

**UNIVERSITY OF GREATER MANCHESTER**  
**OFF CAMPUS DIVISION**  
**HO CHI MINH UNIVERSITY OF BANKING (HUB)**  
**BSc (HONS) BUSINESS MANAGEMENT**  
**SEMESTER 1 RESIT EXAMINATIONS 2025/2026**  
**FINANCIAL ACCOUNTING AND THE REGULATORY**  
**FRAMEWORK**  
**MODULE NO: BMP6044**

Date: Friday 30<sup>th</sup> January 2026

Time:

2 HOURS

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**INSTRUCTIONS TO CANDIDATES:**

This is a 2-hour open book examination. You are **ONLY** allowed to take into the examination **two sides of A4 handwritten notes**.

Course & workshop hand-outs, textbooks or Study Guides are **NOT permitted**.

There are **FIVE** questions on this paper.

Answer **THREE** questions, **ONE** question from **EACH** Section A & B. Section C is **COMPULSARY**.

A Case Study and Exhibits (0–5) are provided after the questions and form part of this examination paper. Please refer to the relevant Exhibit when answering each question.

Candidates are advised that the examiners attach importance to legibility of writing and clarity of expression.

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## SECTION A

### QUESTION A1 — Customer Contract

Context: Refer to Exhibit 1. AlphaTech needs to allocate revenue correctly for the Orion Retail contract to comply with IFRS 15.

- a. Determine the total transaction price. **[2 marks]**
  - b. Allocate the transaction price to the four performance obligations. **[4 marks]**
  - c. Calculate revenue recognised for the year 2024. **[4 marks]**
  - d. Calculate Trade Receivables, Contract Asset, and Contract Cost Asset at 31 Dec 2024. **[4 marks]**
  - e. Prepare the partial Income Statement (contract extract) for 2024 showing Gross Profit. **[6 marks]**
  - f. Explain the revenue recognition timing (Point-in-time vs Over-time) for each item. **[10 marks]**
- [Total 30 marks]**

### QUESTION A2 — Lease Accounting

Context: Refer to Exhibit 2. You are accounting for the new data-centre lease under IFRS 16.

- a. Calculate the initial Lease Liability and Right-of-Use (ROU) Asset. **[4 marks]**
  - b. For the year ended 31 Dec 2024, determine: Interest expense, Depreciation, Closing Lease Liability (split current/non-current), and ROU Carrying Amount. **[10 marks]**
  - c. Show the financial statement extracts (P&L, SOFP, Cash Flow). **[7 marks]**
  - d. Explain why IFRS 16 requires recognising a liability and asset (Concept of Faithful Representation). **[9 marks]**
- [Total 30 marks]**

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## SECTION B

### QUESTION B3 — Property & Fair Value

Context: Refer to Exhibit 3. The Board wants to reflect the increased value of the HQ building.

- a. Prepare extracts for 2024 showing Depreciation, Pre-revaluation Book Value, Revaluation Surplus, and New Carrying Amount. **[10 marks]**
- b. Explain why the Revaluation Model might be more "Relevant" than the Cost Model. **[10 marks]**
- c. Explain IFRS 13 disclosure requirements for Fair Value techniques. **[10 marks]**

**[Total 30 marks]**

### QUESTION B4 — Cash Flows

Context: Refer to Exhibit 4. Analyse the cash flow of the subsidiary "AlphaTech Services Ltd".

- a. Prepare the Net Cash from Operating Activities (Indirect Method). **[10 marks]**
- b. Present the Statement of Cash Flows extract (Operating, Investing, Financing, Closing Cash). **[10 marks]**
- c. Explain why an increase in receivables is subtracted from profit in the indirect method. **[10 marks]**

**[Total 30 marks]**

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## SECTION C

### QUESTION C5 — Performance & Risk

Context: Refer to Exhibit 5. Investors are analysing the Group's Return on Equity (ROE).

- a. Calculate DuPont components: Net Profit Margin, Asset Turnover, Equity Multiplier, and ROE. **[10 marks]**
- b. Explain the interaction of these drivers. **[10 marks]**

- c. Suggest two actions to improve Asset Turnover. **[10 marks]**
- d. Explain why high ROE can mask liquidity or gearing risks. **[10 marks]**

**[Total 40 marks]**

**END OF QUESTIONS**

**PLEASE TURN THE PAGE FOR CASE STUDY AND EXHIBITS**

PAST EXAMINATION

## Case Study Focus: AlphaTech Solutions JSC

### *Objective:*

This case study places you in the role of a Senior Financial Analyst for AlphaTech Solutions JSC, a technology integrator operating in Southeast Asia. You are required to apply International Financial Reporting Standards (IFRS) to evaluate the company's performance, risk profile, and accounting policy decisions.

### *Preparatory Guidance:*

This document is released one week in advance of the examination. You are expected to familiarise yourself with AlphaTech's operations, business model, and financial data.

- Study Focus: Review IFRS 15 (Revenue Recognition), IFRS 16 (Leases), IAS 16 (PPE & Revaluation), IAS 7 (Cash Flows), and Financial Ratio Analysis (DuPont Model).
- Analytical Depth: In the exam, you will not just calculate numbers. You must use the qualitative information in this pack to explain why management made certain decisions (e.g., leasing vs. buying, revaluation vs. cost) and how these choices impact the financial statements.

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## EXHIBIT 0 — STRATEGIC BUSINESS CONTEXT

### *1. Company Snapshot*

AlphaTech Solutions JSC is a dynamic technology integrator headquartered in Ho Chi Minh City. Originally a hardware reseller, the company has successfully pivoted to a "Digital Transformation Partner" model, providing end-to-end smart logistics solutions for retail chains and distribution centers.

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### **Case Study continued**

- Reporting: The company prepares financial statements in accordance with IFRS.
- Year-end: 31 December 2024.
- Currency: Pounds Sterling (£).

### *2. The Business Model: "The AlphaSuite Ecosystem"*

AlphaTech's flagship offering is the "AlphaSuite", a bundled solution that transforms traditional warehouses into "smart" fulfillment centers. This bundle creates complex revenue recognition issues under IFRS 15 because it combines:

- Hardware (Low Margin): Sensors, servers, and robotic arms sourced from third-party vendors (e.g., Dell, Cisco). This is a competitive, commoditised segment used to "lock in" customers.
- Software Licence (High Margin): The proprietary "Alpha-OS" platform. This is the company's "Crown Jewel," generating high margins and recurring value.
- Services: Implementation engineering (Project-based) and 24/7 post-go-live support (Recurring).

### 3. Strategic Financial Challenges (The Analyst's View)

- The "Working Capital Trap": Hardware suppliers demand payment within 30 days, whereas clients (large corporations) often negotiate 60-90 day payment terms tied to "Milestone Acceptance". This creates a structural cash flow gap that requires careful management of Receivables.
- Asset-Light Strategy (Lease vs. Buy): To preserve cash for R&D and salaries, the Board has adopted a policy of leasing major capital assets (such as data-center infrastructure) rather than purchasing them. This significantly impacts the Balance Sheet liabilities under IFRS 16.

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## Case Study continued

- Real Estate Strategy: The company owns its headquarters in a rapidly developing "Innovation District". To show a stronger asset base to lenders (improving the Debt-to-Assets ratio), the Board has elected to use the Revaluation Model (IAS 16) for its owned real estate properties.

### 4. Group Structure

The financial data in this pack covers two distinct scopes:

- Exhibit 4 focuses on AlphaTech Services Ltd, a UK-based subsidiary. Its data is presented separately to allow for specific cash flow analysis.
- Exhibit 5 presents the Consolidated Group figures, used by investors to assess overall Return on Equity (ROE) and solvency.

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## EXHIBIT 1 — CUSTOMER CONTRACT: "PROJECT ORION"

*(Focus: IFRS 15 Revenue Recognition)*

Strategic Context: On 1 July 2024, AlphaTech secured a landmark contract with Orion Retail, a leading supermarket chain. Delivering this project on time is critical for AlphaTech's reputation in the retail sector.

Contract Details:

- Client: Orion Retail.
- Contract Date: 1 July 2024.
- Reporting Date: 31 December 2024.

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## Case study continued

*A. Transaction Price Inputs:*

- Fixed Base Price: £288,000.
- Performance Bonus: A "Go-live Bonus" of £12,000 is payable if the system is operational before 15 October 2024.

- Operational Outcome: The engineering team worked overtime, and the system successfully went live on 1 October 2024. The bonus criteria were met, and management confirms the full amount is recoverable.
- Total Transaction Price: £300,000.

**B. Performance Obligations & Stand-alone Selling Prices (SSP):**

The Finance Director has determined the SSP for the bundle components based on market rates:

<i>Component</i>	<i>Nature of Promise</i>	<i>Stand-Alone Price (SSP)</i>
1. Hardware	Delivery of servers & IoT sensors	£160,000
2. Software License	2-year right to access Alpha-OS	£96,000
3. Implementation	Engineering installation services	£48,000
4. Tech Support	24/7 Helpdesk (2-year term)	£16,000
<b>TOTAL</b>		<b>£320,000</b>

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**Case study continued**

**C. Project Status at 31 December 2024:**

- Hardware: Delivered to Orion's site and accepted on 1 August 2024.
  - Cost of Hardware: To fulfill this component, AlphaTech purchased equipment from third-party vendors at a cost of £140,000.
- Software: Access credentials provided on 1 August 2024. The license period is 24 months.
- Implementation: Work is ongoing. Based on detailed timesheets and cost reports, the project is 80% complete at year-end.
  - Total Budgeted Implementation Cost: £32,000.

- Implementation Costs Incurred to Date: £25,600.
- Support: The service term commenced strictly on the "Go-Live" date (1 October 2024) and runs for 24 months.

*D. Billing & Cash Collection:*

- Invoicing: AlphaTech issued milestone invoices totaling £150,000 in 2024.
- Cash Flow: Orion Retail paid £120,000 in 2024.

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## **EXHIBIT 2 — LEASE OF DATA CENTRE EQUIPMENT**

*(Focus: IFRS 16 Leases)*

Operational Context: To host the cloud component of the Orion project, AlphaTech required a dedicated High-Performance Server Rack. Purchasing this equipment would cost £80,000 upfront—a significant drain on liquidity. The CFO decided to lease the equipment instead.

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### **Case study continued**

Lease Agreement Terms:

- Asset: Model X-1000 Server Rack.
- Commencement Date: 1 January 2024.
- Lease Term: 3 years (non-cancellable, ends 31 Dec 2026).
- Payment Schedule: £35,000 per annum, payable in arrears on 31 December.
- Service Component: The contract specifies that £5,000 of the annual payment relates to cooling, electricity, and security services provided by the lessor.
- Policy: AlphaTech elects to separate non-lease components (services) from the lease liability.
- Discount Rate: AlphaTech's incremental borrowing rate is 5%.
- Actuarial Factor: PV of an annuity of £1 for 3 years at 5% is 2.7232.

Initial Transactions:

- Direct Costs: AlphaTech paid £2,000 in legal fees to draft the agreement.
- Incentive: The lessor provided a £1,000 cash signing bonus to AlphaTech.

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## EXHIBIT 3 — CORPORATE HEADQUARTERS ("ALPHA TOWER")

*(Focus: IAS 16 PPE & Fair Value Measurement)*

Strategic Context: AlphaTech's headquarters, "Alpha Tower", is located in the newly developed "Tech Park District 9". Due to the construction of a new Metro line nearby, property prices have surged. The Board wants to switch to the Revaluation Model to reflect this hidden asset value.

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### Case study continued

Asset History:

- Purchase Date: 1 January 2023.
- Acquisition Cost: Total £900,000 (Allocated: Land £300,000; Building £600,000).
- Depreciation (Building): 30 years useful life, straight-line, zero residual value.
- Depreciation (Land): Not depreciated.

Valuation Report (at 31 December 2024):

Independent valuers, Vietnam Property Consultants, assessed the fair value as follows:

- Land: £350,000 (Method: Market Approach - comparable sales).
- Building: £700,000 (Method: Income Approach - discounted rental yield).

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## EXHIBIT 4 — SUBSIDIARY CASH FLOW CASE

*(Focus: IAS 7 Statement of Cash Flows)*

Entity: AlphaTech Services Ltd (UK Subsidiary).

*Note: This data relates ONLY to the subsidiary.*

Management Commentary:

"AlphaTech Services Ltd has reported a healthy net profit of £120,000. However, the Board is concerned that the bank balance has not increased proportionately. We need to analyse the 'quality of earnings' to understand where the cash is trapped."

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**Case study continued**

*Financial Data for Year Ended 31 Dec 2024:*

- Net Profit After Tax: £120,000.
  - Taxation:
    - Tax Expense (Incurred in P&L): £12,000.
    - Tax Paid in cash: £12,000.
  - Non-Cash Adjustments:
    - Depreciation (PPE): £30,000.
    - Depreciation (ROU Asset): £10,000.
    - Accrued Lease Interest (Expense recognised but not paid): £3,000.
  - Working Capital Movements (The "Cash Traps"):
    - Inventory: Increased by £5,000 (Stockpiling spare parts).
    - Trade Receivables: Increased by £15,000 (Clients are paying slower).
    - Trade Payables: Increased by £8,000 (Payment terms extended with suppliers).
  - Cash Flow Activities:
    - Investing: Purchase of diagnostic equipment: £50,000 (Cash outflow).
  - Cash Balances:
    - Opening Balance (1 Jan 2024): £40,000.
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## Case study continued

### EXHIBIT 5 — CONSOLIDATED PERFORMANCE & RISK

(Focus: Financial Analysis & DuPont Model)

Context: The following data represents the AlphaTech Group (Consolidated). Investors are concerned that while Revenue is growing, the Net Profit Margin is thin. They want to know if the Return on Equity (ROE) is driven by efficiency or leverage.

Consolidated Extracts (2024):

<i>Metric</i>	<i>Value (£)</i>	<i>Industry Context</i>
Revenue	40,000,000	High volume, low margin hardware sales dominate.
Net Profit	2,000,000	Net Margin: 5% (Industry Avg: 4-6%).
Total Assets	20,000,000	Includes significant Contract Assets and Leases.
Total Equity	10,000,000	
Total Liabilities	10,000,000	Debt-to-Equity: 1:1. High leverage is common in this sector.

**END OF CASE STUDY**  
**End of Exam**