



**NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY**

FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION

DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE

QUALIFICATION: BACHELOR OF ACCOUNTING	
QUALIFICATION CODE: 07BGAC	LEVEL: 6
COURSE CODE: FAC612S	COURSE NAME: FINANCIAL ACCOUNTING 202
DATE: October 2025	PAPER: THEORY AND CALCULATIONS
DURATION: 3 HOURS	MARKS: 100

FIRST OPPORTUNITY EXAMINATION PAPER	
EXAMINER(S)	Dr. D. R. Muzirā, Ms. A Gustav, Ms. V. Ueitele, Mr. M, Nghiludile and Mr. C. Mahindi
MODERATOR:	Dr. S. Dzomira

INSTRUCTIONS
<ol style="list-style-type: none">1. Capture your full name, student number and assessment number on the first page.2. Answer ALL the questions and manage your time properly.3. Number each page correctly4. Write clearly and neatly.5. Do not write in pencil and do not use tip-ex, as this will not be marked.6. The names of people and businesses used throughout this assessment do not reflect the reality and may be purely coincidental.7. SHOW ALL WORKINGS!

THIS QUESTION PAPER CONSISTS OF 4 PAGES (excluding this front page)

QUESTION 1**(25 marks)****Part A****(15 marks)**

Erongo Pharma (Pty) Ltd is a pharmaceutical manufacturing and distribution company based in Swakopmund, Namibia, with a financial year-end of 30 June.

During the final stages of the audit for the year ended 30 June 2025, the following independent events were identified for consideration under IAS 37 – Provisions, Contingent Liabilities and Contingent Assets:

Case 1: Possible Contamination of Medicines

In May 2025, management of Erongo Pharma received a report from one of their regional distribution managers indicating that certain refrigerated medicines (mainly vaccines and insulin products) may have been stored outside the required temperature range during transit due to a refrigerated truck malfunction.

Although there were no reported customer complaints or returns by 30 June 2025, internal quality control flagged a small batch as potentially unsafe. Based on past practices and internal safety policies, management decided to quietly remove the affected batch from pharmacies in early July and conduct voluntary quality testing at an estimated cost of N\$750,000. The cost of these tests and removal had already begun by 30 June 2025, although no public announcement or formal recall occurred.

Case 2: Dispute with Logistics Provider

In July 2025, Erongo Pharma terminated a logistics contract with a third-party provider, Namibian MedLogistics, after repeated delivery delays of critical medicines. MedLogistics is claiming damages of N\$1,100,000, alleging wrongful termination. Legal counsel advised that although the outcome is uncertain, it is possible Erongo Pharma may have to pay a partial settlement, but the claim is unlikely to succeed in full.

Required:

- a) Discuss how the cases should be classified in terms of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, and motivate your classification. (8)
- b) Prepare journal entries for the year ended 30 June 2025, if no journal entry is to be passed explain why? (3)
- c) Disclose the cases (where applicable) in the notes to the financial statements for the year ended 30 June 2025 in terms of IFRS. (4)

Part B**(10 marks)**

Erongo Pharma (Pty) Ltd (year-end 30 June 2025) financial statements were issued for authorization on 25 July 2025. You have been presented with the following events:

1. On 2 July 2025, the company discovered that a batch of insulin shipped on 28 June 2025 was stored outside the recommended temperature range. Corrective testing and disposal costs are estimated at N\$600,000.
2. On 10 July 2025, the company's share price fell by 20% due to a general stock market decline.
3. On 15 July 2025, a customer filed a lawsuit for a contract breach that occurred on 5 May 2025. Legal counsel advised that a settlement may be required.
4. On 1 August 2025, the company announced plans to expand its manufacturing facility next year, with estimated costs of N\$5 million.
5. On 5 August 2025, one of the company's major suppliers filed for bankruptcy, which may affect future supply of raw pharmaceutical ingredients.

Required:

For each of the above events, indicate whether it is an Adjusting Event or a Non-Adjusting Event according to IAS 10 – Events After the Reporting Period, and briefly explain why. (10)

QUESTION 2**(35 marks)**

You have been provided with the following financial statements of Waterfront Limited for the reporting period ended 31 December 2024.

Waterfront Limited**Statement of Profit or Loss for the year ended 31 December 2024**

	\$
Sales	300,000
Cost of sales	<u>(200,000)</u>
Gross profit	100,000
Operating Expenses	<u>(26,000)</u>
Selling expenses	10,000
Administration expenses	7,000
Loss on disposal of equipment	1,000
Depreciation	8,000
Profit before tax	74,000
Income tax expense	<u>(29,600)</u>
Profit for the period	<u>44,400</u>

Waterfront Limited

Statement of financial position as at 31 December 2024

	2024	2023
ASSETS	N\$	N\$
Non-Current assets	85,000	80,000
Equipment	85,000	80,000
Current assets	109,800	70,500
Inventories	60,000	40,000
Accounts receivable	12,000	20,000
Selling expenses paid in advance	1,200	1,500
Bank	36,600	9,000
TOTAL ASSETS	194,800	150,500
EQUITY AND LIABILITIES		
Equity	144,400	110,000
Share capital	110,000	100,000
Retained earnings	34,400	10,000
Non-current liabilities	10,000	20,000
Loan	10,000	20,000
Current liabilities	40,400	20,500
Accounts payable	20,600	10,000
Administration expenses payable	800	500
Current tax payable: income tax	19,000	10,000
TOTAL EQUITY AND LIABILITIES	194,800	150,500

Additional information:

- a) Equipment costing \$15,000 was purchased during the year when certain other equipment was traded in as part of the purchase price.

Required:

- a) Prepare the statement of cash flows of Waterfront Limited for the year ended 31 December 2024, using the direct method. (25)
- b) Prepare the reconciliation of profit before tax with cash generated from operations note of Waterfront Limited for the year ended 31 December 2024. (10)

Question 3

(40 marks)

Tee Limited has an authorised share capital of 300 000 ordinary shares of no par value and 100 000 redeemable preference shares of no par value. Its issued share capital consists of 200 000 ordinary shares issued for a total of N\$215,000 and 100 000 16% redeemable preference shares issued at N\$1. In terms of the Memorandum of Incorporation of the

company, the preference shares are redeemable at a premium of 3% of the issue price at the option of the company any time after 1 April 2023.

The preference shares were redeemed at a premium of 3% of the issue price on 30 June 2025. All dividends due had been paid on 29 June 2025. The dividends on preference shares were discretionary (non-mandatory).

In order to finance the redemption, on 30 June 2025 the company issued 30 000 N\$1 debentures at a discount of 2% and the minimum number of ordinary shares required at N\$1.25

The directors are satisfied that the company's assets, fairly valued, exceed its liabilities and that the company will be able to pay its debts as they become due.

Retained earnings at 30 June 2024 amounted to 60 000. The profit for the year ending 30 June 2025 has been correctly calculated as N\$80,000.

Required:

- a) Discuss how the preference shares will be classified in the records of Tee Limited. (5)
- b) Provide the general journal entries to account for the redemption of the preference shares on 30 June 2025. (10)
Workings (4)
- c) Show the relevant extracts of the following financial statements in terms of the International Financial Reporting Standards. (Notes are not required but comparatives are required)
 - i. the statement of financial position as at 30 June 2025, and (9.5)
 - ii. the statement of changes in equity for the reporting period ended 30 June 2025. (11.5)

END OF EXAMINATION QUESTION PAPER