



**NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY**

FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION

DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE

QUALIFICATION : BACHELOR OF ACCOUNTING HONOURS	
QUALIFICATION CODE: 08 BOAH	LEVEL: 8
COURSE CODE: FAR 811S	COURSE NAME: ADVANCED FINANCIAL ACCOUNTING AND REPORTING
SESSION: Jul/Aug 2023	PAPER: THEORY AND CALCULATIONS
DURATION: 3 hours	MARKS: 100

SUPPLEMENTARY ASSESSMENT - 2nd Opportunity	
EXAMINER(S)	D W Kamocho
MODERATOR:	Dr E Wealth

INSTRUCTIONS
<ol style="list-style-type: none">1. Answer ALL questions in blue or black ink only.2. Write clearly and neatly.3. Start each question on a new page and number the answers clearly.4. No programmable calculators are allowed.5. 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.6. Any resemblance to any people, places, organisations or anything is purely coincidental.

THIS QUESTION PAPER CONSISTS OF 5 PAGES (Including the front page)

Question 1

(20 marks)

Investa limited, a listed entity was incorporated on the 1st of January 2022 by issuing equity shares to various are related shareholders.

Investa limited would utilise these funds to purchase various investments that would yield investment income and potential for capital appreciation, as documented in the issuing prospectus.

At the end of the year 31 December 2022, Investa Ltd had the following investment:

- 10% equity interest in F1 limited.
- 40% equity interest in A1 limited.
- 60% equity interest in S1 limited.
- 80% equity interest in S2 limited.
- 100% ownership of an investment property.

Investa Ltd also own a property used by the Investor limited staff as offices.

Investa Ltd exercises significant influence over A1 Limited in accordance with the ISA 28 and has a controlling interest in S1 limited and S2 Limited in accordance with IFRS 10.

Investa Ltd has an exit strategy whereby it disposes of all investments within three years. Investa Ltd carries investments in equity shares and Investment property at fair value in accordance with IFRS 9 and IAS 40 respectively.

Owner-occupied property is accounted for using the cost model in terms of IAS 16. Higher 16in vertical limited reports to shareholders monthly using the above-mentioned values.

Required:

- a. Discuss whether Investa limited needs to prepare consolidated annual financial statements. (12 marks)
- b. Briefly discuss the classification and measurement in the separate financial statement of Investa Ltd for the Investments listed above. (8 marks)

Question 2**(40 marks)**

Thermometer Limited (Thermometer) is a company involved in the entertainment industry. They have a lounge on Independence Street in the CBD. Thermometer imported a range of new lighting equipment for its dance floor costing N\$ 400,000 that was delivered on 1st January 2020.

Prior to the equipment being delivered, the loss of a major contract led Thermometer limited to realise that the equipment was surplus to its needs and thus it entered into a contract with the Temperature entertainment limited to lease the equipment for a lease term of 3 years from 1st January 2020.

Temperature limited has paid rental of N\$150,000 annually in advance and guaranteed the residual value of N\$20,000 at the end of the contract on 31 December 2022. The lighting equipment was subsequently bought by Barometer Entertainers in January 2023 for N\$ 20,000.

The interest rate implicit in the contract was 17.08204%

The estimated useful life of the equipment was 3 years, and this is the same period over which NAMRA (tax authority in Namibia) allows the equipment to be written off for tax purposes.

NAMRA rules stipulate that lease instalments are taxed when received.

The current tax rate is 30% and there is no transaction tax or VAT.

The profit before tax considering all the relevant information above has been correctly calculated as follows:

Year ended	N\$
31st December 2020	240 705
31st December 2021	244 377
31st December 2022	212 918

Required:

Provide journal entries in the records of Thermometer Limited for the three years ended 31st December 2020 to 31 December 2022 recording the gross receivable and the unearned finance income. **(40 marks)**

The workings must include the amortisation table, current tax, and deferred tax calculations on the lighting equipment and finance lease debtor plus deferred tax summary for the three-year period of 01 January 2020 to 31 December 2022. [Workings carry **25 marks**]

Question 3

(20 Marks)

Katutush Limited purchased 3 000 listed debentures at a price of N\$ 190 per debenture. adventure at the beginning of 2021 on 1st January 2021.

The debentures were 10% N\$ 200 debentures and are redeemable at par at 31st December 2023.

Transaction costs amount to N\$ 2 000. Interest is payable annually at the end of the year and you may assume that the purchase price is at its fair value.

The debentures are held within a business model with the objective to collect contractual cash flows that are solely of principal and interest on the principles of outstanding on the specified dates.

Assume that interest is solely a compensation for the time value of money and credit risk associated with the principal amount outstanding.

Required:

- a. How should the debenture investments be classified and measured in the financial statements of the company. **(2 marks)**
- b. Journalise the effect of the transaction for the years 2021 to 2023. **(8 marks)**
- c. Calculate the amortized cost of the debenture's investment for the years 2021 to 2023. **(10 marks)**

Your answer should comply with the requirement of the international Financial Reporting standards (IFRS).

Question 4**(20 Marks)**

On 1 January 2019 Ship limited acquired an oil tanker at a cost of N\$10 million.

The company initially decided to replace the oil tanker once it becomes 10 years old and depreciated it on a straight-line method over the useful life to its residual value.

Owing to inflation, the residual value is expected to increase annually.

Details of the oil tanker estimated useful life at the beginning of each of the year and its expected residual values are as follows:

Year	Remaining Useful life	Residual Value N\$
2019	10 years	8 000 000
2020	8 years	9 000 000
2021	7 years	9 500 000
2022	6 years	9 750 000

Required:

a. Calculate the depreciation for the year ended 31st December 2019 to 2022 and the carrying amount of the oil tanker at each year end. **(14 marks)**

b. Prepare the note on profit before tax of Ship limited for the year ended 31 December 2022, to comply with the requirement of the International Financial Reporting Standards (IFRS). **(6 marks)**

END OF QUESTION PAPER