

INTERPRETIG FINANCIAL & ACCOUNTING INFORMATION

PILOT ASSIGNMENT QUESTION AND MARKING
SCHEME

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General Instructions

The following are assignment questions to be completed by IFAI candidates as a requirement under coursework which contributes 30% of the marks for their course. The balance 70% will be from the final examination.

The IFAI assignment question is based on Malakoff, an independent power producer in Malaysia. This company has widened its scope into other areas as given in the informational extracts given below on the group. The financial statements of the group and company are given after the informational extracts.

Students can access the annual report of Malakoff from the internet for more information on the company.

The questions to be answered for the assignment are given below the financial statements.

Malakoff

Malakoff is currently known as the largest Independent Power Producer ("IPP") in Malaysia and has posted strong dividends over the years, earning a reputation as a stable and profitable company. However, the evolving industry dynamics necessitate a change in the business direction and strategy to maintain not just growth but also relevance in the future. The company has embarked on a transformation journey to develop a new business direction as it enters the new era, placing emphasis and focus on renewable energy and environmental solutions, particularly through the acquisition of Alarn Flora in 2019.

Through power and water ventures in Saudi Arabia, Bahrain and Oman, our international operations have an effective power generation capacity of 588 MW and water desalination capacity of 472,975 m³/day. We employ a total of 3,980 people across our global operations.

The Transformation Strategy represents our third iteration as Malakoff — the first being as a plantation company when we started out, the second as an Independent Power Producer when we ventured into the power sector driven by the surge in the country's electricity demand, and now as an ESG-centric organization focused on clean/renewable energy and environmental solutions. We launched our current transformation journey in September 2021, so the year 2022 is the first full year of its implementation. We embarked on this comprehensive transformation given the urgency of global environmental issues, particularly climate change and waste management. As we were already in the energy and waste management businesses, it was a natural extension for us to look for ways to evolve our existing businesses into high-growth sectors that, moreover, will contribute to a more sustainable environment for current and future generations.

We have identified five key growth areas under our Strategic Transformation - thermal power generation, RE, environmental solution water desalination and strategic bets (ie disruptive new green technologies). These key areas are supported by five key enablers international expansion, operational

excellence, sustainability initiatives, organizational transformation, and digitalization.

Statements of Financial Position as at 31 December 2022

	Note	Group		Company	
		2022	2021	2022	2021
		RM '000	RM '000	RM '000	RM '000
Assets					
Property, plant and equipment	3	10,956,764	11,555,382	25,073	27,970
Right-of-use assets	4	89,001	98,094	12,982	14,844
Investment properties	5	15,600	15,300	-	-
Concessions assets	6	134,629	149,658	-	-
Intangible assets	7	2,527,206	2,835,597	-	-
Investments in subsidiaries	8	-	-	7,215,040	7,528,239
Investments in associates	9	991,707	931,687	215,353	-
Investments in joint ventures	10	835,907	791,696	21,515	21,515
Other investments	15	2,484	2,484	2,484	2,484
Derivative financial assets	11	74,275	270,938	-	-
Trade and other receivables	12	11,435	264,540	-	215,353
Deferred tax assets	13	234,291	217,087	-	-
Total non-current assets		15,873,299	17,132,463	7,492,447	7,810,405
Derivative financial assets	11	46,558	17,742	-	-
Trade and other receivables	12	2,086,908	796,058	1,227,920	1,090,550
Inventories	14	1,681,346	874,279	-	-
Current tax assets		63,348	76,220	11,803	15,813
Other investments	15	692,740	2,617,093	-	-
Cash and cash equivalents	16	1,539,630	1,568,819	155,564	163,249
Total current assets		6,110,530	5,950,211	1,395,287	1,269,612
Total assets		21,983,829	23,082,674	8,887,734	9,080,017

Equity					
Share capital	17	5,693,055	5,693,055	5,693,055	5,693,055
Treasury shares	17	-	-	-	-
Reserves (Accumulated losses)/ Retained profits	17	98,647	98,647	98,647	98,647
		325,136	199,802	-	-
		-	-	-	-
		358,471	399,172	1,790,286	1,992,182
Equity attributable to owners of the Company		5,561,073	5,395,038	7,384,694	7,586,590
Perpetual sukuk	18	800,000	800,000	-	-
Non-controlling interests		334,745	311,688	-	-
Total Equity		6,695,818	6,506,726	7,384,694	7,586,590
Liabilities					
Loans and borrowings	19	7,771,205	8,556,925	-	-
Lease liabilities		13,032	14,135	4,480	4,030
Employee benefits	20	78,766	110,331	13,540	16,135
Provision for decommissioning costs	21	207,846	158,333	-	-
Provision for concession assets	22	186,984	279,277	-	-
Deferred income	23	2,825,693	3,061,319	-	-
Derivative financial liabilities	11	-	2,317	-	-
Deferred tax liabilities	13	996,502	1,071,225	945	716
Total non-current liabilities		12,080,028	13,253,862	18,965	20,881
Trade and other payables	24	1,599,445	1,498,694	1,478,651	1,465,584
Current tax liabilities		99,229	58,576	-	-
Loans and borrowings	19	972,203	1,288,843	-	-
Lease liabilities		7,998	9,961	4,671	6,962
Provision for decommissioning costs	21	53,001	25,013	-	-
Provision for concession assets	22	143,775	48,085	-	-
Employee benefits	20	8,713	-	753	-
Deferred income	23	323,513	388,125	-	-
Derivative financial liabilities	11	106	4,789	-	-
Total current liabilities		3,207,983	3,322,086	1,484,075	1,472,546
Total liabilities		15,288,011	16,575,948	1,503,040	1,493,427
Total equity and liabilities		21,983,829	23,082,674	8,887,734	9,080,017

Statements of Profit or Loss and other comprehensive income for the year ended 31 December 2022

	Note	Group		Company	
		2022	2021	2022	2021
		RM '000	RM '000	RM '000	RM '000
Revenue	25	10,355,150	6,463,084	449,016	538,832
Cost of sales		-	-	-	-
		8,663,764	5,054,058	-	-
Gross Profit		1,691,386	1,409,026	449,016	538,832
Other income		126,412	25,974	2,631	2,202
Administrative expenses		-	-	-	-
		264,530	218,165	75,826	67,028
Impairment loss on investments in subsidiaries	29	-	-	-	-
		-	-	337,000	404,888
Impairment loss on investments in associates	29	-	-	-	-
		398,272	-	-	-
Impairment loss on financial instruments	29	-	-	-	-
		12,239	16,406	12,196	15,499
Other operating expenses		-	-	-	-
		159,784	352,417	-	-
Results from operating activities		982,973	848,012	26,625	53,619
Finance income	26	85,312	107,627	58,148	59,297
Finance costs	27	-	-	-	-
		607,932	682,623	46,651	61,052
Net finance (costs)/income		522,620	574,996	11,497	1,755
Share of profit of equity-accounted associates and joint ventures, net of tax		276,418	196,551	-	-
Profit before tax		736,771	469,567	38,122	51,864
Tax expense	28	-	-	-	-
		350,868	164,483	6,409	8,925
Profit for the year	29	385,903	305,084	31,713	42,939

Question	Topic	%
1(a)	<p>Calculate financial ratios under the following four categories for the two years in the financial statements for the group as a whole:</p> <ul style="list-style-type: none"> (i) Liquidity, (ii) Profitability (iii) Efficiency (iv) Gearing <p>Marks for Q1(a) shall be based on correct calculation of the ratios. A minimum of two ratios are expected for each category identified. Formulas for the ratios as per the study manual must be shown and used in the calculation. 1 mark will be awarded for each correct ratio. A total of eight pairs of ratios only are expected for this question. Accuracy of calculation according to the formula selected and the resulting ratios would be relevant in the award of marks.</p>	16%
1(b)	<p>Write an assessment of the financial performance and health of the group for the years 2021 and 2022. The assessment report should cover liquidity, profitability, efficiency and gearing for which the ratios were calculated.</p> <p>Word Length: The report should be concise not exceed 800 words.</p>	8%
2	<p>Write briefly on the following in relation to Malakoff:</p> <ul style="list-style-type: none"> (a) Value Creation (b) Environmental, Social and Governance (ESG) (c) Integrated Financial Reporting <p>Word Length: The writeup on these three areas should not exceed 1,000 words.</p>	6%
	Total	30%

Additional Requirements:

The answers to the assignment should be typed using the New Times Roman, font size 12 with an inch margin on the top, bottom, left and right. The line and paragraph spacing should be 1.5. Page numbers should be clearly printed, and the studentship number should appear on the header of each page of the completed assignment. No names should be printed on the assignment file.

Students will be given **6 weeks**, from the date of release of the assignment questions, to submit their completed work to MAICSA. No extension to the submission deadline will be granted except under very special circumstances. Students must therefore plan their assignment work well to avoid any delay in meeting the submission deadline.

The word count for each IFAl assignment can be between 1,000 to 3,000 words, depending on the questions set. Quantitative questions may require a smaller number of words but instead more calculations. Calculations that are produced must be presented in a suitable manner, preferably in a table format showing details such as formulas (where applicable) and the figures used in the calculations and the results obtained.

All completed assignment(s) must be uploaded to Turnitin for a similarity check. The final report on the similarities and the completed assignment must be submitted to MAICSA via email at students@maicsa.org.my on or before the deadline given.

Students must ensure that the following documents are submitted in PDF form, and none are missed out as Examiners will not mark the students work if incomplete submissions are made:

- Assignment Coversheet
- The Assignment Question and Answers
- Turnitin - Similarity Index report

Assessment Criteria for Assignment Q1(a), Q1(b) and Q2

Full Written Assignment Report (30%)

Q1(a) (16 marks) is on financial ratio calculations. Therefore, marks will be awarded based on how the calculations are done and whether they are in accordance with the ratio formulas given in the IFAI study manual which must be followed by the students in answering this question. One mark would be assigned for each correct ratio. A total of 8 pairs of ratios are expected as the annual report for the company concerned gives financial statements for two years.

Q1(b) (8 marks.) This (b) part requires a written assessment of the financial performance based on four areas, namely: Liquidity, Profitability, Efficiency and Gearing. Marks will be awarded based on the logic of the discussion, how the ratios are interpreted, and benchmarks employed in drawing conclusions. Two marks will be awarded for each area discussed.

Q2. (6 marks). This part requires some research to be done by the student and marks will be awarded based on the rubric below. Word length should be within 1,000 words.

The rubric for Q2 is as follows:

Dimensions	Traits	Weightage	0	1	2	3	4	5
Organisation	Introduction (Presents the topic and engages the reader)	1						
	Conclusion (Summarises and gives an overview of the topic)	1						
	Logical and consistent flow	1						
Content	Analysis of the requirement of the question	2						
	Identifying and applying the relevant financial accounting/ finance principles and/or techniques to the questions posed	3						
	Understanding the relevant financial accounting / finance principles and techniques and their applications	1						

Reference materials: (Comprehensive compilation of reference materials in APA style)	1						
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Evaluation	Lower level	Intermediate level	Higher level
Does not meet expectations	0-15	16-20	21-24
Meets expectations	25-29	30-35	36-39
Exceeds expectation	40-43	44-46	47-50
Marks for Q2 will be awarded based on the rubric and converted to 6 percent.			