



**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: 07 BOAC	LEVEL: 7
COURSE CODE: GFA 712S	COURSE NAME: FINANCIAL ACCOUNTING 320
SESSION: November 2024	PAPER: THEORY AND CALCULATIONS
DURATION: 3 hours	MARKS: 100

1ST OPPORTUNITY EXAMINATION – QUESTION PAPER	
EXAMINER(S)	D Kamotho & D Muzira
MODERATOR:	M Tondota

INSTRUCTIONS
<ol style="list-style-type: none">1. Answer ALL questions in blue or black ink only.2. Capture your full name, student number and assessment number on the first page.3. Write clearly and neatly.4. Start each question on a new page and number the answers clearly.5. No programmable calculators are allowed.6. The names of people and businesses used throughout this assessment do not reflect the reality and may be purely coincidental.7. 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.8. Do not write in pencil and do not use tip-ex, as this will not be marked.9. SHOW ALL WORKINGS!

THIS QUESTION PAPER CONSISTS OF 9 PAGES (excluding the front page)

Question 1

Part A

Alpha Ltd acquired two different entities during the financial year. Both acquisitions took place on 1 January 2024.

Scenario 1

- Alpha Ltd acquired 80% of Beta Ltd, which operates a retail business. The purchase consideration was N\$1,200,000 in cash.
- On the acquisition date, the identifiable assets and liabilities of Beta Ltd were as follows:
 - Property, Plant, and Equipment: N\$800,000
 - Inventories: N\$300,000
 - Trade Receivables: N\$150,000
 - Trade Payables: N\$200,000
- The fair value of the non-controlling interest (NCI) was N\$300,000.
- The acquisition does meet the definition of a business under IFRS 3.

Scenario 2

- Alpha Ltd acquired a group of assets from Gamma Ltd for N\$700,000 in cash. The assets acquired include:
 - Property, Plant, and Equipment: N\$500,000
 - Inventories: N\$150,000
 - Trade Receivables: N\$50,000
- The acquisition does not meet the definition of a business under IFRS 3.

Note – Any goodwill arising from the above transactions has not been impaired under both scenarios where applicable.

Required:

1. Explain the difference between the two scenarios and show the calculation for goodwill where applicable (7 marks)
2. Prepare the journal entries for both scenarios under IFRS 3. (11 marks)

Part B

On 1 January 2024, Zeta Ltd acquired 80% of the equity share capital of Omega Ltd for N\$200,000. At the acquisition date, the fair value of the identifiable net assets of Omega Ltd was N\$240,000. The fair value of the non-controlling interest (NCI) in Omega Ltd was N\$50,000 at the date of acquisition.

Omega Ltd.'s retained earnings at the acquisition date were N\$60,000, and their share capital was N\$100,000.

Required:

1. Calculate the goodwill arising on the acquisition in accordance with IFRS 3. (4 marks)
2. Explain what goodwill is and how it is treated in the consolidated financial statements. (3 marks)

[Total: 25 MARKS]

Question 2

Bananas Ltd (Bananas) is a public limited company based in Namibia. It has shareholdings in two other companies, Grapes Ltd (Grapes) and Oranges Ltd (Oranges). Statements of financial position are shown below for all three companies as at 31 December 2023.

Statements of Financial Position as at 31 December 2023

	Bananas Ltd (N\$ million)	Grapes Ltd (N\$ million)	Oranges Ltd (N\$ million)
Non-current assets			
Property, plant & equipment	600	160	120
Investments	350	60	8
	950	220	128
Current assets			
Inventories	200	60	28
Trade receivables	80	30	15
Cash & bank	30	18	10
	310	108	53
Total assets	1,260	328	181
Equity:			
Equity shares capital of N\$0.50 each	300	120	50
Share premium	250	90	30
Retained earnings	410	85	75
	960	295	155
Non-current liabilities:			
8% loan notes	100	0	0
Current liabilities:			
Trade payables	150	33	16
Dividends proposed	50	0	10
Total liabilities	300	33	26
Total equity & liabilities	1,260	328	181

The following additional information is relevant:

- i. Bananas purchased 192 million ordinary shares in Grapes on 1 January 2022, when the retained earnings of Grapes were N\$50 million. The consideration was agreed at N\$250 million for these shares. N\$150 million was paid in cash on the date of purchase, and the balance was settled using an 8% loan note. This investment has been correctly recorded at cost in Bananas' books, included under "Investments." The loan note interest was paid during the year ended 31 December 2022, but no entry has been made to reflect the interest payable in the current accounting period.
- ii. Bananas acquired a 35% holding in Oranges' ordinary shares on 1 January 2023, when Oranges' retained earnings balance stood at N\$70 million. The consideration consisted of an immediate cash payment of N\$60 million. Bananas also obtained the right to appoint 3 directors to Oranges' 9-person board as part of the investment.
- iii. The group's accounting policy is to value non-controlling interests (NCI) at their proportionate share of identifiable net assets at the acquisition date.
- iv. On 1 January 2022, certain property owned by Grapes had a fair value of N\$30 million in excess of its carrying value. The building portion, comprising 80% of the total value, had a remaining useful economic life of 12 years at the acquisition date.
- v. During the financial year ended 31 December 2023, Grapes sold goods worth N\$80 million to Bananas, with a 25% mark-up on cost. Grapes' usual mark-up on goods sold is 50%. Of these goods, one-fifth remained in Bananas' closing inventory at year-end.
- vi. Recorded in Bananas' books is an intra-group trade payable of N\$25 million owed to Grapes at year-end. However, Grapes' records show a balance of N\$28 million owed by Bananas. It was found that Grapes had mistakenly charged an extra N\$3 million in interest for late payments, which was later waived.
- vii. Bananas has not recorded any dividends receivable from its group companies. Both Banana and Orange companies have proposed dividends, as reflected in their current liabilities. Oranges' proposed dividend relates solely to the post-acquisition period. No other dividends were paid or proposed during the year.
- viii. Goodwill was reviewed for impairment as of the reporting date, resulting in an impairment loss of N\$4 million for Grapes' goodwill and a N\$2 million impairment loss on the investment in Oranges.
- ix. All workings may be rounded to the nearest N\$0.1 million.

REQUIRED:

Prepare the consolidated statement of financial position for the Bananas group as at 31 December 2023 in accordance with International Financial Reporting Standards.

(25 marks)

[Total: 25 MARKS]

Question 3

The following statements of profit or loss and other comprehensive income relate to **Grape Ltd** (Grape) and its investee companies, **Peach Ltd** (Peach) and **Plum Ltd** (Plum).

Statements of Profit or Loss and Other Comprehensive Income for Year Ended 31 December 2023:

Income Statement Items	Grape Ltd (N\$ million)	Peach Ltd (N\$ million)	Plum Ltd (N\$ million)
Revenue	1,800	900	600
Cost of Sales	-700	-400	-250
Gross Profit	1,100	500	350
Operating Expenses	-450	-280	-170
Finance Costs	-70	-40	-30
Other Income	15	-	-
Investment Income	50	-	-
Profit Before Taxation	645	180	150
Taxation	-95	-40	-25
Profit for the Year	550	140	125
Other Comprehensive Income (net of tax)	80	30	25
Total Comprehensive Income for the Year	630	170	150

Additional Information:

1. **Grape Ltd** acquired a **60% holding** in the equity of **Peach Ltd** on **1 July 2023**. On that date, the fair value of certain machinery owned by Peach was **N\$120 million** in excess of its book value. This machinery had a useful economic life of **6 years** from the date of acquisition. Depreciation charges are included in cost of sales. The revised values were not incorporated into the books of Peach.

2. Goodwill on the acquisition of Peach was reviewed for impairment on **31 December 2023**, and an impairment loss of **N\$12 million** was found necessary. No previous impairment losses had been recognized on goodwill. Impairment losses are to be recorded as part of operating expenses. Non-controlling interests in Peach are measured at their proportionate share of net asset of the identifiable net assets of Peach at the acquisition date.
3. During the year, **Grape Ltd** sold goods to **Peach Ltd** for **N\$30 million**. These goods were sold by Grape at a mark-up on cost of **25%**. Half of these goods remained in Peach's inventory at **31 December 2023**. At **31 December 2022**, there were goods valued at **N\$5 million** in Peach's inventory that had been supplied by Grape during 2022 on the same terms.
4. **Peach Ltd** declared a dividend of **N\$50 million** during the year. **Grape Ltd** recognized its share of this dividend within "investment income."
5. Since acquisition, **Grape Ltd** has managed the administration of the group and invoiced Peach **N\$5 million** for its share of these costs. Grape recorded this transaction within "other income," and Peach recorded it within "operating expenses."
6. On **1 July 2023**, **Grape Ltd** acquired a **30% holding** in **Plum Ltd**. Grape exercises significant influence over Plum as a result of this acquisition.
7. On **1 July 2023**, immediately after purchasing shares in Plum, **Grape Ltd** sold equipment to Plum for **N\$35 million**, recording a profit of **N\$8 million**. This profit is included within "other income" in the books of Grape.

REQUIRED:

Prepare the **Consolidated Statement of Profit or Loss and Other Comprehensive Income** for the **Grape Ltd Group** for the year ended **31 December 2023**, in accordance with IFRS. Clearly show your workings for the Retained earnings and NCI in the statement. (25 marks)

[Total: 25 MARKS]

Question 4

Apple PLC has a number of subsidiaries, including Orange Ltd, which was acquired during the year ended 31 December 2023.

The draft consolidated financial statements for the year ended 31 December 2023 are as follows:

Consolidated Statement of Comprehensive Income of Apple PLC for the year ended 31 December 2023:

Description	N\$ '000
Profit from operations	1,500
Interest	-150
	1,350
Share of profits of associates	300
Profit before taxation	1,650
Taxation	-600
	1,050
Non-controlling interest	-150
Group profit	900

Statements of Financial Position:

	Apple PLC (31/12/2023)	Apple PLC (31/12/2022)	Orange Ltd (At Acquisition)
Assets			
Non-current assets			
Property, plant, and equipment	6,500	5,500	1,200
Intangibles	450	400	0
Investment in associates	700	650	0
	7,650	6,550	1,200
Current assets			
Inventories	1,000	800	300
Trade and other receivables	500	400	100
Cash and cash equivalents	80	50	30
Total assets	9,230	7,800	1,630

Equity and liabilities			
Ordinary shares (N\$1 each)	2,000	1,600	800
Share premium	400	300	200
Retained earnings	2,500	2,000	250
Non-controlling interest	700	600	-
	5,600	4,500	1,250
Non-current liabilities			
Long-term loans	2,500	2,000	0
Current liabilities			
Trade payables	600	500	100
Taxation	530	300	280
Total equity and liabilities	9,230	7,800	1,630

Additional information:

1. **Apple PLC issued 600,000 N\$1 ordinary shares at a premium of 30 cents and paid a cash consideration of N\$240,000 to acquire 80% of Orange Ltd.** At the date of acquisition, Orange Ltd's assets and liabilities were recorded at their fair value, except for a building, which had a fair value of N\$150,000 in excess of its carrying value. The revaluation was subsequently recorded in the books of accounts before year end.
2. **During the year, property, plant, and equipment** with a carrying value of N\$1,000,000 were sold for N\$800,000. Total depreciation for the year was N\$950,000.

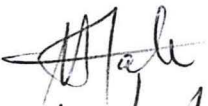
Required:

Prepare a consolidated statement of cash flows in accordance with IAS 7 for the year ended 31 December 2023. **Note that the reconciliation of profit before tax to cash generated from operations is required.** (25 marks)

[Total: 25 MARKS]

END OF QUESTION PAPER

Present Value Table										
Year	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%
1	0.990	0.980	0.971	0.962	0.952	0.943	0.935	0.926	0.917	0.909
2	0.980	0.961	0.943	0.925	0.907	0.890	0.873	0.857	0.842	0.826
3	0.971	0.942	0.915	0.889	0.864	0.840	0.816	0.794	0.772	0.751
4	0.961	0.924	0.888	0.855	0.823	0.792	0.763	0.735	0.708	0.683
5	0.951	0.906	0.863	0.822	0.784	0.747	0.713	0.681	0.650	0.621
6	0.942	0.888	0.837	0.790	0.746	0.705	0.666	0.630	0.596	0.564
7	0.933	0.871	0.813	0.760	0.711	0.665	0.623	0.583	0.547	0.513
8	0.923	0.853	0.789	0.731	0.677	0.627	0.582	0.540	0.502	0.467
9	0.914	0.837	0.766	0.703	0.645	0.592	0.544	0.500	0.460	0.424
10	0.905	0.820	0.744	0.676	0.614	0.558	0.508	0.463	0.422	0.386
	11%	12%	13%	14%	15%	16%	17%	18%	19%	20%
1	0.901	0.893	0.885	0.877	0.870	0.862	0.855	0.847	0.840	0.833
2	0.812	0.797	0.783	0.769	0.756	0.743	0.731	0.718	0.706	0.694
3	0.731	0.712	0.693	0.675	0.658	0.641	0.624	0.609	0.593	0.579
4	0.659	0.636	0.613	0.592	0.572	0.552	0.534	0.516	0.499	0.482
5	0.593	0.567	0.543	0.519	0.497	0.476	0.456	0.437	0.419	0.402
6	0.535	0.507	0.480	0.456	0.432	0.410	0.390	0.370	0.352	0.335
7	0.482	0.452	0.425	0.400	0.376	0.354	0.333	0.314	0.296	0.279
8	0.434	0.404	0.376	0.351	0.327	0.305	0.285	0.266	0.249	0.233
9	0.391	0.361	0.333	0.308	0.284	0.263	0.243	0.225	0.209	0.194
10	0.352	0.322	0.295	0.270	0.247	0.227	0.208	0.191	0.176	0.162
	21%	22%	23%	24%	25%	26%	27%	28%	29%	30%
1	0.826	0.820	0.813	0.806	0.800	0.794	0.787	0.781	0.775	0.769
2	0.683	0.672	0.661	0.650	0.640	0.630	0.620	0.610	0.601	0.592
3	0.564	0.551	0.537	0.524	0.512	0.500	0.488	0.477	0.466	0.455
4	0.467	0.451	0.437	0.423	0.410	0.397	0.384	0.373	0.361	0.350
5	0.386	0.370	0.355	0.341	0.328	0.315	0.303	0.291	0.280	0.269
6	0.319	0.303	0.289	0.275	0.262	0.250	0.238	0.227	0.217	0.207
7	0.263	0.249	0.235	0.222	0.210	0.198	0.188	0.178	0.168	0.159
8	0.218	0.204	0.191	0.179	0.168	0.157	0.148	0.139	0.130	0.123
9	0.180	0.167	0.155	0.144	0.134	0.125	0.116	0.108	0.101	0.094
10	0.149	0.137	0.126	0.116	0.107	0.099	0.092	0.085	0.078	0.073


 14/10/2024