



**PAMIBIA UNIVERSITY**  
OF SCIENCE AND TECHNOLOGY

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

**DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE**

<b>QUALIFICATION: BACHELOR OF ACCOUNTING</b>	
<b>QUALIFICATION CODE:</b> 07BOAC	<b>LEVEL:</b> 6
<b>COURSE CODE:</b> FAC611S	<b>COURSE NAME:</b> FINANCIAL ACCOUNTING 201
<b>DATE:</b> JULY 2025	<b>PAPER:</b> THEORY AND CALCULATIONS
<b>DURATION:</b> 3 HOURS	<b>MARKS:</b> 100

<b>SECOND OPPORTUNITY EXAMINATION PAPER</b>	
<b>EXAMINER(S)</b>	Mr. C. Mahindi, Ms. P. Erkie, Mr. F. Alumbungu, Ms. O.Ndivaye, Ms. A Gustav and Dr. D.R. Muzira
<b>MODERATOR:</b>	Dr. S. Dzomira

<b>INSTRUCTIONS</b>
<ol style="list-style-type: none"><li>1. Capture your full name, student number and assessment number on the first page.</li><li>2. Answer ALL the questions and manage your time properly.</li><li>3. Number each page correctly</li><li>4. Write clearly and neatly.</li><li>5. Do not write in pencil and do not use tip-ex, as this will not be marked.</li><li>6. The names of people and businesses used throughout this assessment do not reflect the reality and may be purely coincidental.</li><li>7. <b>SHOW ALL WORKINGS!</b></li></ol>

**THIS QUESTION PAPER CONSISTS OF 3 PAGES** (excluding this front page)

**QUESTION 1****(40 Marks)**

Browley Limited is a fishing company based in Walvis Bay. The following information relates to the financial period ended 28 February 2024.

**Fishing vessel**

During the year ended 28 February 2024, Browley commissioned a vessel to be constructed by one of its subsidiary companies for use as a fishing vessel.

Included in the cost of construction are the following costs:

- N\$712,000 for inventory (wood, nails etc) used to build the vessel, including an amount of N\$14,000 for inventory that had to be scrapped as a result of wastage.
- N\$106,500 in direct labour costs, of which N\$6,000 was in respect of idle time.
- N\$95,000 allocated to overheads, half of which are administrative overheads.
- N\$35,000 spent on staff training costs on all aspects of running the vessel including navigation and safety protocols.

In addition to the above costs, an engine was fitted to power the fishing vessel at a cost of N\$500,000. The engine was identified as a separate component with a useful life of 5 years.

The construction of the fishing vessel was completed on 1 September 2023 on which date it was available for use. The vessel was brought into use on 1 October 2023.

The estimated useful life of the vessel is 10 years with economic benefits deemed to accrue to the entity evenly over the useful life of the fishing vessel.

**Machinery**

In addition to the fishing vessel, Browley has a factory with machinery to sort fish caught into different sizes.

The following information was extracted from the trial balance of Browley Limited on 1 March 2023:

	N\$
Machinery	3,000,000
Accumulated dep: Machinery	1,600,000

On 1 December 2023, Browley exchanged one of its old sorting machines for a newer sorting machine. The carrying amount of the old sorting machine on 1 March 2023 was N\$480,000 (Cost N\$800,000). Browley believed that the old sorting machine it could be sold for N\$550,000 on 1 December 2023 although this amount estimate could not be reliably verified. The fair value of the new machine was N\$625,000.

Depreciation is calculated on all machinery using the straight-line method over a period of 5 years.

**REQUIRED:**

- a) Calculate the cost of the fishing vessel (excluding the engine) to be capitalised and specify the date on which the capitalisation occurs. (7)
- b) Calculate the depreciation on the fishing vessel (including the engine) for the reporting period ended 28 February 2024. (5)
- c) Provide all the general journal entries to account for the machinery for the year reporting period ended 28 February 2024. Provide a justification for the figure used for the value of the new sorting machine. (Journal narrations are not needed). (12)
- d) Prepare the property, plant and equipment reconciliation note of Browley Limited for the reporting period ended 28 February 2024 in terms of IAS 16 – Property, Plant and Equipment. (16)

**QUESTION 2**

**(25 marks)**

FabriCo Namibia is a company that produces fabric for clothing manufacturers across Namibia. The company has a 31 December year-end. The following information relates to one of its assets:

**Land – Windhoek**

On 01 September 2022, the company purchased a plot of land in Windhoek for N\$4,500,000. According to management, the land was acquired with the intention of holding it for capital appreciation. The land was available for use as intended by management on the date of acquisition.

On 31 December 2022, the land was revalued for the first time. On this date, the fair value of the land was determined to be N\$4,650,000. A second revaluation was performed on 31 December 2023. On this date, the fair value of the land was determined to be N\$4,800,000.

On 31 October 2024, following a strategic review of its asset portfolio, FabriCo Namibia initiated steps to dispose of the land and all criteria for classification of land as a 'held for sale' asset were met on the same day. A binding agreement to sell the land was entered into at that time for N\$4,200,000, and the sale was finalized shortly thereafter on 05 November 2024.

It is FabriCo's policy to account for Investment Property using the fair value model.

**REQUIRED:**

- a) With reference to the relevant definitions and guidance in IAS 16: Property, Plant and Equipment, IAS 40: Investment Property, and IFRS 5: Non-current Assets Held for Sale, assess how the land should be classified throughout the entire lifetime of the asset in the financial statements of FabriCo Namibia. Clearly indicate the appropriate classification and measurement at each relevant date and provide justification for your answer based on the applicable accounting standards. (10)
- b) Prepare the relevant journal entries from the date of acquisition of the land up to the completion of the sale. (15)

**QUESTION 3****(35 marks)**

Nam Dairies is a company operating in the agricultural and dairy industry in Namibia. It has a 30 June year end. Nam Dairies owns a brand named Daisy Cow. The following information relates to the Daisy Cow Brand:

Purchase date:	1 July 2023
Cost Price:	N\$850,000
Legal rights granted:	25 years, renewable for a further 5 years
Further renewal cost:	N\$1,700,000

At the time of the purchase of the Brand, it was estimated that Daisy Cow would render profits of N\$136,000 per annum and at that time it appeared so successful that its useful life appeared to be indefinite.

Management is becoming increasingly concerned, however, as a review of the past financial statements revealed declining profits from the Daisy Cow brand. The budgeted profits in June 2024 indicated a slight (immaterial dip) in future expected profits, but taken together with the latest budgeted profits presented at a directors meeting on 30 June 2025, it seems clear that the annual profits are on a downward spiral.

The latest budgeted figures reveal the following estimates:

Present value of net cashflows:	N\$340,000
Expected proceeds on sale	N\$374,000
Selling cost	N\$3,400

**REQUIRED:**

- Discuss whether the Daisy Cow Brand should be amortised given the fact that at the time of purchase it appeared that the useful life was indefinite. Your discussion should include a discussion on the useful life of the brand. (10)
- What factors would indicate that an asset may be impaired. (5)
- Calculate the carrying amount and any impairment loss of the Daisy Cow brand on 30 June 2025, assuming that it is amortised over a period of 25 years and provide the general journal entries for the reporting period ended 30 June 2025. (10)
- Prepare the Intangible Asset reconciliation note of Nam Daires for the reporting period ended 30 June 2025. (10)

**END OF EXAMINATION QUESTION PAPER**