



**NAMIIBIA UNIVERSITY**  
OF SCIENCE AND TECHNOLOGY  
**FACULTY OF COMMERCE, HUMAN SCIENCES & EDUCATION**

**DEPARTMENT OF ECONOMICS, ACCOUNTING & FINANCE**

<b>QUALIFICATION: BACHELOR OF ACCOUNTING (CHARTERED ACCOUNTANCY)</b>	
<b>QUALIFICATION CODE: 07BACC</b>	<b>LEVEL: 6</b>
<b>COURSE CODE: FAM601Y</b>	<b>COURSE NAME: FINANCIAL MANAGEMENT 200</b>
<b>SESSION: DECEMBER 2025</b>	<b>PAPER: PRACTICAL AND THEORY</b>
<b>DURATION: 2 HOURS 30 MINUTES</b>	<b>MARKS: 100</b>

<b>ASSESSMENT 6 - 2<sup>ND</sup> OPPORTUNITY EXAMINATIONS</b>	
<b>EXAMINERS:</b>	Mr. Immanuel-King Kenaruzo
<b>MODERATOR:</b>	Mr. Simeon Nghiwilepo

<p style="text-align: center;"><b>INSTRUCTIONS</b></p> <ul style="list-style-type: none"><li>• This question consists of two questions with five (5) required.</li><li>• Answer All the questions in blue or black ink.</li><li>• Start each part of the required on a new page.</li><li>• Show all your work on the answer sheet.</li><li>• The use of a pencil is not allowed.</li><li>• Questions relating to this 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 and any assumption made by the candidate should be clearly stated.</li></ul>
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**PERMISSIBLE MATERIALS**

Non-programmable calculator/financial calculator

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

### BUSINESS OVERVIEW

Namdeb Holdings (better known as Debmarmine Namibia) is a large household name in Namibia as a seller of quality diamonds. Debmarmine Namibia is not a manufacturer per se (they are mainly producers of rough diamonds), but crucial because they supply the raw material (rough diamonds) to the manufacturing / cutting sector.

Debmarmine Namibia together with Dalumi Diamonds, Yerushalmi Brothers, and Sahar Atid Diamonds formed a joint venture establishing DYS Diamond Manufactures (Pty) Ltd (DYS). DYS is a company that polishes and manufactures diamonds located in Katutura, Windhoek.

### INVESTMENT DECISION

Debmarmine Namibia is seeking to calculate its weighted average cost of capital to inform financing and investment decisions as they are considering investment in more advanced fleet management systems and fuel-efficient transport infrastructure instead of a diamond manufacturer. Currently the DYS returns were correctly calculated as 12.5%.

An extract of the Statement of Financial Position for the year ended 30 November 2025 has been provided below:

Description	*N\$'000
Issued share capital	16 000
Reserves	9 000
<b>Shareholder's funds</b>	<b>25 000</b>
15% convertible cumulative preference shares	1 200
Bank loan	20 000
Overdraft	500
Lease liabilities	20 000
Overdraft	5 000

\*The values are presented at historical cost.

Debmarmine Namibia has shares issued at a nominal value of N\$16 million, 55% of this value represent shares issued to the government at N\$2.00 which is half the nominal value and the rest was issued as normal value to the general public. The current cum-div market price per ordinary share is N\$12.50, with a dividend of N\$1.50 per share having been paid recently. The growth rate of the shares is 4% annually.

#### Additional information:

- The preference shares are redeemable in 10 years, or alternatively, are convertible into ordinary shares on a 1-for-1 basis at the option of the shareholder in 5 years-time. The company forecasts that the conversion will be exercised, as the ordinary shares will be worth significantly more than the preference market value. They anticipate that the converted ordinary share will be worth N\$5 million in 5 years' time which will trigger conversion. They anticipate that the cost of equity at that time will be 12%. The preference shares were originally issued at a nominal value of N\$1,2 million. If the preference shares were not converted into ordinary shares, they will be redeemed at

a premium of 10% over nominal value. Similar preference instruments are currently demanding a return of 12% per annum.

- The bank loan bears interest at prime plus 3% per annum with this interest being payable annually in arrears. The capital is repayable at a premium of 2% in 5 years' time. The prime rate is currently 10.75%. The current market yield for a similar loan is 11% per annum.
- The bank overdraft is used as short-term financing and interest is payable at 16% per annum.
- The current company tax rate is 31% per year.
- The long-term lease finance was a liability raised in terms of IFRS 16 on right-of-use assets. The underlying assets are operating assets. The leases have a remaining period of 5 years to run and will be replaced after maturing. The lease includes annual payments of N\$4 million in each of the 5 years, with a final bullet payment of N\$5 million at the end of the term. The market rate on these leases is currently 4% per annum.
- Half of the accounts payable of the company considered to be spontaneous credit with a total. The other half is considered to be long-term in nature, these creditors do charge interest at 2% per annum and the accounts are always paid by the ninth month.

## MANUFACTURING PROCESS

The manufacturing of diamond is split between two processes once the rough diamond is received from Debmarine Namibia or any other diamond ore extractor.

### Process 1: Cutting and Shaping

- Rough diamonds (raw material) are taken and cut into smaller pieces using lasers or diamond saws.
- The stones are then shaped (e.g. round, oval, princess cut) to maximise brilliance and minimise waste.
- Costs here: raw diamonds, cutting labour, machine depreciation, and consumables.

### Process 2: Polishing and Finishing

- Shaped stones move to polishing wheels where facets are ground and polished to give brilliance.
- Quality checks ensure symmetry, clarity, and shine.
- Costs here: skilled polishing labour, polishing equipment, and inspection costs.

At the end of Process 2, the finished diamonds are transferred to finished goods inventory. Inventory is valued using weighted average method and at the end of 2025, DYS had the below information from their accounting system in process 1.

The process is such that all materials are added at the beginning of the process and conversion costs are incurred evenly throughout the process. Units are inspected when the process is 80% complete and losses normally amount to 1% of the good units.

<b>Opening work in progress</b>	Diamonds	N\$'000
Units – 40% complete	7 000	
Material costs		90 000
Conversion costs		45 000
<b>Costs for year</b>		
Material costs		860 000
Conversion costs		518 880
<b>Production for year</b>		
Units placed into production	43 000	
Units completed and transferred	32 000	
Work in progress – 75% complete	17 000	

<b>REQUIRED</b>		<b>MARKS</b>
A.	<p>Calculate the Weighted Average Cost of Capital of Debmarine Namibia (Pty) Ltd as at 30 November 2025 and advise if they should invest in the joint venture or not. Show all your workings in as much detail as possible.</p> <p><b><u>Note: 1 mark will be awarded for layout and presentation</u></b></p>	(30)
B.	<p>Calculate the value of goods completed and transferred (finished goods), value of work in process closing inventory and value of abnormal lost units for Process 1: Cutting and Shaping of DYS for the Manufacturing process.</p> <p><b><u>Note: 1 mark will be awarded for layout and presentation</u></b></p>	(30)
C.	<p>Ms. Sherri Sheperd owns 15% of Debmarine Namibia. She cannot take up all rights in an upcoming rights issue (1 for 5 at N\$10). Calculate how many shares she must take up and how many to sell to maintain her wealth.</p>	(10)
<b>TOTAL MARKS</b>		<b>(70)</b>

**QUESTION 2 (Adapted from NWU)****[30 MARKS]**

Accrow Manufactures CC is an emerging entity based in Grootfontein, Otjozondjupa region. The CC manufactures motor vehicle spare parts and targets specifically vehicles that originate from Japan. The management of the CC believes this is a niche market as they are in close proximity with Botswana which imports a lot of these vehicles from Japan directly.

The CC opened its doors in February 2024 and its financial year ends on 31 December of each year. On 31 December 2024, stock take records showed inventory valued at N\$140 000, N\$96 000 and N\$85 000 in their Material Control, Work-in-Progress and Finished goods respectively. Creditors had been settled in full, and there were no Accounts Receivables either.

**Other information on the transactions for the year ended 31 December 2025 included:**

- Direct material had been purchased for N\$110 000, on credit (the amount was settled before year end).
- Direct Material issued to the production department in the year amounted to N\$150 000.
- Salaries and wages of the factory personnel were:
  - Direct labour – N\$55 000
  - Indirect labour – N\$35 000
- Depreciation of plant and equipment for the year amounted to N\$28 000
- Other indirect manufacturing overheads amounted N\$13 500 and were settled in cash
- The total manufacturing overheads and direct labour costs incurred were fully absorbed in the production process.
- Products transferred to finished goods had a manufacturing cost of N\$220 000.
- Sales for the year amounted to N\$332 000, and these products had a production cost of N\$135 000
- Selling and Administrative expenses for the year amount to N\$102 000

	<b>REQUIRED (32 Marks)</b>	<b>MARKS</b>
A	Prepare the Income Statement for Accrow Manufacturers CC for the year ended 31 December 2025  <b><u>Note: 1 mark will be awarded for layout and presentation</u></b>	(22)
B	Explain the difference between job, process, joint and batch costing and provide an example.	(8)