taxes chargeable on them for subsequent accounting periods.

(c)

Jaylek Ltd

Debiture		Interest Receivable	
P or I	17,500 #	Bank	16,625
		Withholding tax	875
	<u>17,500</u>		<u>17,500</u>

Debiture		Interest	
Bank	17,860 #	P or I	18,800 #
Withholding tax	940		
Bank	17,860		
Withholding tax	940		

Withholding Tax

Interest receivable    875 <sup>#</sup> Bank                        65 <hr style="border: 0.5px solid black;"/> 940 <hr style="border: 0.5px solid black;"/> Bank	Debenture Interest 940 <sup>#</sup> <hr style="border: 0.5px solid black;"/> 940
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Interest receivable    16,625 <sup>#</sup>	Debenture interest    17,860 <sup>#</sup> Withholding tax        65 Current tax                35,000
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Current tax

Bank                        35,000 <sup>#</sup> Bal c/d                    65,000 <hr style="border: 0.5px solid black;"/> 100,000 <hr style="border: 0.5px solid black;"/>	Bal b/d                    65,500 <sup>#</sup> P or I                      34,500 <hr style="border: 0.5px solid black;"/> 100,000 <hr style="border: 0.5px solid black;"/>
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Deferred tax

Bal c/d                    16,760 <sup>#</sup> <hr style="border: 0.5px solid black;"/> 16,760 <hr style="border: 0.5px solid black;"/>	Bal b/d                    15,800 <sup>#</sup> P or I                      960 <hr style="border: 0.5px solid black;"/> 16,760 <hr style="border: 0.5px solid black;"/>
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Capital Allowance	—	#38,700
Depreciation	—	# 35,500
		3,200
Deferred tax @ 30%		#960

Statement of Financial Position (Extract)

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MUASA bank

Statement of profit and loss and other comprehensive income for the year ended 31st December 2019

	#	#
Interest Income		185,003,000
Interest expense		(58,000,000)
Net Interest Income		<u>127,003,000</u>
less: loan impairment charges		(2,889,000)
Net Interest Income after Impairment		<u>124,114,000</u>
Fee and Commission Income	46,651,900	
Fee and Commission expenses	(1,800,000)	
Net Fee Income		<u>44,851,900</u>
Net gain on financial instrument		44,851,900
Other Income		7,699,000
Depreciation and amortization		3,986,000
Other operating expenses		(12,115,000)
Net impairment charges		(27,273,000)
Personnel Expense		(150,000)
General and admin expenses		(23,700,000)
Operating lease expense		(22,500,000)
Profit before taxation		<u>(807,000)</u>
Income tax expenses		94,077,700
Profit for the year		<u>(17,000,000)</u>
		<u>77,077,700</u>

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Profit for the year		77,089,700
Other Comprehensive Income:		
Actuarial gain	655,769	
Income tax (25%)	<u>(163,942)</u>	491,827
Foreign currency translation differences	1,039,643	
Income tax (25%)	<u>(259,911)</u>	779,732
Net change in fair value available for sale	4,080,429	
Income tax (25%)	<u>(1,020,107)</u>	3,060,322
Total Comprehensive Income for the year		<u><u>81,431,781</u></u>

(1b)

HUASA PLC

Statement of Financial Position for the year ended 31st  
December 2019

Property & Equipment  
 Intangible assets  
 Assets classified as held for sale

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84,979,978

4,504,276

859,930

21,824,928,986

Liabilities

Deposits from banks 42,860  
 Deposits from customers 1,677,569,947  
 Financial liabilities held for trading 2,647,1169  
 Derivative financial liabilities 2,606,586  
 Other liabilities 203,019,401  
 Current income tax 24,009,990  
 Debt securities issued 92,134,923  
 Other borrowed funds 210,674,384  
 Deferred tax liability 12,814,766

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Liabilities included in assets classified  
 as held for sale

847,600

Total liabilities

2,246,352,201

Equity:

Share Capital 14,715,570  
 Share Premium 123,471,114  
 Retained Earnings 109,514,289  
 Other components of equity 33,795,833

Total Equity

578,576,796

Total Equity and liabilities

2,824,928,986

(2) (a)

Statement of Financial Position of HUASA Insurance Plc	31st December, 2014
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<u>Assets</u>	6,437,403
Cash and cash equivalents	57,903,833
Financial assets	123,848
Trade receivables	2,497,069
Re-insurance assets	264,842
Deferred acquisition cost	282,805
Other receivables and prepayments	1,707,097
Deferred tax assets	2,308,610
Investment in subsidiaries	1,115,800
Investment in property	1,120,871
Goodwill and other intangible assets	5,111,829
Property and equipment	530,974
Statutory deposit	
<u>Total Assets</u>	<u>79,385,266</u>
<u>Equity and liabilities</u>	
Insurance Contract liabilities	55,377,977
Investment Contract liabilities	8,295,046
Trade payable	1,547,548
Other payables and accounts	2,432,087
Current tax payable	518,443
Deferred tax liability	263,422
Borrowing	1,134,840
Finance lease obligations	47,854
Derivative liabilities	317,274
<u>Total liabilities</u>	<u>67,940,421</u>
<u>Equity</u>	
Issued share capital	3,465,102
Share premium	2,824,387
Revaluation reserve	1,221,909
Available for sale reserve	(2,723,536)
Exchange gains reserve	140,831
Contingency reserve	3,118,276
Retained Earnings	

MVASA Insurance  
 Statement of Profit or Loss and other comprehensive income  
 for the year ended 31st December 2019

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Gross premium written	32,449,876
Reinsurance expense	(3,662,162)
Commission income	744,061
Insurance contract - pension and other contract	1,355,846
<b>Net</b> Claim expense	13,045,452
Gross claim expenses	(23,777,950)
Claim expenses recovered	
Claim expenses	
Underwriting expenses	3,679,535
Total underwriting expenses	3,679,535
Investment Income	5,717,096
Net realised gains	7,630,224
Net fair value losses	(88,000)
Other operating income	569,965
Personal expenses	<del>569,965</del>
Other operating expenses	(3,039,535)
Finance Cost	(3,540,411)
Impairment loss	(87,121)
	(12,009)
Income taxes	(603,082)
Profit for the year	
Total loss	(3,309,501)
Exchange claim	148,521

(4) Night Fury Ltd and Light Fury Ltd

(a) i. Dividend Payout ratio =  $\frac{DPS}{EPS} \times 100$

$$\begin{aligned} \text{Night Fury} \\ DPS &= \frac{60,550,000}{250,000,000} \\ &= 0.2422 \end{aligned}$$

$$\begin{aligned} \text{Light Fury} \\ DPS &= \frac{56,250,000}{220,000,000} \\ &= 0.2557 \end{aligned}$$

$$\begin{aligned} EPS &= \frac{150,000,000 - 32,000,000}{250,000,000} \\ &= \frac{118,000,000}{250,000,000} \\ &= 0.472 \end{aligned}$$

$$\begin{aligned} EPS &= \frac{138,250,000 - 29,800,000}{220,000,000} \\ &= \frac{108,450,000}{220,000,000} \\ &= 0.493 \end{aligned}$$

$$\begin{aligned} \therefore DPR &= \frac{0.2422}{0.472} \times 100 \\ &= 51.3\% \end{aligned}$$

$$\begin{aligned} \therefore DPR &= \frac{0.2557}{0.493} \times 100 \\ &= 51.9\% \end{aligned}$$

ii. Earnings Yield

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

$$\begin{aligned} \text{Night Fury} \\ &= \frac{0.472}{3.25} \times 100 \\ &= 14.5\% \end{aligned}$$

$$\begin{aligned} \text{Light Fury} \\ &= \frac{0.493}{2.55} \times 100 \\ &= 17.3\% \end{aligned}$$



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

Might Fury  
 $= \frac{26,000,000 + 65,670,000}{390,275,500}$   
 $= \frac{91,670,000}{390,275,500}$   
 $= 0.23$

Light Fury  
 $= \frac{29,200,000 + 30,650,000}{327,250,000}$   
 $= \frac{57,850,000}{327,250,000}$   
 $= 0.18$

Both companies are lowly geared meaning they have more equity than debts to be paid.  
 Fury is less geared.

iv. Quick ratio =  $\frac{\text{Current Asset} - \text{Inventories}}{CL}$

Might Fury  
 $= \frac{84,900,000 - 45,500,000}{65,670,000}$   
 $= 0.6:1$

Light Fury  
 $= \frac{95,400,000 - 50,000,000}{30,650,000}$   
 $= 1.5:1$

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

Might Fury  
 $= \frac{15,000,000}{279,275,000}$   
 $= 0.38\%$

Light Fury  
 $= \frac{18,250,000}{327,250,000}$   
 $= 0.42$

Might Fury give more percentage of dividend than light Fury.