



**PAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY**

FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION

DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE

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

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

<p style="text-align: center;">INSTRUCTIONS</p> <ol style="list-style-type: none">1. Answer ALL questions in blue or black ink only.2. This paper consists of THREE questions.3. Write clearly and neatly.4. Start each question on a new page and number the answers clearly.5. No programmable calculators are allowed.6. 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.7. Any resemblance to any people, places, organisations or anything are purely coincidental.8. Round any numbers to the nearest whole number and show all workings clearly.
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THIS QUESTION PAPER CONSISTS OF 8 PAGES (Including the front page)

QUESTION 1**(57 MARKS)**

Jewelz (Pty) Ltd (hereafter referred to as Jewelz) is a jewellery manufacturing company based in Windhoek. The company specializes in creating necklaces from a wide range of materials such as precious stones, wood and seashells. The company has a 31 December year end.

Inventory

The following information has been provided to you relating to the company's inventory for the year ended 31 December 2025:

<u>Beginning of the year:</u>	<u>Quantity</u>	<u>Details</u>	<u>N\$</u>
○ Raw materials	8 500 kg	N\$3.40 / kg	?
○ Work in progress	0		0
○ Finished goods	18 500 units		
<u>During the year:</u>	<u>Quantity</u>	<u>Details</u>	<u>N\$</u>
○ Raw material purchases	?	N\$3.40 / kg	1 360 000
○ Raw material usage	85 000 kg	?	?
○ Rent incurred (75% used by the factory & 25% by the head office)			340 000
○ Direct wages incurred for manufacturing			391 000
○ Office telephone incurred by head office			13 300
○ Electricity incurred (each necklace manufactured required 0.5 kilowatts of electricity)		N\$0.1/ kilowatt	12 750
○ Year-end party for factory staff			12 450

Additional information for inventory :

- 85 000 necklaces were produced during the year.
- 70% of the finished goods that were available for sale during the year remained unsold at 31 December 2025.
- Annual fixed manufacturing costs incurred are N\$315 000 and a normal annual production level is 157 500 units.
- The cost per finished manufactured necklace in the current year is the same as the cost per the finished manufactured necklace in the prior year.
- All amounts incurred were paid for in cash.

While finalizing the financial statements of Jewelz for the current financial period, the accountant came across the following issues and requested your assistance. The directors are expecting to authorize the release of the financial statements on 17 April 2026, after considering these matters:

Audit invoice

An invoice from the auditors for N\$235 000 was received on 20 February 2026, relating to the audit of Jewelz' financial statements for the year ended 31 December 2025.

The invoice stated that the audit work was completed as follows:

- 75% of the audit work was performed before 31 December 2025; and
- 25% of the audit work was completed during January 2026.
- Jewelz has not provided for any part of these audit fees at 31 December 2025.

Investment in shares

Jewelz owns 35 000 shares in Ringz Limited, a company listed on the New York Stock Exchange (NYSE). At 31 December 2025, the market price of each share was N\$9.35.

During March 2026, a President Trump made some political changes which resulted in the share price dropping dramatically to N\$4.15 per share. The investment in shares as at 31 December 2025 has not been adjusted for the drop in share price.

Packaging equipment

Jewelz has packaging equipment in its factory that was purchased on 1 January 2023, at a cost of N\$ 1 740 000. The equipment originally had an estimated useful life of 6 years and was depreciated to a nil residual value on the straight-line basis.

On 1 January 2025, the total useful life of the equipment was re-estimated to 8 years. Jewelz uses the re-allocation method to account for changes in accounting estimates.

QUESTION 1

TO BE ANSWERED ON A SEPARATE PAGE		
YOU ARE REQUIRED TO:		MARKS
(a)	With regards to the inventory information provided, calculate the following: i) Budgeted fixed manufacturing cost application rate ii) Fixed manufacturing costs allocated to work-in-progress iii) Total manufacturing cost per unit	(1) (1) (5)

(b)	Calculate the finished goods manufactured balance and the cost of sales amount for inventories at 31 December 2025.	(5)
(c)	Prepare all journal entries relating to the inventory balances of Jewelz (Pty) Ltd for the year ended 31 December 2025. <i>Narrations are required.</i>	(21)
(d)	With regards to the Audit invoice and Investment in shares issues: <ul style="list-style-type: none"> i. Identify and explain whether each issue is an adjusting or non-adjusting event, or neither. ii. Where appropriate, provide the required adjusting journal entries, or state whether or not any related information would need to be disclosed in the financial statements of Jewelz (Pty) Ltd for the year ended 31 December 2025. 	(9)
(e)	Prepare the depreciation journals necessary from the information provided on the packaging equipment, assuming: <ul style="list-style-type: none"> i. Depreciation had not yet been processed for the year ended 31 December 2025. ii. Depreciation based on the old estimate had already been processed for the year ended 31 December 2025. 	(9)
(f)	Show how the information related to the packaging equipment would be disclosed in the notes to the financial statements of Jewelz (Pty) Ltd for the year ended 31 December 2025. Include both the 'statement of compliance' and the 'accounting policy note for property, plant and equipment'.	(6)
TOTAL MARKS: QUESTION 1 <i>(Adapted from NUST FAC200 Final Assessment and GAAP:GRADED QUESTIONS 2022)</i>		(57)

QUESTION 2**(15 MARKS)**

Sports Limited (Ltd) is a small manufacturer of various sporting balls, operating in Oshakati. The products of Sports Ltd include golf balls, tennis balls, rugby and soccer balls. The company has a 31 August financial year end. You have been presented with the below list of balances for the reporting periods ending 31 August 2025 and 2024.

		2025	2024
Investment Property	i.	576,000	522,000
Property, plant and equipment (Carrying amount)	ii.	849,690	330,300
Investment in bonds	iii.	54,000	36,000
Inventory		72,000	97,200
Accounts receivable		117,000	72,000
Cash and cash equivalents		19,800	-
		1,688,490	1,057,500
Ordinary share capital		648,000	576,000
Retained earnings		790,290	217,800
Long term loan		126,000	144,000
Accounts payable		32,400	39,600
Bank overdraft		-	21,600
Shareholders for dividends		72,000	54,000
Current tax payable		19,800	4,500
		1,688,490	1,057,500

Additional information:

- i. The Investment property comprises a warehouse that is leased out to tenants in terms of an operating lease. Sports Ltd accounts for investment property using the fair value model. There has not been any acquisition or disposal of investment property during the current reporting period.
- ii. The fixed asset register of Sports Ltd reflects the following items of PPE:

	2025	2024
Equipment at cost	619,380	342,000
Motor vehicles at cost	504,000	270,000
Accumulated depreciation: Equipment	- 129,690	- 162,000
Accumulated depreciation: Motor vehicles	- 144,000	- 119,700

During the financial year ended 31 August 2025, equipment with a cost price of N\$162,000 and accumulated depreciation of N\$48,600 was sold. A profit on disposal of the equipment was realized at an amount of N\$3,600.

- iii. The investment in bonds is a long-term investment the generates interest income on an annual basis. The income from the investments in the current reporting period amounted to N\$15,300. Investment income from government bonds is classified as income from operating activities.
- iv. Dividends declared during the period amounted to N\$63,000
- v. Current tax for the period amounted to N\$313,110
- vi. Revenue and cost of sales and other operating expenses amounted to N\$1,440,000, N\$360,000 and N\$148,770 respectively.
- vii. Total finance cost for the reporting period ended 31 August 2025 amounted to N\$14,940.
- viii. Profit before tax has correctly been determined at N\$948,600.

QUESTION 2

TO BE ANSWERED ON A SEPARATE PAGE		
YOU ARE REQUIRED TO:		MARKS
(a)	Prepare the cash flows from <u>Operating activities section</u> of the statement of cashflows of Sports Limited for the reporting period ended 31 August 2025 in compliance with IAS 7 Statement of cashflows using the indirect method. Show all workings.	(15)
TOTAL MARKS: QUESTION 2		(15)

(Source: Adapted from NUST Assessment)

QUESTION 3**(28 MARKS)**

You are the accountant at Pills Limited (Pills), a pharmaceutical company that provides various health services and products. The company is listed on the Namibian Stock Exchange (NSX) and has been operating in Namibia for the past 10 years. Pills has a 30 June financial year end.

After the Covid pandemic, there has been a global shift in the pace of changes in technology. It is as if various aspects change so fast, businesses need to ensure they keep up. The following information relates to equipment that Pills owns:

All amounts indicated as at:	30 June 2025
	N\$
Actual carrying amount	35 900
Historic carrying amount	38 250
Recoverable amount	40 400
Fair value	34 600

Since purchasing the machine in 2019, the company has only recognized one impairment loss on this machine for N\$2 200. No other impairment losses have ever been processed on this machine. Pills accounts for its machinery on the cost model.

In addition to the above, while working on the financial statements for the current year, you discover an error in the financial statements that was overlooked in the previous year. Correcting it now may hurt the company's stock price, as the entity had been performing well recently on the NSX, but leaving it uncorrected would misleads investors. You are unsure of how to address this issue.

QUESTION 3

TO BE ANSWERED ON A SEPARATE PAGE		
YOU ARE REQUIRED TO:		MARKS
(a)	In general, explain which cash flows should be included in a value-in-use calculation.	(4)
(b)	Prepare the journal entries relating to the impairment of the machine processed for its first impairment loss. Dates and narrations are not required.	(2)
(c)	Discuss at what amount the machine will be recorded for the financial year ended 30 June 2025. Additionally, provide the journal entries that will be processed relating to the machine for the 2025 financial year (do not concern yourself with any depreciation journals). Narrations are required.	(11)
(d)	In general, list and describe 3 factors that can lead to the reversal of an impairment loss previously recognized?	(6)
(e)	With regards to the error identified in the financial statements from the prior year, discuss what your professional ethics obligation is.	(3)
TOTAL MARKS: QUESTION 3 <i>(Source: Adapted from Gripping GAAP 2022, Service, Koltz)</i>		(26)
Communication and Presentation for total paper		(2)
TOTAL MARKS FINAL ASSESSMENT OPPORTUNITY 1		(100)

<<END OF QUESTION PAPER>>