CERTIFIED PUBLIC ACCOUNTANT

ADVANCED LEVEL 1 EXAMINATION

A1.3: ADVANCED FINANCIAL REPORTING

DATE: MONDAY 25, MAY 2026

MODEL ANSWER AND MARKING GUIDE

QUESTION ONE

MARKING GUIDE

Generally, award 0.5 marks per correct monetary figure used in the answer (including figures picked from the separate financial statements and used correctly in the consolidated financial statements and/or workings) except for **(i.e., Do Not Award)**:	
- Totals (including sub-totals computed in the consolidated P&L and OCI and /or workings 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). However, the figures used in a double entry are only marked if they have been correctly posted in the consolidated financial statements (and in this case, only mark these figures once either in the double entry presentation or in the posted line items in the consolidated financial statements)	
- Except where the question asks for a narrative(s), do not award any narratives whether correctly referencing to the double entry presentations or explanations justifying any accounting treatment (the question here is asking for "workings" and for the preparation of consolidated financial statements NOT explanations / justifications)	
Specific marks to be awarded (awarded as 0.5 marks for each correct figure used) include:	
Part (a): Workings (which must be separated and well referenced as per the question requirement) supporting the answers in both part (a) and (b - award 0.5 per correct figure used (excluding totals and sub totals) to maximum marks allocated as below):	
- Goodwill balance attributed to MTP - balance as at 31 December 2024 (using information provided in Note 1)	2.00
- Investment in NCC (an associate) - including the profit share from the associate to be presented in the profit or loss and the investment in associate balance at 30 June 2025 (using information provided in Notes 2 and 4)	3.50
- Brief explanation for the accounting implications in the KAH consolidated financial statements arising from the Partial / piecemeal disposal of shareholding in MTP where no control is lost - award 1 mark for each well reasoned explanation in line with the accounting requirements being applied to the information in the scenario (maximum of 3 marks) – for example award 1 mark (to **a maximum of 3 marks**) for stating or explaining that: - the disposal does not result in a loss of control over MTP;	3.00

- incomes and expenses of MTP should be consolidated throughout the year (and / or assets and liabilities including goodwill should continue to be consolidated); - the fact that any changes / movements will directly be recognised in the Group equity (NCIs and Group other reserves account) rather than recognising a gain / loss on disposal in the Group P&L; and - any correct / relevant reference to the accounting requirement(s) of IFRS 10 (award a maximum of 1 mark)	
- Computations and journal entries for Partial / piecemeal disposal of shareholding in MTP (accounting for the 10% disposal of the shareholding in MTP on 1 Jan 2025) - with no loss of control over MTP (based on information provided in Note 3)	3.50
- Transactions between the companies ((using information in Note 4) - marks will be awarded here for the correct computation or the unrealised profits (0.5 mark per calculation) - maximum of 1 mark	1.00
- Biological assets and PPE (based on information in Note 5): KAH's mango tree plantations (bearer plants) - computation of the annual depreciation charge (0.5 marks) and computation of the revaluation gain (0.5 marks per correct figure used in the calculation to a maximum of 1.5 marks) - maximum of 2 marks	2.00
- Biological assets (based on information in Note 5 and adjustments made): computation of closing balance (at 30 June 2025) for biological assets	2.00
- PPE (based on information in Note 5 and adjustments made): computation of closing balance (at 30 June 2025) for PPE	2.50
b) - NCIs (both for consolidated profit or loss and OCI and consolidated equity) - 0.5 marks for each correct figure used up to a max of 7.5 marks	7.50
- Consolidated retained earnings - 0.5 marks for each correct figure used up to a max of 6.5 marks	6.50
- Consolidated other reserves - 0.5 marks for each correct figure used up to a max of 3.5 marks	3.50
Sub total - part (a)	**37**
Part (c): Consolidated statement of profit or loss and other comprehensive income (additional marks in workings as guided where necessary)	
Revenue	1.50
Cost of sales	2.00
Distribution costs	1.00
Administration expenses	2.00
Other income	2.00
Finance costs	1.00
Income tax expense	1.00

Revaluation gain on property	1.00
Fair value gain on equity instruments	0.50
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 at the bottom of this group financial statement" and as a "balance figure computation"	0.50
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	0.50
Sub-total - part (c)	**13**
Total marks	**50**

<u>MODEL ANSWER TO QUESTION ONE</u>

Part (a) Workings (all in FRW millions) for:

i) Goodwill attributed to MTP - balance as at 31 December 2024 (Note 1)

Purchase consideration - at 1 July 2021	8,000
Plus: Fair value of NCIs	1,500
Less: Fair value of net assets	(7,600)
Goodwill on acquisition (1 July 2021)	**1,900**
Less: Impairment loss of Goodwill at 31 Dec 2024 (10% x 1,900)	(190)
Goodwill balance at 31 Dec 2024	**1,710**

Impairment loss on Goodwill in MTP (at 31 Dec 2024)

Accounting treatment (marks may be assigned or directly in the financial statement account lines if correctly posted):

DR P&L Administration costs	190	
CR Goodwill		190

Note: Allocate 70% to consolidated retained earnings and 30% to the NCIs (since impairment loss was assessed at 30 June 2025 when NCIs had increased to 30% in Note 3)

ii) Partial disposal of shareholding in MTP (10% disposed on 1 Jan 2025) - with no loss of control over MTP (Note 3)

Brief explanation of the accounting treatment required in the KAH consolidated financial statements:

- The disposal of 10% shareholding in MTP will reduce KAH's voting rights in MTP from 80% to 70% and therefore such a disposal would not result in a loss of control over MTP.
- Therefore, the incomes and expenses of MTP should be consolidated for the entire year and in addition, the disposal does not affect the consolidation of MTP's assets and liabilities including goodwill.
- In accordance with IFRS 10 Consolidated financial statements, a decrease in the parent's ownership interest which does not result in a loss of control is accounted for as an equity transaction i.e., a transaction between the owners of the subsidiary (the parent selling its shareholding in the subsidiary to the NCIs shareholders). This implies that the carrying amounts of the controlling (parent's equity reserves) and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary
- In this case, KAH should recognize directly in equity (e.g., in the "other reserves account") any difference between the amount of the consideration received and the amount adjusting / increasing the NCIs as "a gain/loss on exchange". No gain or loss on disposal is recognised in KAH's consolidated profit or loss.
- The adjustment in the NCIs amount in the group equity should reflect 10% of the fair value of the net assets in MTP which have been transferred to the NCIs through the exchange (increasing the NCIs value).
- In addition, an allocation of goodwill based on 10% of the carrying amount of Goodwill in MTP should be transferred to the NCIs (also increasing the NCIs) as part of the exchange. This will ensure that future impairment losses on goodwill in MTP will include an additional 10% allocation to the NCIs to reflect the NCIs' revised ownership interest in the goodwill of MTP.

iii) Computation of the changes in the group equity arising from the piecemeal disposal:

Adjustment to Equity	
Consideration received	1,400
Increase in NCI	(1,153)
Adjustment to equity	**247**
Post acquisition profit from acquisition date to step disposal	

Accounting journal for the disposal of 10% investment in MTP (No loss of control over MTP)

DR P&L (other income - to reverse error made in recognising the disposal proceeds incorrectly in P&L rather than directly in Group equity as seen below in the two credit entries).	1,400	
CR NCI (note: NCIs in equity will increase by the value of the transferred net assets + goodwill through the partial disposal) (10% x 12,180 net assets at 1 Jan 2025)		1,153
CR Consolidated "other reserves" (to account for the "gain on the exchange")		**247**

Note: The DR entry made to "Cash and bank" was correctly made and no need to adjust that debit entry

iv) Transactions between the companies (Note 4)

- **MTP (a subsidiary in June 2025) sales to KAH (a parent)**

Reverse the intra group sale by:

DR Revenue	1,200	
CR Cost of sales		1,200

Unrealised profit – for unsold goods still held by KAH at 30 June 2025

Computed as: 20% (unsold) x FRW 1,200m x 25/100 (profit margin) - DR Cost of sales	60

Note: Allocate 70% to consolidated retained earnings and 30% to the NCIs (since unrealized profits relate to intra group sales between KAH and MTP made in June 2025 when NCIs had increased to 30% in Note 3)

- **NCC (an associate) sales to KAF (a parent)**

Note: Do not reverse the sale as a transaction with an associate is NOT an intra group transaction

Unrealized profit – for unsold goods still held by KAH at 30 June 2025

Computed as: 40% (unsold) x FRW 900m x 15/100 (profit margin) x 25% (shareholding in the associate) - DR Profit share from associate / CR Group inventory	14

v) Investment in NCC (an associate) (Note 2 and 4)

In the profit or loss - year ended 31 Dec 2025

Profit share from Associate - year ended 30 June 2025 (25% x FRW 1,914m "NCC's profit for the year")	479
Less: Impairment loss on investment in NCC this year (attributable to KAH) - Note 2	(30)
Less: Unrealised profit (NCC sales to KAP in Note 4 / W3)	(14)
Adjusted profit share from associate	**435**

Investment in Associate at 30 June 2025

Initial cost of investment	2,500
Plus: Share of post-acquisition retained earnings in NCC at 1 July 2024 {25% x (3,250 - 1,400)}	463
Plus: Profit share from Associate - year ended 30 June 2025 (25% x FRW 1914m "NCC's profit for the year")	479
Less: Impairment loss on investment in NCC this year (attributable to KAH) - Note 2	(30)
Investment in Associate at 30 June 2025	**3,411**

vi) Biological assets and PPE (Note 5)

KAH's mango trees (acquired on 1 July 2024)

These are "bearer plants" which qualify as PPE under IAS 16 (and NOT biological assets). Therefore, adjustments should be made for:

(i) Correction of asset classification on the initial recognition (1 July 2024) as:

DR PPE - initial cost for bearer plants being reclassified to PPE (per IAS 16 requirement)	5,000	
CR Biological assets (reversal of assets incorrectly recognised as biological assets)		5,000

(ii) Depreciation charge of mango trees (as PPE bearer plants) for the year ended 30 June 2025

Depreciation charge of mango trees for the year ended 30 June 2025 = FRW 5000m / 20 years	250

Accounting treatment:

DR P&L (Administration expenses)	250	
CR PPE		250

(iii) Revaluation gain for KAH's mango trees (under revaluation model of IAS 16 as applied by KAH)

Revalued amount for mango trees on 30 June 2025	5,150
Less: Carrying amount of mango trees on 30 June 2025 (FRW 5,000m - 250m depreciation charge in the year to 30 June 2025)	4,750
Revaluation gain on mango trees (as bearer plants under IAS 16)	**400**

Accounting treatment:

DR PPE (with "additional revaluation gain" of 400m - 150m already recognised)	250	
DR P&L (Other incomes) – correction of an error made	150	

CR Other Comprehensive Income (with total revaluation gain of bearer plants as PPE)		400

MTP's biological assets

Accounting treatment: Fair value gain for tea leave plantations (in 6 months period: Jan - June 2025)

DR Biological assets	120	
CR P&L (Other income)		120

Note: Allocate to NCIs (at a rate of 30% since the NCIs held 30% in MTP in the 6-month period Jan - June 2025)

Consolidated biological assets at 30 June 2025

KAH - as given	36,800
MTP - as given	22,400
Less: KAH's mango trees (bearer plants) reclassified from biological assets to PPE - initial cost on 1 July 2024 (Note 5)	(5,000)
Plus: Fair value gain for MTP's tea leave plantations (in 6 months period: Jan - June 2025) - Note 5	120
Consolidated biological assets at 30 June 2025	**54,320**

Consolidated PPE at 30 June 2025

KAH - as given	25,200
MTP - as given	12,900
Less: KAH's mango trees (bearer plants) reclassified from biological assets to PPE - initial cost on 1 July 2024 (Note 5)	5,000
Less: Depreciation for KAH's bearer plants (Note 5 / W5)	(250)
Plus: Revaluation gain (additional gain) for KAH's bearer plants (Note 5 / W5)	250
Consolidated PPE at 30 June 2025	**43,100**

Part (b):

i: Non-controlling interests in MTP

NCIs in P&L and OCI for the year ended 30 June 2025

Non-controlling interest for the year		
Profit for the year	2,687*20%*6/12+2,687*6/12*30%	672
Unrealized profit on goods sold 60*30%		(18)
Impairment 190*20%*6/12+190*30%*6/12		(48)
Biological asset 120*30%		36
		642
Other comprehensive income		
Revaluation gain (12*6/12*20%+12*6/12*30%)		3
		645

NCIs (in Group) as at 30 June 2025

Noncontrolling interest at acquisition		1,500
Post acquisition profit up to 1 January 2025	3,764*20%	752.8
Share of post-acquisition reserve	456*20%	91.2
Impairment	190*20%	(38)
		2,306
Increase in NCI	2,306*10/20	1,153
Adjusted NCI		**3,459**
Share of post-acquisition profit from 1 July 2025 to 30 June 2025 see working for NCI for the year		645
NCI Balance at 31 December 2025		**4,104**

Post acquisition profit from acquisition date to step disposal		
Post acquisition up to 1 July 2024	4,120-1,700	2,420
Post acquisition profit from 1 July 2024 to 1 January 2025	2,687*6/12	1,344
		3,764

Other reserves		
Post acquisition up to 1 July 2024	1,250-800	450
Post acquisition profit from 1 July 2024 to 1 January 2025	12*6/12	6
		456

ii) Consolidated retained earnings at 30 June 2025

Retained earning	**Million**
KAH retained earning on 1 July 2024	6,525
Post acquisition share on 1 July 2024 (4,120-1,700) *80%	1,936
Post acquisition profit in NCC (3,255-1,400) *25%	463.7
NCC profit for the year attributable to parent 1,914*25%	478.5
Share of MTP profit for the year to parent 2,687*80%*6/12+2,687*70%*6/12	2,015
Fair value gain 120*70%	84
Adjustment to Equity	247
Less: Gain on revaluation of KAH's mango trees (incorrectly recognized in "other income")	(150)
Impairment in NCC	(30)
Less: Depreciation charge of KAH's mango trees (as bearer plants) – Note 5 / W5	(250)
Impairment in MTP 190*70%*6/12+190*80%*6/12	(142.5)
Unrealized profit in MTP 60*70%	(41)
Unrealized profit in NCC 900*15%*40%*25%	(13.5)
Plus: Fair value gain for MTP's tea leave plantations (in 6 months period: Jan - June 2025) - Note 5 (FRW 120 x 70% Group share in MTP in last 6 months)	84
Bal c/d	**11,206**

iii) Consolidated Other reserves at 31 Dec 2025

	KAH (parent)	MTP (a subsidiary)
Balance at 1 July 2024: Given in question (before consolidation adjustments)	2,400	1,250
Less: Pre-acquisition other reserves at 1 Jan 2021 (Note 1 & 2)		(800)
Adjusted "post-acquisition" other reserves at 1 July 2024	**2,400**	**450**
Group share of adjusted "post-acquisition" other reserves in MTP (a subsidiary) on 1 July 2024 (80% Group share x FRW 450m)	360	
Plus: Group share of total OCI in MTP this year - {(80% share x FRW 12m profit for the year in MTP x 6/12 months) + (70% share x FRW 12m profit for the year in MTP x 6/12 months)} - MTP OCI	9	
Less: Gain on revaluation of KAH's mango trees in OCI (Note 5 / W5)	400	
Total - consolidated other reserves at 31 Dec 2025	**3,169**	

Part (c): KAH's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2025 (in FRW millions)

Revenue (17,163 + 10,700 - 1,200 intra group sales Note 4 / W3)	26,663
Cost of sales (9,680 + 6,512 - 1,200 intra group sales Note 4 / W3 + 60+ unrealised profits MTP sales to KAH W3)+ 14 Unrealized profit in NCC	(15,066)
Gross profit	**11,597**
Distribution costs (927 + 577)	(1,504)
Administration expenses (855 + 532 + 190 Impairment loss on Goodwill of MTP Note 1 / W1 + 250 Depreciation charge for KAH's bearer plants Note 5 / W5) + 30 impairment in NCCC	(1,827)
Other income (1,800 - 1,400 proceeds from KAH's partial disposal of 10% investment held in MTP W2 - 150 Gain on revaluation of KAH's mango trees Note 5 / W5 + 120 Fair value gain for MTP's tea leave plantations (in 6 months period: Jan - June 2025) Note 5)	370
Profit share in associate (NCC	479
Finance costs (59 + 36)	(95)
Profits before tax	**9,020**
Income tax expense (572 + 356)	-928
Profits for the year	**8,092**
Other comprehensive income items:	
Revaluation gain on property (35 + 12 + 400 Gain on revaluation of KAH's mango trees as bearer plants in PPE Note 5 / W5)	447
Fair value gain on equity instruments (52 + 0)	52
Total other comprehensive income	**499**

Total comprehensive income	**8,591**
Profit / (loss) attributable to:	
Owners of the parent company	7,450
Non-controlling interest (W6)	642
Profit / (loss) for the year	**8,092**
Total comprehensive income attributable to:	
Owners of the parent company	7,946
Non-controlling interest (W6)	645
Total comprehensive income	**8,591**

SECTION B

QUESTION TWO

Marking Guide

(a) IAS 20

Award half a mark for each correct workings step and one mark for each correct technical explanation, subject to the sub-maxima shown.

Item	Marks	Max
Recognition criteria and framework (IAS 20)		
Correct identification that the grant falls within IAS 20 (passes through MINECOFIN/Government)	0.5	0.5
Correct recognition criteria of IAS 20 (reasonable assurance of compliance and receipt)	0.5	0.5
Correct application of IAS 20 matching principle	0.5	0.5
Correct statement of the deferred-income approach under IAS 20 for asset-related grants	0.5	0.5
Tranche 1 - Qualification development		
Correct initial translation of USD 800,000 at 1 July rate 1,280 = FRW 1,024,000,000	0.5	0.5
Correct split between research (expensed, FRW 250m) and development (deferred, FRW 500m)	1.0	1.0
Correct grant income recognised in P&L FRW 250,000,000	0.5	0.5
Correct deferred grant income carried forward FRW 774,000,000	0.5	0.5
Tranche 2 - CBE platform		
Correct initial translation of USD 700,000 at 1 October rate 1,310 = FRW 917,000,000	0.5	0.5
Correct release to P&L matching 3 months' amortisation (917m × 3/12 ÷ 5) = FRW 45,850,000	1.0	1.0
Correct deferred grant income at year-end FRW891,100,000	0.5	0.5
Tranche 3 - Operating support		
Correct initial translation of USD 500,000 at 1 October rate 1,310 = FRW 655,000,000	0.5	0.5

Item	Marks	Max
Correct time-based recognition 3/36 months = FRW 54,583,333	1.0	1.0
Correct deferred grant income at year-end FRW 614,166,220	0.5	0.5
Presentation		
Correct presentation of grant income within other operating income (per accounting policy)	0.5	0.5
Total for part (a)		**9.0**

(b) IAS 21 - 7 marks

Award half a mark for each correct workings step and one mark for each correct technical explanation.

Item	Marks	Max
Monetary / non-monetary principle		
Correct statement of the monetary/non-monetary distinction in IAS 21	1.0	1
Correct statement that non-monetary items at historical cost are NOT retranslated	1	1
USD bank account (USD 250,000)		
Correct retranslation at closing rate 1,340 = FRW 335,000,000	0.5	0.5
Correct exchange gain FRW 7,500,000 recognised in P&L	0.5	0.5
USD retention payable (USD 150,000)		
Correct retranslation at closing rate 1,340 = FRW 201,000,000	0.5	0.5
Correct exchange loss FRW 4,500,000 recognised in P&L	0.5	0.5
CBE platform (non-monetary)		
Correct conclusion that the CBE platform is NOT retranslated and no exchange difference arises	1.0	1.0
Translation of deferred grant at year end		
Retranslation loss for CBE Platform	1	1
Retranslation loss for operating support	1	1
Total for part (b)		**7**

(c) IAS 38 - 6 marks

Award one mark for each correct technical explanation and half a mark for each correct workings step.

Item	Marks	Max
Qualification development (CPSIA)		
Correct identification of research vs. development phase split at 1 July 2025 (Technical Committee confirmation)	1.0	1.0
Correct expensing of research-phase costs FRW 250,000,000 (IAS 38.54)	0.5	0.5
Correct capitalisation of development-phase costs FRW 500,000,000 (IAS 38.57 criteria met)	1.0	1.0
Correct conclusion that no amortisation is charged in 2025 (asset not yet available for use, IAS 38)	0.5	0.5
Correct carrying amount FRW 500,000,000 at 31 December 2025	0.5	0.5
CBE platform, operation support		
Correct classification as separately acquired intangible (IAS 38)	0.5	0.5
Correct capitalisation at cost FRW 917,000,000 (with reference to IAS 21 translation)	0.5	0.5
Correct amortisation charge FRW 45,850,000 (3 months at straight-line 5-year life)	1.0	1.0
Correct carrying amount FRW 891,100,000 at 31 December 2025	0.5	0.5
Total for part (c)		**6.0**

d) IAS 37 - 3 marks

Award one mark for each correct technical explanation and half a mark for each correct workings step.

Item	Marks	Max
A well explained call back clause on grant award 1 marks , is stated that no provision required for the stated callback clause	1	1
Award 1 mark for explained criteria to recognize provisions	1	1
Award 1 mark for well stated accounting treatment of the claim raised by the consultant	1	1
	3	3

Model Answer

(a) IAS 20 - Recognition, measurement and presentation of the three grant tranches

IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* applies because the World Bank grant passes through the Government of Rwanda (MINECOFIN acting as implementing agency) and IA-R is required to comply with specified conditions. Under IAS 20, the grant is recognised only when there is reasonable assurance that the Institute will comply with the attached conditions and that the grant will be received. Both conditions are satisfied at each drawdown date: the disbursement has been triggered by a milestone confirmation and the funds have been received into the project bank account.

Under IAS 20, grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs that the grants are intended to compensate. The Institute has elected the deferred-income approach for asset-related grants, meaning that grants received in respect of assets are recognised as deferred income on the statement of financial position and released to profit or loss on a systematic basis over the useful life of the related asset. Each of the three tranches is analysed separately below.

Tranche 1 - Qualification development (USD 800,000)

Initial recognition on drawdown at 1 July 2025 spot rate of FRW 1,280 per USD:

Grant received (USD 800,000 × 1,280)	**FRW 1,024,000,000**

Dr: Bank Frw 1,024,000,000
Cr: Grant Frw 1,024,000,000

Being recognition of grant received

This tranche funds the costs of developing the CPSIA qualification. Under IAS 20 it is recognised in profit or loss on a systematic basis to match the related expenditure. The qualification-development expenditure falls into two categories under IAS 38 (see part (c)): research-phase costs of FRW 250,000,000 (expensed as incurred) and development-phase costs of FRW 500,000,000 (capitalised).

Grant income is therefore recognised in two distinct ways:

– **Portion matching research costs expensed in 2025** - recognised immediately in profit or loss, being the grant that compensates expenses already charged: FRW 250,000,000.

– **Portion matching development costs capitalised** - deferred on the statement of financial position and released to profit or loss on the same systematic basis as the amortisation of the resulting intangible asset (once it becomes available for use on 1 April 2026): FRW 500,000,000.

– **Portion relating to costs not yet incurred** - the remaining FRW 274,000,000 (1,024,000,000 − 750,000,000) is deferred until matched against future qualification-development costs.

Summary - Tranche 1 at 31 December 2025

Grant income recognized in profit or loss (other operating income)	**FRW 250,000,000**
Deferred grant income (current and non-current liability)	**FRW 774,000,000**

Tranche 2 - CBE platform (USD 700,000)

Initial recognition on drawdown at 1 October 2025 spot rate of FRW 1,310 per USD:

Grant received (USD 700,000 × 1,310)	**FRW 917,000,000**

This is an asset-related grant, fully applied to acquire the CBE platform and Student Management System. The Institute's accounting policy is the deferred-income approach. Consequently the grant is recognised in deferred income and released to profit or loss on the same systematic basis as the amortisation of the related intangible asset.

Asset useful life: 5 years; in use from 1 October 2025; annual amortisation FRW 917,000,000 / 5 = FRW 183,400,000; three months' charge in 2025.

Summary - Tranche 2 at 31 December 2025

Grant received (1 October 2025)	FRW 917,000,000
Less: released to profit or loss (917,000,000 × 3/12 ÷ 5)	(FRW 45,850,000)
Retranslation	FRW 19,950,000
Deferred grant income at 31 December 2025	**FRW 891,100,000**

Tranche 3 - Operating support (USD 500,000)

Initial recognition on drawdown at 1 October 2025 spot rate of FRW 1,310 per USD:

Grant received (USD 500,000 × 1,310)	**FRW 655,000,000**

This tranche compensates incremental operating expenditure over the 36-month period commencing 1 October 2025. In the absence of identifiable specific expenses the grant should be recognised on a straight-line basis over the 36-month period.

Recognition in 2025: three months out of 36 = 3/36 × FRW 655,000,000 = FRW 54,583,333.

Summary - Tranche 3 at 31 December 2025

Grant received (1 October 2025)	FRW 655,000,000
Less: recognised in profit or loss (655,000,000 × 3/36)	(FRW 54,583,333)
Retranslation loss	FRW 13,749,553
Deferred grant income at 31 December 2025	**FRW 614,166,220**

Combined presentation at 31 December 2025

Grant income recognised in profit or loss (other operating income)	
Tranche 1 (qualification development)	250,000,000
Tranche 2 (CBE platform, matching amortisation)	45,850,000
Tranche 3 (operating support, 3/36 months)	54,583,333
Retranslation losses	(33,699,553)
Total grant income recognised in 2025	**FRW 316,733,780**

Deferred grant income on the statement of financial position Non-current liability	
Tranche 1 (qualification development)	774,000,000
Tranche 2 (CBE platform) Deferred grant liability: 917,000,000 − FRW 45,850,000-FRW 183,400,000 + FRW 19,950,000	707,700,000
Operation support: Deferred grant liability FRW 655,000,000+FRW **13,749,553** − FRW 54,583,333-FRW 218,333,333	395,832,887
Current liability	
CBE Platform: Deferred Grant FRW 183,400,000	183,400,000
Operation support, Deferred grant liability: FRW	218,333,333

(b) IAS 21 - Foreign currency translation at 31 December 2025

IAS 21 *The Effects of Changes in Foreign Exchange Rates* requires foreign currency items to be translated using different rates according to whether the item is *monetary* or *non-monetary*. Monetary items are retranslated at the closing spot rate, with exchange differences recognised in profit or loss. Non-monetary items carried at historical cost are translated once at the transaction date and are not subsequently retranslated.

(i) USD-denominated project bank account (USD 250,000)

Cash held in a foreign currency is a **monetary asset**. It must be retranslated at the closing rate and the resulting exchange difference recognised in profit or loss.

Carrying amount before retranslation (USD 250,000 × 1,310)	FRW 327,500,000
Retranslated at closing rate (USD 250,000 × 1,340)	FRW 335,000,000
Exchange gain recognised in profit or loss	**FRW 7,500,000**

ii) Translation gain for deferred grant on CBE platform and the Student Management System

The system is depreciated over five year and the grant can be refunded anytime when called upon due to non compliance

Grant received in USD 700,000

Amortized grant in 2025 =FRW 700,000/5*3/12=35,000

Deferred grant balance in USD 700,000-USD 35,000=USD 665,000

Retranslated at closing rate USD 665,000*1,340	891,100,000
Carrying amount of deferred grant in FRW	**(871,150,0000)**
Retranslation loss	**19,950,000**

Dr: Exchange loss FRW 19,950,000

Cr: Deferred grant Frw 19,950,000

Translation gain for operation support

The grant related to operation support is amortized for three years i.e 36 months

Grant received in USD 500,000

Amortized grant in 2025 =FRW 500,000/3*3/12=41,667

Deferred grant balance in USD 500,000-USD 41,667=USD 458,333

Retranslated at closing rate USD 458,333*1,340	614,166,220
Carrying amount of deferred grant in FRW	(600,416,667)
Retranslation loss	**13,749,553**

Dr: Exchange loss FRW 13,749,553

Cr: Deferred grant Frw 13,749,553

Retention payable to Summit Assessment Technologies (USD 150,000)

A payable denominated in a foreign currency, where a fixed or determinable number of units of foreign currency is required to settle the obligation, is a **monetary liability**. It must be retranslated at the closing rate.

Carrying amount before retranslation (USD 150,000 × 1,310)	FRW 196,500,000
Retranslated at closing rate (USD 150,000 × 1,340)	FRW 201,000,000
Exchange loss recognised in profit or loss	**(FRW 4,500,000)**

(iii) CBE platform and Student Management System

The CBE platform is an **intangible asset carried at historical cost** (see part (c)). As a non-monetary asset, under IAS 21. it is translated once on the date of the transaction (1 October 2025) using the spot rate at that date and is *not retranslated* at subsequent reporting dates.

Carrying amount in FRW at recognition (USD 700,000 × 1,310)	FRW 917,000,000
Carrying amount at 31 December 2025 (not retranslated, before amortisation)	**FRW 917,000,000**

No exchange difference arises in respect of the CBE platform at the reporting date. The subsequent amortisation charge (addressed in part (c)) is based on this FRW-translated historical cost.

Net exchange gain recognised in profit or loss

Exchange gain on USD bank account	7,500,000
Exchange loss on retention payable	(4,500,000)
Net exchange gain to profit or loss for 2025	**FRW 3,000,000**

(c) IAS 38 - Accounting for the qualification development and the CBE platform

(i) Qualification development costs

IAS 38 *Intangible Assets* distinguishes between the research phase and the development phase of an internal project. All expenditure on the research phase is expensed as incurred because, at that stage, the entity cannot demonstrate that an intangible asset exists that will generate probable future economic benefits. Development-phase expenditure is capitalised only once all six criteria in IAS 38.57 are met.

Applying these requirements to the CPSIA project:

– **1 April to 30 June 2025 - research phase** - activities comprised feasibility study, market research and high-level curriculum concepts. These are research activities under IAS 38 and must be expensed as incurred. The FRW 250,000,000 of costs incurred in this period is charged to profit or loss.

– **1 July 2025 onwards - development phase** - the Technical Committee's formal confirmation on 1 July 2025 that the qualification is technically feasible, commercially viable and that IA-R has the resources to complete it evidences that the IAS 38 criteria are met from that date. Costs incurred from 1 July 2025 (FRW 500,000,000) qualify for capitalisation as an internally-generated intangible asset (the CPSIA qualification).

Amortisation of the capitalised intangible does not commence until the asset is available for use, which will be when the CPSIA qualification is launched on 1 April 2026. Accordingly, no amortisation is charged in 2025.

Carrying amount of the CPSIA qualification at 31 December 2025

Research costs expensed (1 April – 30 June 2025)	*(250,000,000)*
Development costs capitalised (1 July – 31 December 2025)	500,000,000
Amortisation for the year (not yet available for use)	-
Carrying amount - CPSIA qualification intangible asset	**FRW 500,000,000**

(ii) CBE platform and Student Management System

The CBE platform is a **separately acquired intangible asset**. Under IAS 38, the probability criterion is always considered to be satisfied for separately acquired intangibles and the cost can be measured reliably on the basis of the contract price. Cost includes the purchase price and any directly attributable costs of preparing the asset for its intended use .The full contract value of USD 700,000 is capitalised at the exchange rate ruling on 1 October 2025 (see part (b)).

Useful life is finite (5 years) and the straight-line method is applied. Amortisation commences from 1 October 2025 when the asset became available for use.

Carrying amount of the CBE platform at 31 December 2025

Cost at 1 October 2025 (USD 700,000 × 1,310)	917,000,000
Less: amortisation for 2025 (917,000,000 × 3/12 ÷ 5)	(45,850,000)
Carrying amount - CBE platform and Student Management System	**FRW 871,150,000**

(d) IAS 37 - Dispute and callback clause

(i) Dispute with Kagera Content Partners Ltd

Under IAS 37, a provision is recognised when: (1) the entity has a present obligation (legal or constructive) as a result of a past event; (2) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (3) a reliable estimate can be made of the amount of the obligation. All three criteria are met in respect of the Kagera Content Partners dispute:

– **Present obligation -** the contractual engagement of Kagera Content Partners and the scope-related work performed during 2025 give rise to a present obligation, albeit one being disputed;

– **Probable outflow -** external legal counsel has advised, in a written memorandum, that it is probable IA-R will be required to settle the dispute;

– **Reliable estimate -** counsel has provided a most-likely settlement amount of FRW 15,000,000, based on comparable cases before the Kigali Commercial Court.

IA-R should recognise a provision of **FRW 15,000,000** in the draft financial statements at 31 December 2025, with the corresponding charge presented within operating expenses. The FRW 40,000,000 claimed by Kagera is not the relevant measure; IAS 37 requires measurement at the best estimate of the expenditure required to settle the present obligation.

(ii) Callback clause in the Financing Agreement with MINECOFIN

The callback clause requires repayment only in circumstances where grant funds have not been applied to their approved purposes. Management has confirmed that, at the reporting date, all disbursements have been applied in accordance with the approved budget and all milestone targets for the current period have been met. Accordingly:

– No present obligation to repay exists at 31 December 2025;

– An outflow of resources in respect of the clawback is not probable;

– The recognition criteria of IAS 37 are not met and **no provision is recognised**.

The clause should be considered for disclosure as a contingent liability under IAS 37 only if the possibility of an outflow is more than remote. Given management's positive confirmation of compliance, the possibility is assessed as remote and no disclosure is required under IAS 37. However, the existence of the callback clause should be disclosed as part of the general description of the grant in the notes to the financial statements.

QUESTION THREE

Marking Guide

Part (a)

Marking point	**Marks**
Definition of borrowing costs AND identification of qualifying asset (½ + ½)	1.0
Commencement date correctly identified as 1 March 2024 with reasoning	1.0
Suspension period 1 April – 31 May 2024 (2 months) correctly identified	1.5
Cessation date 30 October 2024 correctly identified	1.0
Computation of weighted average capitalisation rate (≈ 11%)	1.5
Borrowing costs capitalised: 150 × 11% × 6/12 = FRW 8 million	1.0
Borrowing costs expensed: 150 × 11% × 4/12 = FRW 5.5 million	0.5
Journal entry - Dr Building / Cr Accrued interest (or Bank)	0.5
Total	**8.0**

Part (b)

Marking point	Marks
Correct reference to IAS 16 initial recognition principle	0.5
External structure - raw materials, labour, site preparation (½ each)	1.5
Inclusion of capitalised borrowing costs in external structure	0.5
Exclusion of recoverable VAT (with reason)	0.5
Cold-room - materials/equipment, expert/labour, testing (½ each)	1.5
Inclusion of decommissioning provision of FRW 3m (with IAS 37 reference)	1.0
Exclusion of training and advertising costs (with IAS 16.)	1.0
Correct subtotals: External 144, Cold-room 64; Total 208	1.0
Journal entry for initial recognition (Dr Asset / Cr Bank & Provision)	0.5
Total	**8.0**

Part (c)

Marking point	Marks
Identification of component depreciation principle (different useful lives)	0.5
2024 depreciation - external 2.4 + cold-room 1.78 = FRW 4.18m	1.5
Journal entry Dr Depreciation / Cr Accumulated depreciation (2024)	0.5
Carrying amount at 31 Dec 2024: FRW 203.82m	0.5
2025 depreciation - external 14.4 + cold-room 10.67 = FRW 25.07m	1.0
Identification of impairment indicator (gas shortage, external rental lost)	0.5
Carrying amount at 31 Dec 2025 (before impairment): FRW 178.75m	0.5
Fair value less costs of disposal: 150 − 3 = FRW 147m	0.5
Value in use: FRW 150.72m	0.5
Recoverable amount = higher of FVLCD and VIU = FRW 150.72m	0.5
Impairment loss = 178.75 − 150.72 ≈ FRW 28m	1.0
Pro-rata allocation between components (working shown)	1.0
Journal entry Dr Impairment loss / Cr Accumulated impairment	0.5
Closing carrying amounts after impairment shown correctly	0.5
Total	**9.0**

Note to markers: Award full marks where the candidate arrives at the correct final figure by a different but valid method (for example, computing each loan separately rather than using the weighted average rate).

MODEL ANSWER

(a) Capitalisation of borrowing costs - IAS 23

IAS 23 defines borrowing costs as interest and other costs that an entity incurs in connection with the borrowing of funds. The standard requires borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset to be capitalised as part of the cost of that asset.

The warehouse and integrated cold-room constructed by Muganza Farm Ltd is a qualifying asset because it necessarily takes a substantial period of time to get ready for its intended use.

Period of capitalisation

Date	Event	Treatment under IAS 23
1 January 2024	Construction commences	Construction begun, but no borrowing costs yet incurred (loans received later).
1 March 2024	Loans received	Commencement of capitalisation - all three conditions met: expenditure being incurred, borrowing costs being incurred, and activities to prepare the asset are in progress.
1 April – 31 May 2024 (2 months)	Construction suspended	Capitalisation suspended - the suspension is extended and not a temporary delay or a necessary part of the construction process.
1 June 2024	Construction resumes	Capitalisation resumes.
30 October 2024	Asset available for use	Cessation of capitalisation - substantially all the activities necessary to prepare the asset for its intended use are complete.

Computation of the capitalisation rate

As the entity raised two separate loans at different rates specifically for the project, a weighted average capitalisation rate is computed as follows:

Loan source	Principal (FRW m)	Rate	Annual interest (FRW m)
AGUKA Bank	100	10%	10.0
KCB Bank	50	12%	6.0
Total	**150**		**16.0**

Loan source	Principal (FRW m)	Rate	Annual interest (FRW m)
Weighted average capitalization rate = 16 / 150 = 10.67% ≈ 11%			

Borrowing costs capitalised and expensed

The capitalisation period runs from 1 March 2024 to 30 October 2024 (eight months), less the two-month suspension, giving six months of eligible capitalisation. Borrowing costs for the remaining four months (two months of suspension plus November and December 2024 after the asset was ready for use) are expensed in profit or loss.

Borrowing costs to be capitalised = FRW 150m × 11% × 6/12 = FRW 8 million

Borrowing costs to be expensed = FRW 150m × 11% × 4/12 = FRW 5.5 million

Journal entry

Journal entry	FRW (m)	FRW (m)
Dr: Building (external structure)	8.0	
Cr: Accrued interest on loan		8.0

(b) Initial cost of the building on 30 October 2024 - IAS 16

IAS 16 requires an item of property, plant and equipment to be measured initially at cost. Cost comprises the purchase price (or construction cost), all costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the initial estimate of the costs of dismantling and removing the item where the entity has a present obligation to do so.

Cost item	FRW (m)	Justification
External building structure		
Raw materials	80	Directly attributable - IAS 16
Labour costs	50	Directly attributable - IAS 16
Site preparation	6	Directly attributable - IAS 16
Borrowing costs capitalised (from part a)	8	Policy: all eligible borrowing costs capitalised to external structure (IAS 23).
VAT on materials	-	Excluded: recoverable from RRA, not part of cost (IAS 16)
Subtotal - External structure	**144**	

Cost item	FRW (m)	Justification
Internal cold-room component		
Materials and equipment	30	Directly attributable - IAS 16
Expert and labour costs	20	Directly attributable - IAS 16
Testing costs	11	Testing prior to use is capitalised - IAS 16
Decommissioning provision (PV)	3	Legal obligation to dismantle - IAS 16 / IAS 37.
Training costs	-	Excluded - IAS 16: training is not a cost of the asset.
Advertising costs	-	Excluded - IAS 16: advertising/promotion is not a cost of the asset.
Subtotal - Cold-room component	**64**	
TOTAL INITIAL COST OF THE BUILDING	**208**	

Journal entry

Journal entry	FRW (m)	FRW (m)
Dr: Building - External structure	144.0	
Dr: Building - Cold-room component	64.0	
Cr: Bank		205.0
Cr: Provision for decommissioning		3.0

The training and advertising costs of FRW 10 million are excluded from the cost of the asset (IAS 16 and are expensed in profit or loss in the period in which they are incurred.

(c) Accounting treatment in 2024 and 2025

IAS 16 requires each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item, and that has a useful life different from the rest of the item, to be depreciated separately. The external building structure has a useful life of 10 years (10% straight-line), whereas the cold-room component must be replaced every six years. Each component is therefore depreciated over its own useful life.

Year ended 31 December 2024

The asset became available for use on 30 October 2024, so depreciation is charged for two months of 2024.

Component	Working	FRW (m)
External building (144 × 10% × 2/12)	10 years	2.40
Cold-room (64 ÷ 6 × 2/12)	6 years	1.78
Total depreciation for 2024		**4.18**

Journal entry - 2024 depreciation

Journal entry	FRW (m)	FRW (m)
Dr: Depreciation expense (P/L)	4.18	
Cr: Accumulated depreciation		4.18

Carrying amount at 31 December 2024 = FRW 208m − FRW 4.18m = **FRW 203.82 million.**

Year ended 31 December 2025

Annual depreciation for 2025

Component	Working	FRW (m)
External building (144 × 10%)	full year	14.40
Cold-room (64 ÷ 6)	full year	10.67
Total depreciation for 2025		**25.07**

Impairment review under IAS 36

The disruption to gas supplies arising from the closure of the Strait of Hormuz is an external indicator of impairment under IAS 36, since the entity has been unable to provide cold-storage services to external customers as planned. The entity must therefore test the asset for impairment.

Carrying amount at 31 December 2025 (before impairment) = 208 − 4.18 − 14.40 − 10.67 = **FRW 178.75 million.**

Fair value less costs of disposal = 150 − 3 = **FRW 147 million.**

Value in use = **FRW 150.72 million.**

Recoverable amount = higher of FVLCD and VIU = **FRW 150.72 million.**

Impairment loss = 178.75 − 150.72 = **FRW 28.03 million (≈ FRW 28 million).**

Allocation of the impairment loss

Because the impairment test has been performed on the warehouse as a single cash-generating unit, the impairment loss is allocated to each component on a pro-rata basis, in proportion to their carrying amounts before impairment.

Component	Cost	Acc. depn.	Carrying amt	Impairment allocated	Recoverable amt
External building	144.00	16.80	127.20	19.93	107.27
Cold-room	64.00	12.45	51.55	8.07	43.48
Total	**208.00**	**29.25**	**178.75**	**28.03**	**150.72**

Journal entry - 2025 depreciation and impairment

Journal entry	FRW (m)	FRW (m)
Dr: Depreciation expense (P/L)	25.07	
Cr: Accumulated depreciation		25.07
Dr: Impairment loss (P/L)	28.03	
Cr: Accumulated impairment - External structure		19.93
Cr: Accumulated impairment - Cold-room		8.07

The building is reported in the statement of financial position at 31 December 2025 at FRW 150.72 million, being the external structure at FRW 107.27 million and the cold-room at FRW 43.48 million (immaterial rounding differences).

QUESTION FOUR

MARKING GUIDE

(a) Basic EPS for Karisimbi Minerals Ltd for 20X4 and 2025 - 10 marks

Award half a mark for each correct workings step below (up to 8 marks). Award one mark for each of the correctly calculated basic EPS figures for 20X4 and 2025 (up to 2 marks).

Workings step	Marks	Max
Correct identification of operating profit FRW 4,100,000,000	0.5	0.5
Correct net finance costs FRW (955,000,000) [245m − 1,200m]	0.5	0.5
Correct preference dividend adjustment FRW (200,000) [100,000 × FRW 2]	0.5	0.5
Correct tax at 30% on adjusted profit	0.5	0.5
Correct adjusted profit for 2025	0.5	0.5
Correct computed Theoretical Ex-right price (TERP)	1.5	0.5

Workings step	Marks	Max
Correct bonus factor 1.0435	0.5	0.5
Correct restated 20X4 weighted average shares	0.5	0.5
Correct weighted average 2025 shares	0.5	0.5
Correct retrospective restatement of 20X4 comparatives (IAS 33 treatment)	0.5	0.5
Maximum for workings		**8.0**
Correct basic EPS 20X4	1.0	1.0
Correct basic EPS 2025	1.0	1.0
Maximum for EPS figures		**2.0**
Total for part (a)		**10.0**

(b) Basic and diluted EPS taking account of the preference share redemption - 5 marks

Award half a mark for each correct workings step below (up to 3 marks). Award one mark for each of the correctly calculated basic and diluted EPS figures (up to 2 marks).

Workings step	Marks	Max
Correct time-apportioned preference dividend	1	0.5
Correct adjusted earnings [or any internally-consistent variant]	0.5	0.5
Correct new ordinary shares on redemption	0.5	0.5
Correct ordinary shares following redemption	0.5	0.5
Correct weighted average shares for basic EPS	0.5	0.5
Maximum for workings		**3.0**
Correct basic EPS	1.0	1.0
Correct diluted EPS and identification that the conversion is dilutive (EPS falls)	1.0	1.0
Maximum for EPS figures		**2.0**
Total for part (b)		**5.0**

(c) Report on IFRS S1 and IFRS S2 - 10 marks

Award **one mark** for each broad requirement of IFRS S1 correctly explained, up to 4 marks. Award **one mark** for each broad requirement of IFRS S2 correctly explained, up to 4 marks. Award **one mark** for each appropriate observation on the implications for Karisimbi Minerals Ltd, up to 2 marks.

Marking area	**Marks per point**	**Max**
IFRS S1 - General Requirements		
Correct identification of effective date (annual periods on/after 1 January 2024, early application permitted only if IFRS S2 also adopted)	1.0	1.0
Correct articulation of the objective - disclosure of sustainability-related risks and opportunities useful to users of general-purpose financial reports	1.0	1.0
Disclosure covering short-, medium- and long-term effects on cash flows, access to finance and cost of capital ('prospects')	1.0	1.0
Required disclosure topics: governance, strategy, risk management, and performance/targets (any two of the four attracts 1 mark; all four attract maximum)	up to 1.0	1.0
Sub-maximum - IFRS S1		**4.0**
IFRS S2 - Climate-related Disclosures		
Correct identification of effective date (annual periods on/after 1 January 2024, early application permitted only if IFRS S1 also adopted)	1.0	1.0
Correct articulation of the objective - climate-related risks and opportunities	1.0	1.0
Correct classification of climate risks: physical risks, transition risks, and climate-related opportunities	1.0	1.0
Required disclosure topics: governance, strategy, risk management (including integration with overall risk management), and performance/targets	up to 1.0	1.0
Requirement to conduct climate-related scenario analysis using a method appropriate to the entity's circumstances	1.0	1.0
Sub-maximum - IFRS S2		**4.0**
Application to Karisimbi Minerals Ltd		
Need to establish a Board sub-committee (or equivalent) with responsibility for sustainability governance	1.0	1.0

Marking area	Marks per point	Max
Physical risks relevant to Rutsiro/Nyabihu operations (seasonal rainfall, landslide, flood) OR transition risks (carbon pricing, licence conditions under the Rwanda Mines, Petroleum and Gas Board regulatory regime)	1.0	1.0
Need to ensure supplier/artisanal co-operative data are auditable (scenario-specific application)	1.0	1.0
CPD/training needs for a finance team that qualified before sustainability entered the syllabus	1.0	1.0
Implications for the external auditor in providing assurance over the new disclosures	1.0	1.0
Sub-maximum - Karisimbi observations		**2.0**
Total for part (c)		**10.0**

MODEL ANSWER

(a) Basic EPS for Karisimbi Minerals Ltd for 2024 and 2025

Working 1 - Adjusted earnings for the year ended 31 December 2025

Operating profit	4,100,000,000
Less: net finance costs (245 – 1,200)	(955,000,000)
Less: preference share dividend (100,000 × FRW 2)	(200,000)
Adjusted net profit before tax	*3,144,800,000*
Tax at 30%	(943,440)
Adjusted profit for the year	2,201,360,000

The preference dividend is calculated as 100,000 shares at FRW 100 par value × 2% (i.e. the FRW 2 per share paid in cash during 2025). As this dividend had not been recorded in the draft statement of profit or loss, both profit before tax and the tax charge require adjustment.

Working 2 - Theoretical ex-rights fair value (TERP) and bonus factor

Fair value of shares prior to rights issue (per share, FRW)	160
Aggregate fair value pre-rights (1,000,000 × 160)	160,000,000
Proceeds from exercise of rights (1,000,000 / 5 × 160 × 75%)	24,000,000
Total value post-rights	*184,000,000*
Shares outstanding after rights issue	1,200,000

Theoretical ex-rights price (184,000,000 / 1,200,000)	**153.33**
Bonus factor (160 / 153.33)	**1.0435**

Working 3 - Weighted average number of ordinary shares - 2025

Dates	Mths	Ordinary shares	Bonus factor	Adjusted shares	Weighted avg
1 Jan – 31 May	5	1,000,000	1.0435	1,043,478	434,783
1 Jun – 31 Dec	7	1,200,000	1.0000	1,200,000	700,000
Total	**12**				**1,134,783**

Working 4 - Restated weighted average shares - 2024

Shares outstanding throughout 2024: 1,000,000

Restated for bonus element of rights issue: 1,000,000 × 1.0435 = **1,043,478**

Basic earnings per share

Year	Earnings (FRW)	Weighted avg shares	EPS (FRW)
2024	1,950,000,000	1,043,478	1,868.75
2025	2,200,100,000	1,134,783	1,938.79

In accordance with IAS 33 *Earnings Per Share*, the bonus element of the rights issue is applied retrospectively. The prior-year (2024) weighted average share count is therefore restated to 1,043,478 shares, ensuring comparability between the two reporting periods.

(b) Basic and diluted EPS taking account of the preference share redemption

Working 5 - Preference dividend for the nine months to 30 September 2025

Dates	Mths	Preference shares	Rate	Preference dividend (FRW)
1 Jan – 30 Sep	9	100,000	FRW 2	200,000*9/12=150,000
1 Oct – 31 Dec	3	Nil	–	–
Total	**12**			**150,000**

Working 6 - Adjusted earnings for 2025 reflecting the redemption

Adjusted profit for the year (from Working 1)	2,201,360,000

Add: preference dividend saved for 3 months (200,000 ×70%)*3/12	35,000
Adjusted earnings attributable to ordinary shareholders	**2,201,395,000**

The FRW 35,000 represents the preference dividend that would have accrued for October to December 2025 (100,000 × FRW2 × 3/12) had the redemption not occurred. The saving is shown net of the 30% tax effect.

Working 7 - Weighted average number of ordinary shares for basic EPS

Ordinary shares prior to redemption (1 Jan – 30 Sep)	1,134,783
New ordinary shares issued on redemption (100,000 / 2*3/12)	12,500
Ordinary shares following redemption (1 Oct – 31 Dec)	**1,147,283**

Adjusted Basic EPS = FRW 2,201,395,000/1,147,283 =1,918.79

Diluted EPS

Ordinary shares prior to redemption (1 Jan – 30 Sep)	1,134,783
New ordinary shares issued on redemption (100,000 / 2*3/12)	12,500
Incremental shares due to dilution (100,000 / 2*9/12)	37,500
Ordinary shares following redemption (1 Oct – 31 Dec)	**1,184,783**

Diluted EPS = 2,201,395,000/1,184,783=1,858

(c) Report to the Finance Director - broad requirements of IFRS S1 and IFRS S2

To: Mrs Uwera Mukamana, CPA, Finance Director, Karisimbi Minerals Ltd

From: Financial Reporting Manager

Date: 5 January 2026

Subject: Implementation of IFRS Sustainability Disclosure Standards at Karisimbi Minerals Ltd

Introduction

Recent developments under IFRS increasingly emphasise the importance of supplementing financial reporting with other relevant contextual information. The key risks currently perceived by standard-setters as needing additional disclosure can be broadly defined as relating to sustainability, an attempt to focus disclosures more on the long-term risks facing businesses, particularly those arising from climate change. This new emphasis was formalised by the establishment of the International Sustainability Standards Board (ISSB) under the IFRS Foundation in 2021. The ISSB is developing standards that will deliver a high-quality, comprehensive global baseline of sustainability disclosures focused on the needs of investors and the financial markets. The ISSB's IFRS Sustainability Disclosure Standards currently consist of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*.

IFRS S1 - General Requirements for Disclosure of Sustainability-related Financial Information

IFRS S1 is effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted provided that IFRS S2 *Climate-related Disclosures* is also applied. The objective of IFRS S1 is to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to users of general-purpose financial reports in making decisions relating to providing resources to the entity.

IFRS S1 requires an entity to disclose information about all sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or its cost of capital over the short, medium or long term (collectively referred to as 'sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects'). The Standard prescribes how an entity prepares and reports its sustainability-related financial disclosures, setting out general requirements for the content and presentation of those disclosures so that the information is useful to users in making decisions relating to providing resources to the entity.

In particular, IFRS S1 requires an entity to provide disclosures about:

– the governance processes, controls and procedures the entity uses to monitor, manage and oversee sustainability-related risks and opportunities;

– the entity's strategy for managing sustainability-related risks and opportunities;

– the processes the entity uses to identify, assess, prioritise and monitor sustainability-related risks and opportunities; and

– the entity's performance in relation to sustainability-related risks and opportunities, including progress towards any targets the entity has set or is required to meet by law or regulation.

IFRS S2 - Climate-related Disclosures

IFRS S2 is also effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted provided that IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* is also applied. The objective of IFRS S2 is to require an entity to disclose information about its climate-related risks and opportunities that is useful to users of general-purpose financial reports in making decisions relating to providing resources to the entity.

IFRS S2 applies to the climate-related risks to which the entity is exposed, which comprise:

– **Physical risks** - the impact of environmental change (for example, an increased risk of flooding or severe storms) on the company's physical assets. For Karisimbi, this is particularly relevant for the open-pit operations at Rutsiro, which are exposed to heavy seasonal rainfall and landslide risk.

– **Transition risks -** risks related to the company's plans to reduce the extent to which it depends upon, or emits, greenhouse gases. For a mining business, these include carbon-pricing developments, changes in investor appetite for extractive industries, and evolving licence conditions issued by the Rwanda Mines, Petroleum and Gas Board.

– **Opportunities** - potential gains in competitive advantage from responding to climate risk, or from accessing government funds to support the transition to a lower-carbon economy.

In particular, IFRS S2 requires an entity to disclose information that enables users of general-purpose financial reports to understand:

– the governance processes, controls and procedures the entity uses to monitor, manage and oversee climate-related risks and opportunities;

– the entity's strategy for managing climate-related risks and opportunities;

– the processes the entity uses to identify, assess, prioritise and monitor climate-related risks and opportunities, including whether and how those processes are integrated into and inform the entity's overall risk management process; and

– the entity's performance in relation to its climate-related risks and opportunities, including progress towards any climate-related targets it has set, and any targets it is required to meet by law or regulation.

Conclusion - implications for Karisimbi Minerals Ltd

In order to apply the ISSB Standards, Karisimbi will need to develop a suite of governance and performance-management arrangements, supported by appropriate business processes, to enable production of the risk-management information that the Standards mandate. Both Standards specify that the information should cover cash flows, access to finance and cost of capital. Karisimbi must therefore assess whether its sustainability risks could affect its operations - for example, the sudden closure of the Nyabihu concession following a failed environmental inspection - as well as its ability to raise funds, which could be impaired if its reputation were tarnished by negative press regarding environmental pollution allegedly caused by its mining activities.

Governance processes will require the establishment of a sub-committee of the Karisimbi Board (or an equivalent body) with clearly defined reporting responsibilities in respect of sustainability-related matters. The approach to managing and reporting these risks will be set out in a strategy that aligns the Company's long-term plans with its need to manage sustainability and climate change. The strategy will in turn be realised through the development of new processes to obtain information across the business regarding sustainability-related risks. The information gathered from these processes will need to be auditable, which will require inspections of suppliers, including the artisanal co-operatives that supply Karisimbi's ore-processing facility, and ensuring that those suppliers are committed to complying with the Standards' requirements and to documenting their compliance.

IFRS S2 also mandates that companies conduct climate-related scenario analysis to evaluate their climate resilience. This analysis should use a method appropriate to their circumstances, considering Karisimbi's specific exposure to climate-related risks and opportunities as well as the skills, capabilities and resources available at the time of reporting. Karisimbi will therefore need to determine its approach to climate-related scenario analysis based on all reasonable and supportable information, taking into account both the choice of inputs and the analytical decisions made when conducting the analysis.

In terms of the specific implications of these Standards for Karisimbi's financial reporting function, the accountants will need to engage with experts in a range of fields - meteorology, environmental science, and mining engineering - and consider how the risks identified should be quantified and incorporated into the financial statements. Given that the members of Karisimbi's finance team qualified before sustainability reporting entered the professional syllabus, a structured continuing-professional-development programme will be required. In addition, Karisimbi's external audit firm will need to consider the extent to which its procedures are able to provide assurance over the analysis reported and the assumptions applied.

End of Model Answers and Marking Guide