



**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: Nov/Dec 2025	PAPER: THEORY AND CALCULATIONS
DURATION: 3 hours	MARKS: 100

2nd OPPORTUNITY / SUPPLEMENTARY EXAMINATION – QUESTION PAPER	
EXAMINER(S)	D Kamothe & S Dzomira
MODERATOR:	M Tondota

INSTRUCTIONS

1. Answer **ALL questions** in blue or black ink only.
2. Read all the questions carefully before answering.
3. Please ensure that your writing is legible, neat and presentable.
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 11 PAGES (excluding the front page)

QUESTION 1

(25 marks)

Baobab Foods Ltd (Baobab) acquires 80% of Marula Processing (Pty) Ltd (Marula) on 1 July 2025. Marula operates a processing facility for marula-based beverages and concentrates. Baobab must determine whether the set is a business and, if so, measure the consideration transferred and allocate the purchase price.

Identifiable assets at the acquisition date (fair values):

Asset	Fair value
Land & buildings (plant site)	N\$ 36,000,000.00
Plant & equipment (lines, pasteurisers, chillers)	N\$ 12,000,000.00
Inventories (raw fruit, concentrates, packaging)	N\$ 3,000,000.00
Customer relationships (3 supermarket contracts)	N\$ 8,000,000.00
Supply contracts (exclusive seasonal sourcing)	N\$ 4,000,000.00
Trademark/brand ('Marula Pure')	N\$ 2,000,000.00
Cash and cash equivalents	N\$ 1,000,000.00

Workforce & processes (transfer to Baobab):

- Skilled workforce (plant manager, QA, maintenance techs, 18 operators).
- Documented SOPs and proprietary recipes; HACCP quality control; ERP for procurement/production/logistics.
- Operations paused for a 6-week refurbishment at the acquisition date (no outputs during the pause); restart plan approved.

Other terms:

- Cash consideration of N\$54,000,000. Transaction costs (legal/valuation) of N\$1,200,000 (incurred by Baobab).

- Contingent consideration (earn-out) payable at end of Year 2 if EBITDA target is met: undiscounted N\$6,000,000; fair value at acquisition N\$4,500,000 (classified as a financial liability).
- Normal trade payables of N\$5,000,000. Tax rate 30%.

Added Scenario 1 — Pre-existing relationship (IFRS 3.B52–B55)

Before the acquisition, Baobab had a fixed-price supply contract with Marula for concentrate. At acquisition date, the contract is unfavourable to Baobab by N\$1,200,000 (present value) compared with current market terms. The contract contains a termination clause with a settlement penalty of N\$800,000. The contract is effectively settled as part of obtaining control.

Added Scenario 2 — Indemnification asset (IFRS 3.B41–B43)

Marula faces an environmental fine relating to past discharges; Baobab recognises a contingent liability at fair value of N\$3,000,000. As part of the deal, the seller contractually indemnifies Baobab for 80% of this exposure, up to the recognised amount. Assume collectability is virtually certain.

Required:

- Apply IFRS 3's optional concentration test and conclude whether it is met. (4)
- If the screen is not met, assess whether Marula meets the definition of a business at the acquisition date, considering the 2018 amendments for sets without outputs at the date. (6)
- Measure the acquisition-date fair value of the consideration transferred. Clearly indicate the treatment of transaction costs and the pre-existing relationship settlement. (6)
- Perform the acquisition-date purchase price allocation (PPA): recognise identifiable assets and liabilities, including the environmental contingent liability, related indemnification asset, and any deferred tax effects; then compute goodwill. (7)
- Briefly explain how the contingent consideration is subsequently measured if classified (i) as a financial liability or (ii) as equity. (2)

{Total: 25 Marks}

QUESTION 2

(20 marks)

Petros Co acquired 75% of the ordinary shares of Solomon Co on that company's incorporation in 2021. The summarised income statements and movement on retained earnings of the two companies for the year ending 31 December 2024 are set out below.

	Petros Co	Solomon Co
	N\$	N\$
Sales revenue	75,000	38,000
Cost of sales	<u>30,000</u>	<u>20,000</u>
Gross profit	45,000	18,000
Administrative expenses	<u>14,000</u>	<u>8,000</u>
Profit before tax	31,000	10,000
Income tax expense	<u>10,000</u>	<u>2,000</u>
Profit for the year	<u>21,000</u>	<u>8,000</u>
Note: Movement in earnings retained		
Retained earnings brought forward	87,000	17,000
Profits for the year	21,000	8,000
Retained earnings carried forward	108,000	25,000

Required:

Prepare the consolidated income statement and extract from the statement of changes in equity showing retained earnings and non-controlling interest.

(20)

{Total: 20 Marks}

QUESTION 3**(25 marks)**

Aurora Ltd acquired 80% of the equity of Nebula Ltd on 1 July 2025. The reporting date for both entities is 31 December 2025. Aurora measures the non-controlling interest (NCI) at fair value at the acquisition date (full goodwill method). The tax rate is 30%. Amounts are in N\$ million.

Extracts from the separate statements of financial position at 31 December 2025:

Aurora Ltd — extracts	Amount
Share capital	N\$ 3,000.0 m
Share premium	N\$ 500.0 m
Retained earnings (includes dividend income from Nebula of N\$60.0 m)	N\$ 1,950.0 m
Property, plant and equipment (PPE)	N\$ 2,800.0 m
Investment in Nebula Ltd (cost: cash N\$1,400.0 m + contingent consideration at FV on acquisition N\$300.0 m)	N\$ 1,700.0 m
Inventories	N\$ 700.0 m
Trade receivables (includes N\$30.0 m due from Nebula)	N\$ 420.0 m
Dividends receivable from Nebula (declared 30 Nov 2025)	N\$ 60.0 m
Cash and cash equivalents	N\$ 200.0 m
Trade payables	N\$ 260.0 m
Contingent consideration liability (remeasured FV at 31 Dec 2025)	N\$ 330.0 m

Nebula Ltd — extracts	Amount
Share capital	N\$ 1,000.0 m
Retained earnings at 1 Jan 2025	N\$ 600.0 m
Profit for the year ended 31 Dec 2025 (assume earned evenly through the year)	N\$ 300.0 m
Dividend declared 30 Nov 2025 (payable at year-end)	N\$ 75.0 m
PPE (carrying amount at 31 Dec 2025 — before any FV step-up effects)	N\$ 1,400.0 m

Inventories	N\$ 480.0 m
Trade receivables	N\$ 180.0 m
Cash and cash equivalents	N\$ 90.0 m
Trade payables (includes N\$30.0 m due to Aurora)	N\$ 150.0 m
Dividend payable (declared 30 Nov 2025)	N\$ 75.0 m

Acquisition-date fair value adjustments and other information

- On acquisition (1 July 2025), the fair value of Nebula's PPE exceeded carrying amount by N\$200.0 m. Remaining useful life at that date: 10 years (straight-line).
- Recognise a deferred tax liability (DTL) for the fair value step-up differences. (Tax rate: 30%).
- NCI fair value at acquisition: N\$480.0 m (for the 20% holding).
- During the post-acquisition period, Aurora sold goods to Nebula for N\$80.0 m at a profit margin of 25% on selling price. At year-end, 40% of these goods remained in Nebula's inventory.
- Nebula's dividend of N\$75.0 m was declared on 30 Nov 2025. Aurora recognised its share (N\$60.0 m) as dividend income in retained earnings and as a receivable at year-end.
- Goodwill was tested for impairment at year-end; an impairment loss of N\$10.0 m is recognised in the consolidated financial statements.

Required:

Prepare the Consolidated Statement of Financial Position of the Aurora Group at 31 December 2025. Show all workings, including goodwill; NCI at reporting date; group retained earnings; consolidated PPE; consolidated inventory; elimination of intra-group balances and dividends; and relevant deferred tax.

(25)

{Total: 25 Marks}

QUESTION 4**(30 marks)**

The following draft group financial statements relate to the Water Group Ltd.

Consolidated Statement of financial position as at 31 December 2024

	2024	2023
	N\$m	N\$m
ASSETS		
Non-Current Assets		
Property plant and equipment	327	254
Investment property	8	6
Goodwill	48	68
Other intangible assets	85	72
Investment in associate	54	-
Investments in equity instruments	<u>94</u>	<u>90</u>
	616	490
Current assets		
Inventories	105	128
Trade receivables	62	113
Cash and cash equivalents	<u>232</u>	<u>143</u>
	399	384
Total Assets	<u>1015</u>	<u>874</u>
Equity and liabilities		
Equity attributable to owners of the parent:		
Share capital	290	275
Retained earnings	351	324
Other components of equity	<u>15</u>	<u>20</u>
	656	619
Non-controlling interest	<u>55</u>	<u>36</u>
Total equity	711	655

Non-Current Liabilities		
Long term liabilities	67	71
Long term provisions: pensions and obligation	25	22
Deferred tax	<u>35</u>	<u>41</u>
	127	134
Current liabilities		
Trade payables	144	55
Current tax payable	<u>33</u>	<u>30</u>
	177	85
Total Equity and Liabilities	<u>1015</u>	<u>874</u>

Water Group

Consolidated Statement of Profit or Loss and other comprehensive income for year ended 31
December 2024

	N\$m
Revenue	432
Cost of sales	<u>(317)</u>
Gross profit	115
Other income	25
Distribution costs	(55)
Administrative costs	(36)
Finance costs	(6)
Gains on property	10,5
Share of profit of associate	<u>6</u>
Profit before tax	59
Income tax expense	<u>(11)</u>
Profit for the year	48

Other comprehensive income after tax (items that will not be reclassified through profit or loss)	
Gain on investment in equity instruments	2
Losses on property revaluation	(7)
Remeasurement losses on defined benefit pensions plans	(6)
Other comprehensive income	<u>(11)</u>
Total comprehensive income	37
Profit attributable to :	
Owners of the parent	38
Non-controlling interest	<u>10</u>
Water Group Ltd	<u>48</u>

Statement of changes in equity for the year ended 31 December 2024

	Share Capital	Retained Earnings	Investment in Equity instruments	Revaluation Surplus PPE	Total	NCI	Total equity
Balance 01/01/2023	275	324	4	16	619	36	655
Share Capital	15				15		15
Dividends		(5)			(5)		(5)
Rights issue						2	2
Acquisitions						20	20
Total comprehensive income							
Income for the year		32	2	(7)	27	10	37
Balance 31/12/24	290	351	6	9	656	55	711

The following information relates to the financial statements of the Water group

Note 1:

On 1 January 2022, Water acquired 8% of the ordinary shares of Tiger Ltd. Water Ltd had treated this as an investment in equity instruments in the financial statements to 31 December 2018 with changes in fair value taken to profit or loss for the year. There were no changes in fair value in the year to 31 December 2023. On 1 February 2024, Water Ltd acquired a further 52% of the ordinary shares of Tigers and gained control of the company. The consideration for the acquisition was as follows

	Holding	Consideration
	%	N\$m
1 January 2022	8	4
1 February 2024	52	30
	60	34

At 1 February 2024, the fair value of the 8% holding in Tiger held by Water Ltd at the time of the business combination was N\$5 million and the fair value of the non- controlling interest in Tiger Ltd was N\$20 million. The purchase consideration at 1 February 2024 comprised cash of N\$15 million and shares of N\$15 million.

The fair value of the identifiable net assets of Tigers, excluding deferred tax assets and liabilities, at the date of acquisition comprised the following.

Property plant and equipment	N\$15m
Intangible assets	N\$18m
Trade receivables	N\$5 m
Cash and cash equivalence	N\$7

The tax base of the identifiable net assets of Tigers was N\$40 million at 1 February 2024. The tax rate of Tigers is 30%

Note 2:

On 30 October 2024, Tigers made a rights issue on a 1 for 4 basis. The issue was fully subscribed and raised N\$5 million in cash.

Note 3:

Water Ltd purchased a research project from a 3rd party including certain patents on 1 January 2023 for N\$8 million and recognized it as an intangible asset. During the year, Water Ltd incurred further costs which included N\$2m on completing the research phase N\$14m in developing the product for sale and N\$1 m for the initial marketing costs. There were no other additions to intangible assets in the period other than those on the acquisition of Tigers Ltd.

Note 4:

Water Ltd operates a defined benefit pension scheme. The current service costs for the year ended 31 December 2024 are N\$10 million. Water Ltd enhanced the benefits on 1 January 2023. The total cost of the enhancement is N\$2 million. the net interest on net plan assets was N\$8 million for the year and Water Ltd recognizes remeasurement gains and losses in accordance with IAS 19.

Note 5:

Water owns an investment property. During the year, part of the heating system of the property, which had a carrying amount of N\$0,5 million, was replaced by a system which cost N\$1m. Water uses the fair value model for measuring investment property.

Note 6:

Water had exchanged surplus land with a carrying amount of N\$10 m for cash N\$15m and a plant valued at N\$4m. The transaction has commercial substance. Depreciation for the period for property plant and equipment was N\$27m.

Note 7:

Goodwill relating to all subsidiaries had been impairment tested in the year to 31 December 2024 and any impairment accounted for. the goodwill impairment related to those related to those subsidiaries which were 100% owned

Note 8:

Deferred tax of N\$1 million arose in the year on the gains on investments in equity instruments where the irrevocable election was made to take changes in fair value through other comprehensive income.

Note 9:

The associate did not pay any dividends in the year. Ignore deferred taxation other than where it is mentioned in the question

Required

Prepare a consolidated statement of cash flows for the Water group using the indirect method under IAS 7 Statements of Cash flows (30)

{Total: 30 Marks}

END OF QUESTION PAPER