



CERTIFIED PUBLIC ACCOUNTANT

ADVANCED LEVEL 1 EXAMINATION

A1.3: ADVANCED FINANCIAL REPORTING

DATE: TUESDAY 25, NOVEMBER 2025

MARKING GUIDE AND MODEL ANSWERS

QUESTION ONE

MARKING GUIDE TO QUESTION ONE

	Marks
Generally, award 0.5 marks per correct monetary figure used across the entire answer except for the following (i.e., Do Not Award):	
- Totals (including sub-totals)	
- Any figure picked from the trial balance (whether correctly used in the answers)	
- Figures used in a double-entry presentation (if not recognised directly in the correct line-item within the consolidated financial statements)	
Specific marks to be awarded (awarded as 0.5 marks for each correct figure used) include:	
Consolidated statement of profit or loss and other comprehensive income (additional marks in workings as guided where necessary)	
Revenue	1.5
Cost of sales	2
Administration and distribution costs	2
Other operating costs	0.5
Profit share from Associate	0.5
Other incomes	1
Finance cost	0.5
Income tax expense	0.5
Exchange gain - retranslation of Goodwill in ACE Ltd (<i>additional marks for a separate working will be awarded as guided below</i>)	0.5
Exchange gain - retranslation of ACE Ltd's financial statements (<i>additional marks for a separate working will be awarded as guided below</i>)	0.5
Profit for the year or TCI for the year attributed to parent shareholders (marked once - with a maximum of 0.5 marks) - This mark is not necessary for a correct figure but for applying the principle of a "presentation of this amount	0.5

at the bottom of this group financial statement" and as a "balance figure computation"	
Profit for the year or TCI for the year attributed to NCIs (marked once - with a maximum of 0.5 marks) - This mark is not necessary for a correct figure but for applying the principle of a "presentation of this amount at the bottom of this group financial statement" and picked from a separate working or working directly applied on the face of the Group P&L and OCI	0.5
Consolidated statement of financial position (<i>additional marks in workings as guided where necessary</i>)	
Property, plant and equipment	1.5
Biological assets - ACE Ltd	0.5
Goodwill	2
Other intangible assets	0.5
Investment in associate	0.5
Inventories	1
Trade & other receivables	1
Cash and bank	0.5
Retained earnings	0.5
Other reserves	1
Non-controlling interests	0.5
Long-term borrowings	0.5
Deferred tax liability	1
Trade payables	0.5
Deferred consideration - acquisition of ACE Ltd	1
Other current liabilities	0.5

Workings (either on the face of the relevant line item on the face of the consolidated financial statements or in a separate working) - as below:	
- Calculation for the deferred tax liability re FV increase of PPE in MCL	0.5
- Calculation for the extra depreciation re FV increase of PPE in MCL	0.5
- Calculation for fair value gain on remeasurement of previous 15% shareholding in LMC	0.5
- Detailed working for Goodwill - piecemeal acquisition of LMC (award 0.5 marks per correct figure used but not for totals and sub-totals) - Max of 2.5 marks	2.5
- Detailed working for Goodwill - ACE Ltd including the calculations for the impairment loss and translation reserve and their application in the Goodwill balance (award 0.5 marks per correct figure used but not for totals and sub-totals) - Max of 3 marks	3
- Calculation for the retranslation of "deferred consideration" balance - re acquisition of LMC	0.5
- Translation of ACE Ltd's individual statement of profit or loss and other comprehensive income (award 0.5 marks per correct figure used but not for totals and sub-totals - Max of 3.5 marks)	3.5
- Translation of ACE Ltd.'s individual statement of financial position (award 0.5 marks per correct figure used but not for totals and sub-totals - Max of 7 marks)	7
- Calculation for the translation reserve - re translation of financial statements of ACE Ltd (award 0.5 marks per calculated exchange difference, 0.5 mark for an allocated exchange difference to parent and 0.5 mark for allocated exchange difference to NCIs) - Max of 1.5 marks	1.5
- Calculation for the provision of unrealized profits (award 0.5 marks per calculated unrealised profit goods sold to MCL, 0.5 mark for unrealised profits for goods sold to LMC - No mark for the total combined figure of the unrealized profits) - Max of 1 mark	1

- Calculation for the NCIs in Group Equity (award 0.5 marks per figure used but not totals or sub-totals - Max of 3 marks	3
- Calculation for the NCIs in Group P&L and OCI (award 0.5 marks per figure used but not totals or sub-totals - Max of 2 marks	2
- Calculation for the Investment in associate balance (award 0.5 marks per figure used but not totals or sub-totals - Max of 1 mark	1
Total marks for Question One	50

MODEL ANSWER TO QUESTION ONE

All monetary figures are rounded to millions

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2025

Revenue (176,500 - 5,800 W2(i) + 23,067 ACE Ltd W3(iii) - 25,300 W4(i)	168,467
Cost of sales (68,950 + 800 W1(iii) + 12,309 ACE Ltd W3(iii) - 25,300 W4(i) + 1,660 W4(ii)	(58,419)
Gross profit	110,048
Administration and distribution costs (28,230 + 7,550 W2(ii) + 4,600	(58,465)
Exchange loss retranslated deferred consideration W3(i) + 13,046	
Impairment loss Goodwill in ACE W3(i) + 5,039 ACE Ltd W3(iii)	
Other operating costs (12,000 + 2,142 ACE Ltd W3(iii)	(14,142)
Profit share from Associate (GTC) (W6)	5,625
Other incomes (6,250 + 5,800 W2(ii) + 1,499 ACE Ltd W3(iii)	13,549
Finance costs (14,860 + 1,913 ACE Ltd W3(iii)	(16,773)
Profit before tax	39,844
Income tax expense (12,300 + 2,196 ACE Ltd W3(iii)	(14,496)
Profit for the year	25,348
Other comprehensive income:	
Exchange gain - retranslation of Goodwill in ACE Ltd - FRW 673 (W3)(i)	1,791
Exchange gain - retranslation of ACE Ltd's financial statements FRW 5,251 (W3)(iv)	5,251
Total Other Comprehensive Income	7,042
Total comprehensive income	32,390
<i>Profit for the year attributed to:</i>	
Owners of the parent (balance)	19,706
Non-controlling interests (W5)	5,643

	25,348
<i>Total comprehensive income attributed to:</i>	
Owners of the parent (balance)	26,748
Non-controlling interests (W5)	5,643
	32,390

Consolidated statement of financial position as at 30 June 2025

Assets		
Non-current assets		
Property, plant and equipment (235,500 + 8,000 W1(i) - 800 W1(iii) + 54,080 ACE Ltd W3(iii))	296,780	
Biological assets - ACE Ltd FRW 75,010 W3(iii)	75,010	
Goodwill (58,500 - 8,000 W1(i) + 2,400 W1(ii) - 7,550 W2 (ii) + 53,206 W3(i))	98,556	98,556
Other intangible assets (18,000 + 9,828 ACE Ltd W3(iii))	27,828	
Investment in associate (W6)	23,125	
Total non-current assets		521,299
Current assets		
Inventories (43,700 + 23,860 ACE Ltd W3(iii) - 1,660 W4(ii))	65,900	
Trade & other receivables (42,200 + 23,041 ACE Ltd W3(iii) + 2,500 dividend receivable from Associate GTC (W6))	67,741	
Cash and Bank (36,800 + 20,093 ACE Ltd W3(iii))	56,893	
Total current assets		190,534
Total assets		711,834
Equity and Liabilities		
Equity:		
Ordinary share capital	100,000	
Share premium	40,000	
Retained earnings (103,740 opening balance (Trial Balance) + 19,706 (Profit for the year attributed to parent shareholders in Group P&L above))	123,446	
Other reserves (translation reserves: 1,791 (Gain on Goodwill retranslation of ACE Ltd W3(i)) + 5,251 (Gain on retranslation of ACE Ltd's financial statements (W3)(iv)))	7,042	
Non-controlling interests (W5)	107,769	
Total equity		378,257
Non-current liabilities		
Long-term borrowings (50,000 + 27,300 ACE Ltd W3(iii))	77,300	

Defined benefit liability	3,900	
Deferred tax liability (19,350 + 2,400 (W)(ii) + 9,547 ACE Ltd W3(iii)	31,297	
Total non-current liabilities		112,497
Current liabilities		
Trade payables (35,100 + 19,165 ACE Ltd W3(iii)	54,265	
Deferred consideration - acquisition of ACE Ltd(W3)(i) 144,900 + 4,600 (Exchange loss)	149,500	
Other current liabilities (11,200 + 6,115 ACE Ltd W3(iii)	17,315	
Total current liabilities		221,080
Total equity and liabilities		711,834

Workings (all figures rounded to full million)

W1: Fair value adjustments - PPE in MCL (Note 1):

✓ **On date of acquisition (1 July 2024): FV increase of FRW 8,000m**

DR Group PPE	8,000	
CR Goodwill		8,000

✓ **On date of acquisition (1 July 2024): Related deferred tax liability FV increase of FRW 8,000m**

Computed as: FRW 8,000m x 30% (tax rate)	2,400m
Recognise in Group accounts as below:	
DR Goodwill	2,400
CR Deferred tax liability	2,400

✓ **At 30 June 2025: Extra depreciation related to FV increase on PPE**

Computed as: FRW 8,000m / 10 years	800
Recognise in Group accounts as below:	
DR Cost of sales	800
CR Group PPE	800

Note: 20% of the extra depreciation is allocated to the NCIs in MCL (as NCIs in MCL are measured at their FV implies a "Full Goodwill" method)

W2: Acquisition of LMC - on a piecemeal basis

✓ Correction - treatment of fair value gain on remeasurement of previous 15% shareholding in LMC

Fair value gain on 1 April 2025 (25,800m - 20,000m)	5,800
Accounting adjustment:	
DR Revenue	5,800
CR Other incomes	5,800

✓ Goodwill - acquisition of LMS (as a subsidiary)

Cost - additional 75% acquisition	80,000
Plus: fair value of previous 15% shareholding	25,800
	105,800
Plus: Fair value of non-controlling interests	15,200
Less: Fair value of net assets	(83,250)
Goodwill on acquisition - 1 April 2025	37,750
Less: Impairment loss (20% x FRW 37,750m)	(7,550)
Goodwill balance - 30 June 2025	30,200

Account for the impairment loss on Goodwill (as an adjustment)

DR Group P&L (administration costs)	7,550
CR Goodwill	7,550

Note: Allocate 10% of the impairment loss on Goodwill to NCIs

W3: ACE Ltd - a foreign operation (Note 3)

✓ Goodwill - on acquisition of ACE (on 1 April 2025) - in Note 3

	XAF	Rate	FRW
Purchase consideration	57,500	2.52	144,900
Plus: NCIs at proportionate share (FRW 53,200m net assets x 40% NCI share) (Note 3)	21,280	2.52	53,626
Less: Fair value of net assets (Note 3)	(53,200)	2.52	(134,064)
Goodwill on 1 April 2025	25,580		64,462
Less: Impairment loss on Goodwill - at 30 June 2025 (20% x XAF 9,620 million) (Note 3)	(5,116)	2.55	(13,046)
Goodwill balance at 30 June 2025	20,464		51,416
Goodwill balance at 30 June 2025 - re-translated using the closing rate at 30 June 2025	20,464	2.6	53,206

Exchange Gain - retranslated Goodwill (in FRW: 20,010m - 19,336m)				1,791
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Notes: Elements of the computed Goodwill to be accounted in the PIL Group accounts as below:

Note: Deferred consideration as a "monetary item" is retranslated at 30 June 2025

	XAF	Rate	FRW
Deferred consideration - retranslated (30 June 2025)	57,500	2.60	149,500
Deferred consideration - initially on 1 July 2024	57,500	2.52	144,900
Exchange loss in FRW currency			4,600

Accounting treatment - Exchange loss on retranslation of the deferred consideration

DR Administration expenses	4,600
CR Deferred Consideration (current liabilities)	4,600

✓ Fair value gain - Biological assets on ACE (Note 3)

To be recognised in ACE Ltd's own financial statements in XAF currency as below:

DR Biological assets (in XAF currency)	150
CR P&L (other income - in XAF currency)	150

Note: The fair value gain of XAF 150m is initially recognised in ACE Ltd's own financial statements before consolidation

✓ Translated financial statements of ACE Ltd

Translation of ACE's statement of profit or loss

	XAF	Rate	FRW
Revenue	9,046	2.55	23,067
Cost of sales	(4,827)	2.55	(12,309)
Gross profit	4,219		10,758
Administration and distribution costs	(1,976)	2.55	(5,039)
Other operating costs	(840)	2.55	(2,142)
Other incomes (328 + 150 W3(ii) re Fair value gain on biological assets in Note 3)	588	2.55	1,499
Finance costs	(750)	2.55	(1,913)
Profit before tax	1,241		3,165
Income tax expense	(861)	2.55	(2,196)

Profit for the year	380	969
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Note: Translated profit of FRW 969m for the year is shared by Parent/Group (60%) and the NCIs (40%)

Translation of ACE's statement of financial position

	XAF	Rate	FRW
Assets			
Non-current assets			
Property, plant and equipment	20,800	2.60	54,080
Biological assets (25,000 + 150 W3(ii) re Fair value gain on biological assets in Note 3)	28,850	2.60	75,010
Other intangible assets	3,780	2.60	9,828
Inventories	9,177	2.60	23,860
Trade receivables	8,862	2.60	23,041
Cash and bank	7,728	2.60	20,093
Total assets	79,197		205,912
Equity and Liabilities			
Equity			
Ordinary share capital	28,500	2.52	71,820
Share premium	9,350	2.52	23,562
Retained earnings - at 1 July 2024 (Note 3)	15,350	2.52	38,682
Retained earnings (post-acquisition) - at 30 June 2025 (17,302 - 15,350) = 1,952 + 150 FV gain on biological assets Note 3)	2,102	Balance	9,721
Total equity	55,302		143,785
Liabilities			
Long-term borrowings	10,500	2.60	27,300
Deferred tax liability	3,672	2.60	9,547
Trade payables	7,371	2.60	19,165
Other current liabilities	2,352	2.60	6,115
Total liabilities	23,895		62,127
Total equity and liabilities	79,197		205,912

✓ **Exchange difference - translation of ACE Ltd's financial statements**

	FRW
Retained earnings (post-acquisition): in Group statement of financial position	9,721

Profit for year from P&L at average rate	969
Exchange gain - on translation of ACE Ltd's financial statements (9,721 - 969)	8,752
Exchange Gain allocated to parent 60% share of the exchange difference is recognised in Group OCI (60% x FRW 8,752m)	5,251
Exchange Gain allocated to NCI 40% share of the exchange difference is recognised in NCI (Group Equity) (40% x FRW 8,752m)	3,501

W4: Intra group sales (Note 5)

✓ Cancellation of intra-group sales

DR Revenue: 15,800 (sales to MCL) + 9,500 (sales to LMC)	25,300
CR Cost of sales: 15,800 (sales to MCL) + 9,500 (sales to LMC)	25,300

✓ Provision for un-realized profits

Goods unsold by MCL: FRW 5,300 x 20%	1,060	
Goods unsold by LMC: FRW 2,000 x 30%	600	25,300
Total unrealized profit	1,660	

Accounting treatment in the consolidated financial statements

DR Group cost of sales	1,660
CR Inventory	1,660

W5: Non-Controlling interests

In Group Equity:	
As per Group TB	45,000
Plus: NCIs share of total comprehensive income - Note 4	6,170
Plus: NCIs on acquisition of ACE Ltd - (W3)	53,626
Plus: NCI's share of translated profit for the year of ACE Ltd - W3(iii): 40% x FRW 969	388
Plus: NCI's share of Exchange gain (Translation of ACE Ltd's financial statements)	
(W3iv): 40% x FRW 8,752	3,501
Less: Extra depreciation of PPE in MCL (W1): FRW 800m x 20% NCI share	(160)
Less: Impairment loss on Goodwill in LMS (W2) (iii) 7,550 x 10%	(755)
	107,769

In Group P&L and OCI

	Profit for the year	TCI for the year
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NCI's share - in Note 4	6,170	6170
Plus: NCI's share of translated profit for the year of ACE Ltd - W3(iii): 40% x FRW 969	388	387.6
Plus: NCI's share of Exchange gain (Translation of ACE Ltd's financial statements) (W3iv): 40% x FRW 8,752	3,501	3,501
Less: Extra depreciation of PPE in MCL (W1): FRW 800m x 20% NCI share	(160)	(160)
Less: Impairment loss on Goodwill in LMS (W2)(iii) 7,550 x 10%	(755)	(755)
	9,144	9,144

W6: Investment in Associate (GTC) - Note 6

Initial cost of investment in GTC	20,000
Plus: Profit share from Associate (25% x FRW 90,000*3/12)	5,625
Less: Share of Dividend income (25% x FRW 10,000)	- 2,500
Investment in Associate (GTC) at 30 June 2025	23,125

Adjustments required

Profit share from Associate

DR Investment in Associate 22,500

CR P&L (Profit share from Associate) 22,500

Share of Dividend income from Associate

DR Other Receivables (Current Assets) 2,500

CR Investment in Associate 2,500

QUESTION TWO

Marking Guide

a)

Revenue (W1)	2.5
Players & staff wages (paid 1,250 + accrued 85)	0.5
Administration & other costs (cash 260 – agents 9 + accruals 30)	0.5
Bus maintenance	0.5
Depreciation – PPE (W3)	1
Depreciation – ROU (stadium) (W4)	1
Amortisation – players' registrations (W2)	2
Impairment – Player B (W2)	1
Loss on disposal – Player Y (W2)	0.5
Expected credit loss (W5)	1
Lease interest expense (W4)	0.5
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b)

Property, plant & equipment (W3)	1.5
Right-of-use asset – stadium (W4)	1
Intangible assets – players (W2)	3.5
Trade receivables (W5)	1
Cash and bank	0.5
Share capital (100m @ FRW 20) W6	1.5
Share premium (1,470 – 25 issue costs) W6	1
Retained earnings	0.5
Lease liability – non-current (W4)	1
Lease liability – current (W4)	0.5
Contract liabilities – deferred revenue (W1)	1.5

Trade & other payables (opening 180 + accruals 115)	0.5
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Model Answers

a) Statement of Profit or Loss and Other Comprehensive Income for the six-month period ended 31 December 2024

Description	FRW (million)
Revenue (W1)	1,961
Players & staff wages (paid 1,250 + accrued 85)	(1,335)
Administration & other costs (cash 260 – agents 9 + accruals 30)	(281)
Bus maintenance	(15)
Depreciation – PPE (W3)	(30)
Depreciation – ROU (stadium) (W4)	(79)
Amortisation – players’ registrations (W2)	(110)
Impairment – Player B (W2)	(35)
Loss on disposal – Player Y (W2)	(45)
Expected credit loss (W5)	(6)
Lease interest expense (W4)	(24)
Profit for the period	1
Other comprehensive Income	-
Total Comprehensive Income	1

b) Statement of Financial Position as at 31 December 2024

Description	FRW (million)
ASSETS	
Non-current Assets	
Property, plant & equipment (W3)	520
Right-of-use asset – stadium (W4)	870
Intangible assets – players (W2)	659

Total Non-current Assets	2,049
Current Assets	
Trade receivables (W5)	102
Cash and bank	3,850
Total Current Assets	3,952
Total assets	6,001
EQUITY AND LIABILITIES	
Equity	
Share capital (100m @ FRW 20) W6	2,000
Share premium (1,470 – 25 issue costs) W6	1,445
Retained earnings	1
Total equity	3,446
Liabilities	
Non-current liabilities	
Lease liability – non-current (W4)	568
Total non-current liabilities	568
Current liabilities	
Lease liability – current (W4)	185
Contract liabilities – deferred revenue (W1)	1,507
Trade & other payables (opening 180 + accruals 115)	295
Total current liabilities	1,987
Total liabilities	2,555
Equity and liabilities	6,001

WORKINGS

W1. Revenue recognition (IFRS 15)

Broadcasting rights

Cash received for the season Broadcasting rights is 1300 million

Performance obligations = 38 matches

17 matches played up to 31 December 2024

Broadcasting rights to be recognized = $(1300 \text{ million} * 17) / 38 = 582 \text{ million}$

Contract liability = 1300 million - 582 million = 718 million

Sponsorship

Cash received for the season sponsorship 900 million

Performance obligations

Kit branding (per match, 38 matches): $675 \times 17/38 = 302$

ED/perimeter boards (per home match, 19 home): $135 \times 9/19 = 64$

Digital media (time passage across 10-month season Aug–May): $90 \times 5/10 = 45$

Sponsorship revenues to be Recognized ($302+64+45$) = 411 million

Contract liability = 900 million – 411 million = 489 million

Ticketing

Season tickets: $190,000 \times 3,000 = 570$ million cash within “Sales of tickets”.

Recognize $9/19 = \mathbf{270 \text{ million}}$;

Contract Liability = 570 million - 270 million = 300 million.

Walk-up (other ticket receipts): 1,220 million – 570 million = 650 million.

Ticketing/retail on credit = 48 million

Total revenue recognised = (582 + 411 + 270 + 650+48) million = 1,961 million

Total Contract Liability = (718+489 + 300) million = 1,507 million

W2 Players' registrations (IAS 38)

Player	FV	Addition	Disposal	Contract to	Remaining (yrs)	Amort'n (this period)
D1	180			2028/06/30	4	$180 \times 6/48 = 22.5$
D2	120			2027/06/30	3	$120 \times 6/36 = 20.0$
D3	110			2029/06/30	5	$110 \times 6/60 = 11.0$
D4	60			2028/06/30	4	$60 \times 6/48 = 7.5$
D5	30			2028/06/30	4	$30 \times 6/48 = 3.8$
Y (sold 31-Oct-24)	150			2026/06/30	2	$150 \times 4/24 = 25.0$
Player A (1-sept-24)		155			4	$155 \times 4/48 = 12.9$
Player B (1-Nov-24)		124			3	$124 \times 2/36 = 6.9$
Subtotal	650	279				110

Impairment on Player B

Carrying Amounts = 117.1 millions

Recoverable amount= 82 millions

Impairment = (117 million - 82 million) = 35.1 million

Disposal – Player Y

Carrying at disposal: $150 - 25 = 125$; proceeds 80 (of which FRW 30m receivable at 31-Dec); loss 45.

Sell-on clause (20% of profit) – not triggered (there's a loss).

Player	Cost/FV	Less amort/impair	Carrying
D1	180	(23)	158
D2	120	(20)	100
D3	110	(11)	99
D4	60	(8)	53
D5	30	(4)	26
A	155	(13)	142
B	124	(6.9) + (35.1)	82
Total			659

(Amortisation recognised this period: **~110**; impairment: **35**; disposal loss: **45**.)

W3. Property, plant and equipment (IAS 16)

Item	Opening @ fair value (1-Jul-24)	Additions	Depreciation (6 months)	Closing 31-Dec-24
Training & gym equipment	150	90 (1-Aug)	$150 \times 6/60 = 15$; $90 \times 5/60 = 7.5$	$135 + 82.5 =$ 217.5
Team bus	60	—	$60 \times 6/48 = 7.5$	52.5
Training pitch (land)	250	—	—	250
Total PPE	460	90	-	30
				≈520

W4. Stadium lease (IFRS 16, 8% IBR)

- Non-cancellable 5 seasons; fixed FRW 220 million payable in advance each 1-Aug (first paid 1-Aug-24).
- Lease liability at commencement (1-Aug-24): PV of 5 payments due in advance = 220 million \times annuity-due factor (8%, n=5)
Annuity-due factor ≈ 4.312
- Initial ROU asset = $(4.312 \times 220) \approx 949$ million;
- Initial lease liability = $(949 - 220) \approx 729$ million.
- Depreciation of ROU asset (straight line): $949 / 5 \text{ yrs} = 190 \text{ p.a.}$; for Aug–Dec (5 months) = ≈ 79 million.
- Interest expense Aug–Dec: on liability $\approx 729 \text{ million} \times 8\% \times 5/12 \approx 24$ million.
- Lease liability at 31-Dec-24 $\approx 729 \text{ million} + 24 \text{ million} = 753$ million.

- Next cash payment (1-Aug-25) = 220 million; interest Jan–Jul (7/12) \approx 35 million; principal portion \approx 185 million
- Current portion 185 million; non-current \approx 753 million – 185 million = 568 million.

W5. Trade receivables & ECL (IFRS 9)

Component	Gross	ECL	Net
Player Y transfer receivable	30	(5)	25
Ticketing/retail receivables	48	(1)	47
Opening receivable	30	-	30
Total	108	(6)	102

(Lifetime ECL applied as given: FRW 5m on the transfer receivable and 2% on FRW 48m.)

W6. Share capital & premium (IFRS 2/IAS 32 presentation)

- Issued share capital: 100,000,000 ord. shares @ FRW 20 = 2,000 million
- External investor: 49,000,000 shares @ FRW 50 cash = 2,450 million; par 980 million; share premium 1,470 million
- Supporters' Trust: 51,000,000 shares issued for the football business transferred at fair value. Net identifiable assets transferred at 1-Jul-24 were FRW 1,020 million, exactly equal to par for 51m shares (51m×20). No premium arises on this leg.
- Direct equity/issue costs (incorporation etc., paid 1-Jul) (25) deducted from share premium. Share premium at 31-Dec-24 = 1,470 – 25 = 1,445 million

QUESTION THREE

Marking Guide

a)

Award 1 mark for explanations and journal entries of Measurement at receipt	1
Award 4 marks for correct explanations and journal entries of Year-end measurement	4
Award 3 mark for explanations and journal entries of Recognition during the year	3
Award 1 mark for each correct disclosure well mentioned and explained	2
	10

b)

Award 0.5 marks for correct figures used for calculation of Inventories maximum to 4 figures totaling 2 marks	2
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Award 0.5 marks for correct figures used for calculation of Deferred government grant maximum to 3 figures totaling 1.5 marks	1.5
Award 0.5 for posting Trade and other payables	0.5
Award 0.5 marks for each correct line in statement of P&L and comprehensive income maximum to 6 lines	3
Award 0.5 marks of correct presentation of each extract	1
	8

c)

Award 1 for each related party identified and explained	2
Award 1 mark for the correct conclusion on related party relationship	1
Award 1 for each related party transaction identified and explained	2
Award 1 for each related party year end balance mentioned	2
	7

Model Answers

a) In accordance with *IAS 20 - Accounting for Government Grants & Disclosure of Government*, in-kind goods from government (SNI) are recognized at fair value on receipt as inventory with a matching deferred government grant (liability). The grant is recognized in profit or loss as grant income when the related inventory is consumed or written off. And at the year-end inventories are at lower of cost (fair value on receipt) and NRV; NRV write-downs do not trigger grant release.

Measurement at receipt

At the receipts of MoE deliveries, BFA recognized them at fair value by

Dr Inventory (6+5+1.5+20) 32.5

Cr Deferred gov't grant—SNI 32.50

Recognition during the year (release on consumption/write-off)

Quantities issued/expired from MoE stock (costed at MoE FV)

- Maize: 8/10 t of 6.00 = 4.80
- Beans: 7.5/8 t of 5.00 = 4.69
- Oil: 900/1,000 L of 1.50 = 1.35
- Milk issued to students: 42,000/50,000 cups of 20.00 = 16.80
- Milk expired (MoE): 3,000 cups × FRW 400 = 1.20

Total inventory outflow recognized in P/L = 28.84

Journals (through the year):

1. To expense the inventory used/expired

Dr Feeding & consumables expense (MoE) 28.84 million
 Cr Inventory—SNI goods 28.84 million
2. To recognize matching grant income

Dr Deferred gov't grant—SNI 28.84 million
 Cr Grant income—SNI 28.84 million

Alternately we may present the 3,000 expired cups either in the same “Feeding & consumables expense” line or a separate “Loss on spoilage” line; grant release still matches the 1.2 million

Year-end measurement (NRV) on MoE closing stock

Closing MoE quantities at cost vs NRV (FRW m):

- Maize 2 t: cost 1.20 vs NRV 1.00 = write-down 0.20
- Beans 0.5 t: cost 0.31 vs NRV 0.30 = write-down 0.01
- Oil 100 L: cost 0.15 vs NRV 0.10 = write-down 0.05
- Milk 5,000 cups: cost 2.00 vs NRV 1.50 = write-down 0.50

Total MoE NRV write-down = 0.76

Journal (NRV):

Dr Inventory write-down (expense) 0.76
 Cr Inventory (or allowance) 0.76

IAS 20 requires grant income to be recognized “*on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.*” In our case, the SNI grant is intended to compensate the feeding of students. A NRV write-down under IAS 2 is a measurement adjustment while the goods are still on hand, not the cost of feeding. So, no grant is released for NRV write-downs because the goods are not yet consumed/abandoned; they remain inventory.

Balances at 30 Jun 2025 (MoE portion only)

- Deferred gov't grant—SNI (liability): 32.50 received – 28.84 released = 3.66
 (This equals the cost of MoE inventory still on hand: $1.20 + 0.31 + 0.15 + 2.00 = 3.66$.)
- MoE inventory carrying amount (after NRV): $3.66 - 0.76 = 2.90$

Disclosures (minimum, IAS 20)

Nature and terms. During the year the Ministry of Education and Culture supplied food items (maize, beans, cooking oil and UHT milk) in kind under the School Nutrition Initiative (no cash). Goods must be used solely for enrolled students. Ongoing participation depends on hygiene,

facilities and reporting compliance; future allocations may be suspended for non-compliance. There is no reimbursement of goods already consumed.

Accounting policy and presentation. In-kind items are recognized as inventories at fair value on receipt with a corresponding deferred government grant. Grant income is recognized in profit or loss on a systematic basis as, and to the extent that, the related inventories are consumed or written off. Inventories are measured at the lower of cost (recognized fair value) and NRV. Grant income is presented separately from expenses (no netting).

Amounts recognized and movements. In the year, the Group recognized in-kind receipts of FRW 32.50m (recorded in inventories and deferred income) and released FRW 28.84m to profit or loss as grant income, matching consumption/spoilage. The deferred grant closing balance is FRW 3.66m, representing unamortized assistance related to inventories on hand at year-end. SNI inventories are carried at FRW 2.90m after NRV write-downs of FRW 0.76m.

Unfulfilled conditions/uncertainties. Compliance requirements were met during the year; the term-3 compliance certificate was pending routine review at reporting date. Management does not expect suspension of allocations. No obligation arises for goods already consumed.

Judgements/estimation. Key judgements relate to determining fair values on receipt and NRV assessments at period end, which affect the timing/amount of grant income and the deferred grant balance

b) The extracts of the financial statements of BFA for the year ended 30 June 2025

Statement of Profit or Loss (extract) — Year ended 30 June 2025

Revenues	Amounts (FRW Million)
Other revenues	
Government grant — SNI (recognized on consumption/write-off)	28.84
Expenses	
Feeding & consumables — SNI goods consumed/expired (MoE)	28.84
Purchased food items consumed (other)	8
Cost of milk issued (Dairy Co — 3,000 cups @ 380)	1.14
Inventory write-downs (NRV): SNI 0.76 ; purchased 0.25	1.01
Total expenses	38.99
Surplus/(deficit) from the items shown	(10.15)

Statement of Financial Position (extract) — As at 30 June 2025

Non-Current Assets	Amounts (FRW Million)
Inventories (Note 1)	5.55
Equity and liabilities	
Deferred government grant — SNI (Note 2)	3.66
Trade and other payables (Note 3)	3.04

Workings:

Note 1: Inventories (composition & NRV)

Category	Carrying amount (NRV)
SNI inventories (MoE): maize 1.00; beans 0.30; oil 0.10; milk 1.50	2.9
Purchased — other food items	0.8
Purchased — Dairy Co milk cups	1.85
Total inventories	5.55

Note 2: Government grants — SNI (deferred income reconciliation)

- Opening balance: —
- In-kind receipts recognized (to inventory): **32.50**
- Releases to profit or loss (matching consumption/spoilage): **(28.84)**
- **Closing balance (deferred grant): 3.66**

The closing balance corresponds to SNI inventories on hand measured at **cost before NRV**; NRV reductions do **not** trigger grant release.

Note 3: Trade and other payables (related-party)

Payable to Dairy Co Ltd (related party): 3.04

(Purchase of 8,000 UHT milk cups @ FRW 380 per cup; payable on normal supplier terms.)

c) IAS 24 — Related parties, transactions, and balances

Identify related parties and relationships

- **Key management personnel (KMP):** BFA's chairperson, Mr. Aimé Kamanzi, is KMP of the reporting entity.
- **Close family member:** Mr. Kamanzi's brother (a close family member under IAS 24) owns 25% of Dairy Co Ltd. A 20%+ holding generally indicates significant influence (unless clearly rebutted). Therefore, the brother has significant influence over Dairy Co.

IAS 24 treats as related any entity over which a close family member of a person in KMP of the reporting entity has significant influence

Conclusion: Dairy Co Ltd is a related party of BFA

MoE (the Ministry) is **not** a related party merely because the chairperson sat on SNI committees in a personal capacity. There is no control, joint control, or significant influence by MoE over BFA (nor vice versa). Ordinary dealings with government do not, by themselves, create a related-party relationship.

Related-party transactions during the year

- **Purchase of milk cups from Dairy Co:** 8,000 cups \times FRW 380 = FRW 3.04m (market ~ FRW 400 at that date).
- **Terms/pricing:** Appears at or better than market; no financing features indicated.
- **Consumption & inventory impact (contextual):** Of the 8,000 cups purchased, 3,000 were issued (COGS FRW 1.14m); 5,000 cups remained in closing inventory (cost FRW 1.90m; NRV FRW 1.85m). *(These amounts help explain year-end balances but are not themselves mandatory RPT line items.)*

Year-end related-party balances

- **Trade payable to Dairy Co:** FRW 3.04 million (purchase not yet settled at 30 June 2025).
- **No receivables/guarantees** from/to Dairy Co stated; no impairment recognised on balances

QUESTION FOUR

Marking Guide

a)

i)

Award 1 mark for each hidden cost identified and explained up to 3 hidden costs	3
Award 1 mark for each correct effects on each capital	5
	8

ii)

Award 2 marks for correct analysis of each investment	4
Award 1 mark for correct conclusion	1
	5

iii)

Award 1 mark for each work including the explanations (does not control people, not identifiable/separable and future economic benefits and useful life cannot be measured reliably)

b)

Award 0.5 marks for each preferred dividend added back	1
Award 0.5 marks for profit attributed to shareholders	0.5
Award 1 mark for each new shares from preferred shares, bond and right issue	3
Award 1 mark for calculating bonus factor	1
Award 1 mark for weighted shares of opening ordinary shares	1

Award 1 marks for weighted shares from preferred shared conversion	1
Award 1 marks for weighted shares from bond conversion	1
Award 0.5 marks for weighted shares from right issue	0.5
Award 1 mark for calculating EPS	1
	10

Model Answer

a) Inyenyeri Devices Ltd

i) Analyse the hidden costs of FY2025 decisions and their effects on financial, manufactured, intellectual, human and social/relationship capitals.

Hidden costs of FY2025 decisions

- **Replacement cost:** Inyenyeri's higher profit in FY2025 hides costs not shown in the income statement. Replacing 85 leavers cost about RWF 510 million in recruitment and onboarding ($85 \times \text{RWF } 6\text{m}$).
- **Ramp-up productivity loss:** New hires need 4 months to reach full speed. Assuming a fully productive technician adds RWF 2 million per month and works at 50% during ramp-up, the shortfall is RWF 4 million per hire, or RWF 340 million for 85 hires.
- **Rework and repeat visits:** Skills gaps increase second trips and extra labour/parts. Using 4,800 installs per year, a 5 percentage-point rise in repeat visits, and RWF 300,000 per repeat visit, the estimated cost is RWF 72 million.
- **Lost/late revenue from delayed re-orders:** Two large customers delayed purchases and complaints rose 35%. If each delayed order is RWF 500 million and the delay is 3 months at 1% per month, the timing cost is RWF 30 million.
- **Supervisor/mentor overload:** Senior staff time moved from productive work to coaching and corrections. Assuming 15 supervisors diverted 10 hours/week for 16 weeks at RWF 20,000/hour, the cost is RWF 48 million.
- **Culture and knowledge loss:** Engagement fell from 76% to 61% and experienced staff left, so tacit know-how walked out, slowing problem-solving and raising errors

Effects across capitals

Financial capital.

The reported profit rose to **10.4%**, but the business spent value in ways that do not appear clearly in the income statement. The company paid about **RWF 1.0 billion** in hidden costs (recruitment, ramp-up losses, rework, delayed cash from late re-orders, and supervisor time). These costs reduce the quality of profit and make cash conversion harder even if the margin looks good on paper.

Manufactured capital.

The factory and tools did not change, but more rework and repeat visits used up capacity. Technicians returned to the same site to fix issues, so the same machines produced less “useful” output per hour. On the floor this shows as missed schedules and lower throughput per technician, even though total machine hours may look normal.

Intellectual capital.

Know-how inside the organisation fell. Training hours dropped from **24** to **10** per employee, and checklists or playbooks were not refreshed fast enough. When experienced staff left, tacit knowledge left with them. As a result, diagnosing faults took longer and more errors slipped through because the guidance was out of date.

Human capital.

Capability and motivation weakened. Turnover rose to **22%**, engagement fell to **61%**, and new hires needed **four months** to reach full productivity. Supervisors spent more time coaching and correcting instead of doing their own high-value work. This stretched teams and made it harder to learn on complex jobs.

Social and relationship capital

Customer trust declined. Complaints increased by **35%**, and two large customers delayed their normal re-orders. Clients saw slower service and more repeat visits, so they were less willing to commit new orders. To win them back, the company would likely need extra effort, price concessions, or longer service windows

ii) Compare the two investment options in terms of expected value creation across the capitals and key execution risks.

ERP & automation (RWF 2.5bn).

This option should raise manufactured capital by tightening process control—management expects defects down 25% and cycle time down 18% within about a year. It also adds some intellectual capital in the form of better data and standardised workflows. However, it draws heavily on financial capital now and, given current churn and low training (hours fell 24→10), the risk is weak adoption: the same people gaps that caused rework will limit benefits. Without funded change management, human capital could deteriorate further (anxiety about role changes, thin coaching), which then slows service recovery and may not repair social/relationship capital (complaints +35%, delayed re-orders). In short, the technology can create value, but execution risk is high because the people system is unstable.

Human Capital Renewal (RWF 0.9bn).

This plan directly addresses the root drivers of value erosion. By targeting turnover $\leq 14\%$, engagement $\geq 70\%$, and time-to-productivity ≤ 3 months, it rebuilds human capital (skills, motivation) and, via mentoring and a skills map ($\geq 85\%$ role coverage), restores intellectual capital (competencies and up-to-date guides). As first-time-fix and learning improve, effective capacity rises even without new machines, so manufactured capital recovers in practice. Better service reliability then helps repair social/relationship capital, reducing the risk of further delayed orders and protecting financial capital through steadier cash and lower hidden costs (the \sim RWF 1.0bn we identified). Execution risk exists—career paths and coaching must be real, not slogans—but the uncertainty is lower because success depends on levers management already controls (retention, training, mentoring cadence).

Conclusion and preference.

Choose Human Capital Renewal now and defer ERP until the people system is stable. This sequence maximises expected value creation: it converts immediate financial outflows into durable gains in human and intellectual capital, which in turn lift manufactured output quality and restore social/relationship trust—thereby improving future financial performance. Once adoption readiness is higher and hidden costs have fallen, the ERP can be revisited with a stronger ROI and lower execution risk.

iii) Explain why employees are not recognised as assets under traditional accounting,

Employees are not shown as balance-sheet assets because the company **does not control people** in the accounting sense (they can resign), they are **not identifiable/separable** items that can be sold or transferred like other assets, and their **future economic benefits and useful life cannot be measured reliably**. Therefore, traditional accounting does not allow capitalising “human assets.”

b) Basic EPS for the year ended 31 Dec 2025

✓ Profit attributable to ordinary shareholders

Profit after tax: FRW 60,000,000

Less: Preference dividends

- 8% on FRW40,000,000 to 1 Apr 2025 (3/12): $0.08 \times 40,000,000 \times 3/12 =$ FRW800,000
- 8% on FRW10,000,000 for full year: $0.08 \times 10,000,000 =$ FRW800,000

Total preference dividends = FRW1,600,000

Profit attributable to ordinary shareholders = 60,000,000 – 1,600,000 = FRW 58,400,000

✓ Ordinary shares outstanding over the year (before rights adjustment)

- Opening ordinary shares (par FRW 1,000): $100,000,000 / 1,000 = 100,000$ shares
- 1 Apr 2025: Conversion of FRW 40,000,000 8% preference shares
Par FRW 500 = $40,000,000 / 500 = 80,000$ preference shares
Conversion rate: **2 preferences / 3 ordinaries** = $80,000 / 2 \times 3 = 120,000$ new ordinaries share
- 1 Jul 2025: Conversion of FRW 30,000,000 6% bond
Terms: 30 ordinary shares per FRW 10,000 of bond
Shares issued = $(30,000,000 / 10,000) \times 30 = 90,000$ new ordinaries share
- 1 Oct 2025: Rights issue **3 for 5** on existing 310,000 shares
New shares = $310,000 \times 3/5 = 186,000$ new ordinaries share

✓ **Rights issue bonus factor**

Rights price = FRW 220; cum-rights price = FRW 225.

Theoretical Ex-Rights Price = $(5 \times 225 + 3 \times 220) / 8 = \text{FRW } 223.125$

Bonus factor = $225 / 223.125 = \mathbf{1.00840336}$

Per IAS 33:

- Apply the bonus factor to shares outstanding before the rights issue date (i.e., Jan–Sep).
- Use actual shares outstanding after the rights issue (Oct–Dec)

✓ **Weighted average shares by category**

Category	Base shares	Periods	Rights adjustment	Weighted shares
Opening ordinary	100,000	Jan–Sep (9/12)	$\times 1.008403361$	$100,000 \times 1.008403361 \times 9/12 = \mathbf{75,630.252}$
		Oct–Dec (3/12)	none	$100,000 \times 3/12 = \mathbf{25,000.000}$
Subtotal – Opening				100,630.25
Pref conversion (1 Apr)	120,000	Apr–Sep (6/12)	$\times 1.008403361$	$120,000 \times 1.008403361 \times 6/12 = \mathbf{90,504.202}$
		Oct–Dec (3/12)	none	$120,000 \times 3/12 = \mathbf{30,000.000}$
Subtotal – Pref				120,504.20
Bond conversion (1 Jul)	90,000	Jul–Sep (3/12)	$\times 1.008403361$	$90,000 \times 1.008403361 \times 3/12 = \mathbf{22,594.538}$

		Oct–Dec (3/12)	none	$90,000 \times 3/12 =$ 22,500.000
Subtotal – Bond				45,094.54
Rights shares (1 Oct)	186,000	Oct–Dec (3/12)	none	$186,000 \times 3/12 =$ 46,500.000
Total weighted average shares				282,823.529 shares

Basic EPS = 58,400,000/2,823. 529 = FRW206.49 per share