



PAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY

FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION

DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE

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| QUALIFICATION : BACHELOR OF ACCOUNTING (CHARTERED ACCOUNTANCY) | |
| QUALIFICATION CODE: 07 BACC | LEVEL: 6 |
| COURSE CODE: FAC601Y | COURSE NAME: FINANCIAL ACCOUNTING 200 |
| SESSION: DECEMBER 2025 | PAPER: THEORY (PAPER 2) |
| DURATION: 150 MIN | MARKS: 100 |

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| SECOND OPPORTUNITY EXAMINATION QUESTION PAPER | |
| EXAMINER: | M E Cloete |
| MODERATOR: | Z Stellmacher |

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| INSTRUCTIONS |
| <ol style="list-style-type: none">1. Answer ALL questions in blue or black ink only.2. Read all the questions carefully before answering.3. This paper consists of TWO questions.4. Make sure your name and surname, student number, question number and the date appears on the answer script.5. Please ensure that your writing is legible, neat and presentable.6. No programmable calculators are allowed.7. 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.8. Any resemblance to any people, places, organisations or anything are purely coincidental.9. Round any numbers to the nearest whole number and show all workings clearly. |

THIS QUESTION PAPER CONSISTS OF 7 PAGES (Including the front page)

QUESTION 1**(65 MARKS)**

Shadow (Pty) Ltd ("Shadow") is a security company that specializes in supplying security cameras. The company has a 31 December financial year end.

Contract with Gogo Inc

Shadow sells some security cameras to Gogo Inc. ("Gogo"), a South African company. Shadow and Gogo have been business partners for a long time, and this relationship has resulted in Gogo procuring cameras solely from Shadow.

Shadow and Gogo entered into the following agreement:

- Contract date: 19 December 2024
- Contract price: N\$890 000
- Contract obligations:
 - Supply of security cameras
 - Installation of the security cameras at Gogo's South African branch
 - Providing maintenance services for 3 years whereby Shadow will be expected to provide backup whenever needed.

Many of Shadow's customers make use of this 3-year maintenance programme. The stand-alone prices of the various contract components are as follows:

- Security cameras – N\$ 142 499
- Installation process – N\$ 373 800
- 3-year maintenance – N\$ 587 400

Delivery and installation information:

- The South African company took delivery of the security cameras on 28 December 2024 but were unable to use them until the installation team arrived at their offices to install them.
- The installation team arrived and completed the installation on 10 January 2025.

The contract price (N\$890 000) was payable by Gogo in instalments as follows:

- Half the total contract price (N\$445 000) was to be paid on 27 December 2024 (this payment was received on the due date);
- The balance of the contract price is due in two equal annual instalments:
 - One on 31 December 2025
 - One on 31 December 2026.

This contract does not contain a significant financing component.

Patent held

A few years ago, Shadow purchased a patent from another security company. The details of this patent are as follows:

| | |
|-----------------------------|--------------------------|
| Date of purchase | 1 January 2022 |
| Cost | N\$960 000 |
| Expected finite useful life | 30 years |
| Legal life | 25 years (non-renewable) |
| Residual value | Zero |

The cost of this patent was recognized as an intangible asset and was amortized over its expected finite useful life. However, during 2025 and after all the journals for the patent were already processed for the year, the financial manager identified that the patent acquisition agreement had given Shadow the legal rights for a non-renewable period of only 25 years and thus the amortization period was inappropriate. The effect of this on profits is considered to be material from this error.

The following is an extract of the draft statement of changes in equity for the year ended 31 December 2025, before making any necessary adjustments for the patent:

| | |
|--|--------------------------------|
| Shadow (Pty) Ltd | |
| Statement of Changes in Equity | |
| For the year ended 31 December 2025 | |
| | Retained Earnings (N\$) |
| Balance: 1 January 2024 | 1 280 000 |
| Total comprehensive income: 2024 | 432 000 |
| Balance: 31 December 2024 | 1 712 000 |
| Total comprehensive income: 2025 | 592 000 |
| Balance: 31 December 2025 | 2 304 000 |

QUESTION 1

| TO BE ANSWERED ON A SEPARATE PAGE | | |
|--|--|-------------|
| YOU ARE REQUIRED TO: | | MARKS |
| (a) | Define the terms as described in IFRS 15 Revenue from contracts with customers: <ul style="list-style-type: none"> • “performance obligation” and • “distinct” | (3) (5) |
| (b) | Briefly explain the application of steps 2 to 4 of revenue recognition per IFRS 15 Revenue from contracts with customers to the contract of Shadow with Gogo. | (20) |
| (c) | Prepare the journal entries for Shadow (Pty) Ltd in relation to the contract with Gogo for the years ended 31 December 2024 and 2025. <i>Narrations are not required. You may ignore loss allowances.</i> | (12) |
| (d) | Prepare the correcting journal entries in relation to the patent for the year ended 31 December 2025. <i>Narrations are not required</i> | (9) |
| (e) | Prepare the following disclosure relating to the patent in the financial statements of Shadow (Pty) Ltd for the year ended 31 December 2025 in accordance with the International Financial Reporting Standards: <ul style="list-style-type: none"> • Correction of error note; and • Statement of changes in equity. | (8) (8) |
| TOTAL MARKS: QUESTION 1 <i>(Source Adapted from GAAP Graded Questions 2022, Service & Koltz)</i> | | (65) |

QUESTION 2**(35 MARKS)**

Casio Limited ("Casio") is a company trading in Namibia. The company has been operating for a number of years and has grown its customer base significantly. The company has a 30 June financial year end.

Use of excess funds for investments

Casio has recently had some excess cash available and has decided to invest these funds into lucrative investments. It had entered the following transactions during the year ended 30 June 2025:

| <u>Investments</u> | <u>Transaction date</u> | <u>Fair value on transaction date (N\$)</u> |
|---|-------------------------|---|
| Purchase of ordinary shares in Aero Limited (note 1) | 1 January 2025 | 180 000 |
| Fair value of ordinary shares at year-end | 30 June 2025 | 210 000 |
| Purchase of debentures redeemable in 5 years (acquired at a discount of 2% off the face value of N\$163 000) (Note 2) | 1 September 2024 | 159 740 |

Note 1: Ordinary shares:

- Shares in Aero Limited are held as a long-term investment. Transaction costs of N\$1800 were incurred on acquisition.
- The company has elected not to present fair value changes through other comprehensive income.

Note 2: Debentures acquired:

- The debentures are held to collect contractual cash flows.
- Debentures will be redeemed at a premium of 4%.
- The coupon rate of 11% is payable bi-annually in arrears on 28 February and 31 August.
- The effective interest rate is 12.1502% p.a.
- The 12-month expected credit losses on acquisition date were N\$390. On 30 June 2025, the 12-month expected credit losses had increased to N\$510.
- The lifetime expected credit losses on acquisition date were N\$585. On 30 June 20205, the lifetime expected credit losses had increased to N\$700.
- The asset was not credit-impaired on initial recognition, and there was no significant increase in the credit risk at reporting date.

The Chief Operating Officer (COO) runs into you during lunch one day, stopping you as he knows you are busy with the preparation of the financial statements. You inform him that the process is long, but you are coming along well. Just before you leave, he makes the following statement:

COO: “ I had a look at the draft financial statements and see that you omitted the dividend declaration from the statement of changes in equity. Don’t forget to include it! The directors plan to authorize the financial statements on 25 August 2025 and we declared the dividend on 10 August 2025.”

You: “We need to make sure that we are compliant with the principles in IFRS while preparing these financial statements though.”

COO: “ I hear you but just bear that in mind. I have also heard about the concept of verifiability in a few of our directors’ meetings now, and I noticed the Conceptual Framework covers this, after doing a bit of research thereon. What I don’t understand is that if you can’t reliably estimate the useful life or residual value of PPE, how can the financial statements be verifiable?”

You: “Yes, we covered the conceptual framework in all our years while studying, the concept is actually quite easy. Let me prepare a memo for you addressing your above points, that way you have something to refer to when you are in your meetings.”

COO: “That would be great!”

QUESTION 2

| TO BE ANSWERED ON A SEPARATE PAGE | | |
|--|--|-------------------|
| YOU ARE REQUIRED TO: | | MARKS |
| (a) | Prepare the journal entries relating to the investments of Casio Limited for the year financial year ended 30 June 2025. Narrations are required. | (22) |
| (b) | Prepare a memo to the Chief Operating Officer, in which you address the matters he raised in relation to: <ul style="list-style-type: none">• the dividends declared and• the Conceptual Framework. <p style="text-align: right;">Memo Format</p> | (5) (5) (1) |
| TOTAL MARKS: QUESTION 2 <i>(Source: Adapted from Gripping GAAP 2022, Service, Koltz)</i> | | (33) |
| Communication and Presentation for total paper | | (2) |
| TOTAL MARKS FINAL ASSESSMENT OPPORTUNITY 2 | | (100) |

<<END OF QUESTION PAPER>>