



**NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY**

FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION

DEPARTMENT OF ACCOUNTING, ECONOMICS AND FINANCE

QUALIFICATION : BACHELOR OF ACCOUNTING HONOURS	
QUALIFICATION CODE: 08 BOAH	LEVEL: 8
COURSE CODE: FAR 811S	COURSE NAME: ADVANCED FINANCIAL ACCOUNTING AND REPORTING
SESSION: June 2024	PAPER: THEORY AND CALCULATIONS
DURATION: 3 hours	MARKS: 100

FINAL ASSESSMENT – 1st Opportunity	
EXAMINER(S)	D W Kamotho
MODERATOR:	Dr E Wealth

INSTRUCTIONS
<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. No programmable calculators are allowed.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. Any resemblance to any people, places, organisations or anything is purely coincidental.

THIS QUESTION PAPER CONSISTS OF 6 PAGES (excluding the front page)

Question 1

(25 marks)

This question has two parts which are independent of each other.

Part A

Indicate whether the below statements are true or false in regard to the requirements of IFRS 13: Fair value measurement and briefly justify your answer.

- a) Fair value is an entity-specific measurement. (2)
- b) IFRS 13 Fair value measurement must be applied when measuring and disclosing “fair value less cost of disposal” being a term referred to in IAS36 Impairment of assets. (2)
- c) Fair value is measured in terms of the most advantageous market, unless a most advantageous market does not exist, in which case we must measure the fair value in the terms of the principal market instead. (2)
- d) The most advantageous market is defined as a market that maximizes the amount that would be received to sell the asset or minimize the amount that would be paid to transfer the liability after taking into account the transaction costs. (3)
- e) The asset principal market is a market that offers the highest volume or activity relating to that asset. (2)
- f) The highest and best use of an asset must be considered when measuring the fair value of any asset. (4)

Total for Part A

(15)

Part B

Aliena limited functions as an asset management company, employing a variety of trading techniques to unlock value for its client. Presently they are busy with the preparation of their financial statement for the current financial year ended 31st December 2023.

You are employed by the entity as a technical expert on IFRS, and as such you are actively involved in the preparation of the financial statements. At the moment there is one particular issue that is causing difficulties for the management, and you have been asked to provide an opinion on the matter.

The company had purchased 1,000,000 shares in Rock Limited on the advice of a consultancy, Future Analyst. Rock Limited is a company listed on the local security exchange, NSX. The shares were purchased because they had, historically, been trading very well and the Analysts at the future analyst had convinced management, at the time of the purchase, that the share would continue to do well into the future.

At the current reporting date, the NSX showed that Rock limited was trading at a bid price of N\$360 and an ask price of N\$300 with a bid-ask spread of N\$60.

However, in the process of gathering information, you requested an opinion from an expert at Reuters Inc. on the absorption capacity of the market where Aliena limited to sell its entire holding. The expert responded by saying that he concluded that the full absorption at the current security price would not be possible. Accordingly, the bid price was N\$330 and they ask the price N\$270 and the bid-ask spread is N\$60.

Required.

Explain with reference to IFRS 13 Fair value measurement, how the fair value of this investment in shares should be measured and identify whether the input into this calculation would be considered level 1, level 2 or Level 3 inputs? (10)

(25 marks)

Question 2**(25 marks)**

Trade store CC is a general dealer doing business in the country. The following items among others (inter alia) are included in the revenue of N\$781 340 for the year ended 31 December 2023.

1. Layby Sales

Payments have been made on the following parcels in the storeroom, and these are included in the revenue of N\$781,340.

Invoice number.	Selling price including VAT at 14%.	Balance outstanding
3161	342	52
4031	171	104
4056	513	311
5315	410	352

Experience has shown that Layby sales, of which more than 80% have been collected, will be completed. Trade Store CC can sell the layby goods to other customers and replace them with the same items during the Layby period.

2. COD Sales.

The following COD invoices have not been collected at 31st December 2023 and are included in the receivables and revenue.

- Invoice number 4136 amounting to N\$363 vat exclusive was delivered to a farm where only one employee was home. The money will be collected when the farmer visits the town again. The farmer is creditworthy.
- Invoice number 5110, amounting to N\$123 vat exclusive was paid by cheque. The cheque was accidentally postdated to 15th January 2024.

3. Branch Sales

Invoice at a sales value of N\$27,300 vat exclusive was delivered to a farm store (branch) and is included in the revenue. The following balances are applicable to the branch:

	1st of January 2023	31st December 2023
	Dr/Cr N\$	Dr/Cr N\$
Branch inventory account at selling Price	9000	12000
Branch gross profit account (branch adjusted account)	(3000)	(4000)

4 Consignment Inventory

Consignment inventory consisting of braai tools with a sales value of N\$ 9000 excluding VAT is held at a local butchery was paid by the butchery, which is treated as a receivable to Trade Store CC. The N\$ 9000 is included in the revenue.

5. Undelivered goods

Goods with the selling price of N\$3600, excluding VAT, invoiced on 31 December 2023 have not yet been delivered nor is there a signed receipt for them.

6. Additional information.

All selling prices are strictly determined at cost plus 50%. The cost of all inventories excluding Layby Sales on the premises of Trade Store CC at 31st December 2023 amounted to N\$ 211,700. The VAT rate is 14%.

Required

- Calculate the amount of revenue that Trade Store CC may recognize for the year ending 31 December 2023. (15)
- Calculate the value of inventory on hand of Trade Store CC at 31st December 2023. (10)

Your answer must comply with the requirement of the international Financial Reporting Standards (IFRS) and workings are required.

(25 marks)

Question 3**(25 marks)**

Button limited raised to specific loans to fund construction of a building (a qualifying asset).

- Loan A, 10% raised, 1 January 2023: N\$500,000.
- Loan B, 15% raised one June 2023 N\$400,000.

N\$100,000 of the Loan B capital was repaid on 31 July 2023. No other loan capital was repaid. Interest was payable (compounded) annually on 31 December.

The only other interest income earned during the year was interest on the investment of surplus funds from the specific loans in a 6% interest account. This interest is not compounded.

Additional information

Construction costs paid for as follows.

- 31 March 2023 – N\$ 300,000
- 30 April 2023 – N\$ 100,000
- 31 July 2023 – N\$ 220,000
- Commencement date – 01 March 2023.
- Cessation date – 31 August 2023.

Required.

- a) Calculate the amount of borrowing costs that must be capitalized in terms of IAS 23 (17)
- b) Journalise the borrowing costs for the year ended 31st December 2023. (8)

(25 marks)

Question 4

(25 marks)

This question has two independent parts.

General information

Big Vans Ltd entered into a lease contract with Super Foods Ltd for the lease of a refrigerated delivery van on 1 January 2023. The lease instalment amounts to N\$6 000 annually in arrears for the duration of the three-year lease term. The lease is non-cancellable.

The interest rate implicit in the lease is 4.48%.

PART A – As a manufacturer

Big Vans Ltd is a manufacturer of delivery vans. The van in respect of this lease was manufactured at a cost of N\$12 000. The company uses the *gross* method for recording and disclosing the lease in their accounts.

Required:

- a) Determine the gross investment in the lease, the net investment in the lease and the unearned finance income. (4)
- b) Prepare the journal entries in the accounting records of Big Vans Ltd for the year ended 31 December 2023. (10)
Ignore tax.

PART B – As a Finance house

Big Vans Ltd is a finance house and purchases the vehicle on 1 January 2023 at a cost of N\$16 500. The company uses the *net* method for recording and disclosing the lease in their accounts.

Required:

- a) Determine the gross investment in the lease, the net investment in the lease and the total of the unearned finance income. (4)
- b) Prepare the journal entries in the accounting records of Big Vans Ltd for the year ended 31 December 2023. (7)
Ignore tax.

(25 Marks)

END OF QUESTION PAPER

~~Male~~
30/04/2024