



**NAMIBIA UNIVERSITY  
OF SCIENCE AND TECHNOLOGY**

**FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION**

**DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE**

<b>QUALIFICATION: BACHELOR OF ACCOUNTING</b>	
<b>QUALIFICATION CODE:</b> 07BOAC / 07BGAC	<b>LEVEL: 6</b>
<b>COURSE CODE:</b> FAC612S	<b>COURSE NAME:</b> FINANCIAL ACCOUNTING 202
<b>DATE:</b> JANUARY 2025	<b>PAPER:</b> THEORY AND CALCULATIONS
<b>DURATION:</b> 3 HOURS	<b>MARKS:</b> 100

<b>SECOND OPPORTUNITY EXAMINATION PAPER</b>	
<b>EXAMINER(S)</b>	Ms. P. Erkie, Mr. C. Mahindi and Ms. A. Gustav
<b>MODERATOR:</b>	Dr. S. Dzomira

<b>INSTRUCTIONS</b>
<ol style="list-style-type: none"><li>1. Capture your full name, student number and assessment number on the first page.</li><li>2. Answer ALL the questions and manage your time properly.</li><li>3. Number each page correctly</li><li>4. Write clearly and neatly.</li><li>5. Do not write in pencil and do not use tip-ex, as this will not be marked.</li><li>6. The names of people and businesses used throughout this assessment do not reflect the reality and may be purely coincidental.</li><li>7. <b>SHOW ALL WORKINGS!</b></li></ol>

**THIS QUESTION PAPER CONSISTS OF 5 PAGES** (excluding this front page)

**QUESTION 1****(25 marks)**

You are the financial accountant of Mining Ltd, a company with a 31 December year end. Mining Ltd has recently been expanding its operation and undertook the following project. On 1 January 2022 Mining Ltd erected a mining shaft at cost of N\$ 5 000 000. The company has an obligation in terms of applicable legislation to dismantle the shaft in 3 year's time on 31 December 2024.

On 1 January 2022, the expected dismantling cost is N\$1,000,000 which equivalents to N\$578,704 in present value.

Mining Ltd accounts for PPE on the cost model and provides for depreciation over the useful life of the asset. The applicable discount rate is 20% pa.

On 31 December 2023, the estimated costs to dismantle the shaft increased to N\$ 2 000 000 which is equivalent to N\$ 1 666 667 present value as at that date.

**Required:**

- a) Explain how a provision for dismantling costs meets the definition of a liability and a provision. (5)
- b) Prepare the 2022, 2023 and 2024 general journal entries to account for the transactions of Mining Ltd. Journal narrations are required. (20)

**QUESTION 2****(28 MARKS)**

Transent Communications Ltd (Transent) is a newly incorporated company in Namibia, operating in the telecommunications industry with a 31 May year end. The authorised ordinary shares of the company consists of 100 000 no par value shares.

The following transactions related to the share capital of the company took place during the reporting period ended 31 May 2024.

- Legal costs (Start-up/preliminary) costs of N\$15,000 were paid on 1 June 2023. These costs were incurred in setting up the company registration and finalising the memorandum of incorporation.
- Transent has four directors, each of whom purchased for cash, 2,000 ordinary shares at the initial issue price of N\$10 per share. The issue took place on 4 June 2023 and resulted in share issue costs N\$1,200.
- On 1 July 2023 the directors published a prospectus with an invitation to the public to apply for shares in the company. This invitation offered 50 000 ordinary shares at N\$12 per share and expired on 31 August 2023. Applications for 75 000 ordinary shares had been received by 31 August 2023. The full value per share application was received into a trust fund which was then transferred to the company on 3 September 2023.
- After due consideration, the board of directors decided to limit the allotment to the original offer of 50 000 shares and refunded the surplus cash received. The allotment and refund took place on 5 September 2023. Share issue costs totalling N\$8 000 were paid on the same date.
- The total comprehensive income for the year ended 31 May 2024 has been correctly calculated as N\$125 000.

**REQUIRED:**

- a) Provide all the general journal entries relating to the share transactions of Transent Communications Ltd for the reporting period ended 31 May 2024. Journal narrations are required. Show account classifications (SPL, SFP, SCE etc.). (20)
- b) Prepare the Statement of changes in equity of Transent Communications Ltd for the reporting period ended 31 May 2024. (8)

**QUESTION 3****(30 MARKS)**

You have been presented with the following financial statements of Pesa Limited for the year ended 31 December 2024.

	2024	2023
<b>Assets</b>	<b>N\$</b>	<b>N\$</b>
<b>Non-Current Assets</b>	253,000	160,000
Property, Plant and Equipment	235,000	150,000
Investments at cost	18,000	10,000
<b>Current Assets</b>	83,000	90,000
Inventory	50,000	30,000
Trade and other receivables	33,000	40,000
Cash and cash equivalents		20,000
<b>Total Assets</b>	<b>336,000</b>	<b>250,000</b>
<b>Equity and Liabilities</b>	268,000	172,000
Ordinary share capital	113,000	97,000
Revaluation Reserve	35,000	
Retained Earnings	120,000	75,000
<b>Non-current liabilities</b>		
Long term loans	17,000	48,000
<b>Current liabilities</b>	51,000	30,000
Bank overdraft	21,000	-
Current portion of long-term loan	7,000	14,000
Current tax payable	6,000	5,000
Trade and other payables	17,000	11,000
<b>Total Equity and Liabilities</b>	<b>336,000</b>	<b>250,000</b>



**Pesa Limited****Statement of profit or loss for the year ended 31 December 2024**

Gross Profit	192,500
Operating income	105,900
Other income	12,000
Dividend income	3,000
Interest expense	- 900
Profit before tax	120,000
Income tax	- 46,800
Profit after tax	73,200

**Additional information:**

1. Ordinary dividends of N\$28,200 were paid during the year.
2. Cash paid to suppliers and employees amounts to N\$245,050.
3. The gross profit percentage is 55%.
4. Depreciation for the year is included in determining the operating profit and amounts to: N\$20,000 for machinery and N\$1,050 for buildings.
5. Included in other income is:
  - o Profit on sale of machinery N\$5,000
  - o Proceeds from the sale of land N\$35,000. The carrying amount of this land was N\$20,000.
6. Land was revalued on 1 January 2024.
7. During 2024, machinery with a cost price of N\$10,000 was sold for N\$8,950 and was not replaced. On 31 December 2024, new machinery was purchased to expand operations.
8. Property, plant and equipment comprises the following:

	2024	2023
<b>Machinery and Equipment</b>		
Cost	215,000	150,000
Accumulated depreciation	- 62,450	- 48,500
Carrying amount	152,550	101,500
<b>Land and Buildings</b>		
Cost		50,000
Revaluation	85,000	
Accumulated depreciation	- 2,550	- 1,500
	82,450	48,500

**REQUIRED:**

- a) Prepare the statement of cashflows for the year ended 31 December 2024 using the direct method. (20)
- b) Prepare the reconciliation of profit before tax with cash generated from operations for Pesa Limited for the year ended 31 December 2024. (10)

**QUESTION 4****(17 MARKS)**

Lostit limited issues 2000 convertible bonds at the start of 2024. The bonds have a three-year term and are issued at par with the face value of N\$1,000 per bond, giving total proceeds of N\$2 000 000. Interest is payable annually in arrears at the nominal annual interest rate of 6%. Each bond is convertible at any time up to maturity into 250 ordinary shares.

When the bonds are issued, the prevailing market interest rate for similar debt without conversion options is 9%.

Required.

- a) Discuss in detail whether the issue of debentures is a compound financial instrument. (7)
- b) Calculate the value of the liability and equity component in the bond? (10)

**END OF EXAMINATION QUESTION PAPER**