



**PAMIBIA UNIVERSITY  
OF SCIENCE AND TECHNOLOGY**

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

**DEPARTMENT OF ECONOMICS, ACCOUNTING & FINANCE**

<b>QUALIFICATION : BACHELOR OF ACCOUNTING</b>	
<b>QUALIFICATION CODE: 07 BOAC</b>	<b>LEVEL: 7</b>
<b>COURSE: FINANCIAL ACCOUNTING 310</b>	<b>COURSE CODE: GFA 711S</b>
<b>DATE: Jul/Aug 2023</b>	<b>SESSION: Jun 2023</b>
<b>DURATION: 3 HRS</b>	<b>MARKS: 100</b>

<b>SECOND OPPORTUNITY EXAMINATION QUESTION PAPER</b>	
<b>EXAMINER(S)</b>	<b>Kamotho, D.W., Ketjiganda, A., Garas, E., Kamana, R.,</b>
<b>MODERATOR:</b>	<b>M Tondota</b>

**THIS QUESTION PAPER CONSISTS OF \_6\_ PAGES (including this front page)**

**INSTRUCTIONS**

1. Answer all the questions in blue or black ink
2. Start each question on a new page in your answer booklet & show all your workings
3. Questions relating to this examination 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.

---

**PERMISSIBLE MATERIALS**

1. Non programmable scientific or financial calculator

**Question 1****20 Marks**

You are provided with the following extract from the trial balance of Lanex Limited at 31 December 2021 and some additional information:

**Lanex Limited**

<b>Extract from Trial balance as at 31 December:</b>
--

	2021	2020
	Dr/(Cr)	Dr/(Cr)
	N\$	N\$
Retained income at beginning of year	(1 252 000)	(480 000)
Profit for the year	(500 000)	(800 000)
Preference dividends declared	6 000	6 000
Ordinary dividend declared	20 000	22 000

**Additional information:**

- The balances in equity at 1 January 2020 comprised:
  - 100 000 ordinary shares issued at N\$2 each.
  - 20 000 15% non-cumulative non-redeemable preference shares issued at N\$2 each.
- There was a share split on 1 July 2021 in which every 1 ordinary share became 2 shares.
- There are no components of other comprehensive income.
- There was no other movement in the equity accounts other than the movements evident from the information provided above.

**Required:**

- a) Prepare extract of statement of profit loss and other comprehensive income of Lanex Limited for the year ending 31 December 2021 and calculate the basic earnings per share. Show comparatives. (4 Marks)
- b) Prepare extracts from the statement of changes in equity of Fortress Limited for the year ended 31 December 2021. (Must also show 2020 opening balances in SCE). (10 Marks)
- c) Prepare the earnings per share and dividends per share notes for inclusion in the notes to the financial statements of Fortress Limited for the year ended 31 December 2021. Comparatives figures must be shown as well. (6 Marks)

**[Total: 20 Marks]**

**Question 2****20 Marks**

Till limited has a 31st December year end

Employees work a 5-day week and are entitled to 20 paid working days of vacation per annum.

There are 365 days in the current year ended December 31, 2022.

Employee statistics are as follows.

Number of employees	50,000
Average annual salary for 2021	N\$ 100,000
Unused leave as at 31st December 2021	10 days
leave taken in the year ended 31st December 2022 (on average 9 earned in 2022, 5 earned in 2021)	14 days
leave expected to be taken during the Year ended 31st December 2023 (on average 12 earned in 2023, 3 days earned in 2022)	15 days

**Additional information**

No employees left or joined the company in the past two years.

Salary increased by 20% from 1st January 2022

Past estimates show that management is able to correctly forecast the number of vocational days that will be used in the following financial year.

**Required**

Determine the amount of the leave pay liability at 31st December 2022 and provide the related journal entries for the year ended 31 December 2022 under each of the following unrelated two scenario and assuming that the balance in this Leave pay liability account was Nil prior to the journal entry been processed.

- a) leave accumulate and vests indefinitely.
- b) leave accumulate for one year after which it accrues but is non vesting.

**[Total: 20 Marks]**

**Question 3****30 Marks**

Fortress limited is a company that manufactures and supplies beers in Namibia and the USA. The Fortress is situated in Windhoek, Namibia, since Windhoek provides excellent access to water, water being one of the most important ingredients in beer. The barley used in the production of beer is also produced by local farmers. Fortress limited identified market opportunities in US, including having access to finances to banks in Europe and product trading. The MD of the company has asked your assistance to account some of the company's foreign exchange transactions.

Fortress Limited incurred the following four transactions payable/receivable in American dollars during the reporting period ended 30 April 2017:

**1. Inventories purchased of N\$ 200 000.**

Transaction date	1 January 2017
Payable on	15 April 2017
Only 60% of these inventories were sold on 30 April 2017	

**2. Non-current loan of \$1000 000**

Received on 1 February 2017	N\$5 100 000.
The loan was incurred for five years.	
Interest is payable at 15% per year on 31 December each year.	
The loan is repayable on 1 February 2022	

**3. Specialized equipment of \$500 000**

Transaction date	1 March 2017
Payable	30 June 2017
Taken into use (had however arrived on the site, ready for use On 1 April 2017)	
Installation costs paid on 1 April 2017	N\$210 000

**4. Inventories sold of \$100 000**

Transaction date	1 April 2017
Payable on	30 April 2017

The cost of the inventory sold amounted to N\$401 538.

**Additional information**

1. The applicable exchange rates are:

Date	Spot rate N\$ to \$1.00
1 January 2017	5.00
1 February 2017	5.10
1 March 2017	5.18
20 March 2017	5.20
1 April 2017	5.22
15 April 2017	5.28
30 April 2017	5.25
30 June 2017	5.27

2. The functional currency of Fortress limited is Namibia dollars.
3. The depreciation rate on specialized equipment is 20% per annum, based on the straight-line method.
4. VAT and taxation may be ignored.

**Required:**

Journalise (also cash transactions) all the foreign exchange transactions incurred between 1 January 2017 and 30 April 2017, and the results thereof in the General Journal of Fortress limited for the reporting period ended 30 April 2017. (30 Marks)

- Journal entries should be dated but journal narrations are not required.
- Complete each transaction's journals separately.

**[Total: 30 Marks]**

**Question 4****30 Marks**

This question has two separate parts.

**Part A**

Abby limited entered into a contract with Pro Computer limited for the Lease of twenty-four (24) laptop computers.

The contract was entered on 1st April 2021 for a two-year period.

Each item is of no value and Abby limited applies the low-value exemption of IFRS 16 Leases.

The benefit derived for Abby Limited from the lease agreement is constant over the lease period.

The following amounts are payable to Pro Computers limited per the lease agreement.

- From April 1st 2021 to 31st of March 2022 - N\$ 2000 per month
- From 1st of April 2022 to 31st March 2023 - N\$ 3,000 per month

Abby Limited has a 31<sup>st</sup> December year-end.

**Part B**

BP Limited company is a petroleum company based in Namibia.

It entered into a five-year contract with the Namibia Pipeline Company (NPC) to transport petroleum products from Walvis Bay to Windhoek through NPC Walvis Bay – Windhoek pipeline.

The contract provided BP limited will have the right of use to use 55% of the pipeline capacity throughout the Five-Year period.

BP Limited is responsible for the maintenance of the connection to its refinery and depots.

**Required:**

- a) Briefly explain the depreciation implication of the right-of-use asset. (4 marks)
- b) With Reference to the information provided in Part 1, prepare journal entry in the accounting record of Abby limited for the year ended 31st December 2021.2022 and 2023. Ignore taxation. (12 marks)
- c) With Reference to information provided in Part B and IFRS 16, discuss whether the arrangement contains a lease. (14 marks)

**[Total: 30 Marks]****END OF QUESTION PAPER**