



PAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY

FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION

DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE

QUALIFICATION: BACHELOR OF ACCOUNTING	
QUALIFICATION CODE: 07BOAC	LEVEL: 6
COURSE CODE: FAC611S	COURSE NAME: FINANCIAL ACCOUNTING 201
SESSION: JUNE 2023	PAPER: THEORY
DURATION: 3 HOURS	MARKS: 100

FIRST OPPORTUNITY EXAMINATION QUESTION PAPER	
EXAMINER(S)	Dr. A SIMASIKU, Mr. C MAHINDI, Mr. C SIMASIKU and Ms. S IFUGULA
MODERATOR:	DR. D KAMOTHO

<p style="text-align: center;">INSTRUCTIONS</p> <ol style="list-style-type: none">1. Answer ALL questions in blue or black ink only.2. Write clearly and neatly.3. Start each question on a new page and number the answers clearly.4. Do not write in pencil and do not use tip-ex, as this will not be marked.5. Questions relating to the paper may be raised in the initial 30 minutes after the start of the paper. Thereafter, candidates must use their initiative to deal with any perceived error or ambiguities & any assumption made by the candidate should be clearly stated.6. The names of people and businesses used throughout this assessment do not reflect the reality and may be purely coincidental.7. Show all workings!
--

PERMISSABLE MATERIALS

1. Non- programmable calculator

THIS QUESTION PAPER CONSISTS OF 3 PAGES (Excluding this front page)

Question 1**(50 marks)**

Omaheke Limited is a company with a 31 May year end. It operates in various industries throughout Namibia. On 1 June 2020, it acquired a machine for N\$2,000,000 cash that would be used to manufacture medical items such as surgical gloves and face masks that would be used in the fight of the COVID19 pandemic.

On 1 September 2022, management decided to dispose of the machine due to a decline in the demand for surgical gloves and face masks. On this date management decided to advertise the machine at a reasonable price in relation to the prevailing market values. The target time frame for completion of the sale was 1 February 2023. Management was adamant that the sale of the machine should be completed as soon as possible so that they could use the funds to invest another machine that would be used to manufacture medication.

On 31 May 2023 the machine remained unsold, however, management are still committed to selling the machine.

You have been presented the following information regarding the machine:

Date	Details	Amount N\$
31-May-21	Recoverable amount	1,750,000
31-May-22	Recoverable amount	750,000
01-Sep-22	Fair value	625,000
	Costs to sell	85,000
	Value in use	?
31-May-23	Fair value	580,000
	Costs to sell	40,000
	Value in use	500,000

The value in use was on 1 September 2022 is based on cashflows on N\$740,000 and the applicable present value factor was determined to be 0.750.

The machine has always been measured using the cost model with depreciation provided on a straight-line basis over a useful life of 5 years with a nil residual value.

REQUIRED:

- Discuss with reasons how the machine should be classified and measured during the reporting period ended 31 May 2023. Your discussion should not include presentation and disclosure. Figures are not required in your discussion. (10)
- Provide the general journal entries to account for the machine in the records of Omaheke Limited for the reporting periods 31 May 2022 and 31 May 2023. Clearly indicate the whether the machine is classified as property, plant, and equipment (PPE) or a non-current asset held for sale (NCAHFS). (27)
- Prepare the property, plant and equipment reconciliation note of Omaheke Limited for the reporting period ended 31 May 2023. (7)

- d) Discuss the IFRS 5 criteria which must be satisfied in order for a non-current asset to be classified as held for sale. (6)

Question 2

(30 marks)

Kitchen Essentials Limited is an online business that focuses on selling a wide variety of kitchen products. The entity has a 31 May year end.

Kitchen Essentials operates a website that is divided into two main sections:

- One section showcases the various kitchen products of the entity (marketing); and
- the other section deals with orders placed by customers (sales).

On 30 September 2022, the company’s website was attacked malware which completely rendered the website inaccessible even after numerous attempts to do so. On 1 June 2022 the website had a carrying amount of N\$120,000 and a remaining useful life of 2 years. The policy of the company was to amortise the website over its total useful life of 3 years with a nil residual value.

As a result of the destruction of the old website, a new website had to be created. This took place between 1 October 2022 and 31 December 2022. The total costs to create the website amounted to N\$433,000 which was paid by cash.

The following details relate to the new website for the period 1 October 2022 to 31 December 2022:

Description	Sales N\$	Marketing N\$
Feasibility study (to gauge whether the online store is till feasible)	46,000	23,000
Customer surveys (to gauge what products customer would like to buy)	34,500	48,000
Licenses to operate the website	11,500	11,500
Professional fees (to design the website)	115,000	103,500
Upgrade fees (Occurred after 31 May 2023 and will be required every 6 months thereafter)	20,000	20,000

The website was available for use on 1 January 2023 and is estimated to be in use for an estimated period of 5 years after which it will need to be redesigned.

REQUIRED:

- Provide the general journal entries in the records of Kitchen Essentials Limited to account for the **old** website for the reporting period ended 31 May 2023. (10)
- Provide the general journal entries in the records of Kitchen Essentials Limited to account for the new website for the reporting period ended 31 May 2023. Clearly

distinguish between research expenditure and development expenditure and show account classifications (SPL, SFP etc.). (9)

- c) Prepare the Intangible asset reconciliation note of Kitchen Essentials Limited for the reporting period ended 31 May 2023. (11)

Question 3

(20 marks)

Tower Heights Limited is a property company based in Windhoek with a 31 December year end. In addition to land and buildings that it owns for day-to-day administrative activities, it has land and buildings that are sold in the ordinary course of business as well as buildings that it leases out to tenants in terms of operating leases.

The following information relates to an office building that it acquired on 1 January 2021 as a cost of N\$4,200,000 via an electronic funds transfer (EFT). It was immediately leased out in terms of an operating lease until 30 June 2022. On 1 July 2022 the company took occupation of the building and began to use it as its administrative headquarters.

The fair values of the property were determined as follows:

- 31 December 2021 – N\$4,500,000
- 1 July 2022 - N\$5,200,000
- 31 December 2022 - N\$5,300,000

Tower Heights Limited depreciates buildings at a rate of 4% per annum on the straight-line basis from the date the buildings are classified as property, plant and equipment. The company uses the cost model to account for property, plant and equipment and the fair value model for investment properties.

On 1 December 2022, Tower Heights acquired a plot of land for N\$1,000,000 cash whose use has yet to be determined.

REQUIRED:

- a) Discuss how the office building will be classified in the records of Tower Heights Limited on 1 January 2021. Provide the appropriate definition to justify your answer. (5)
- b) Provide the general journal entries to account for the office building for the reporting periods ended 31 December 2021 and 2022. Clearly indicate whether the property is investment property (IP) or property, plant and equipment (PPE). (10)
- c) Disclose the investment property reconciliation note of Tower Heights Limited for the reporting period ended 31 December 2022. (5)

END OF QUESTION PAPER

