



**PAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY**

FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION

DEPARTMENT OF ACCOUNTING, ECONOMICS AND FINANCE

QUALIFICATION: BACHELOR OF ACCOUNTING	
QUALIFICATION CODE: 07 BOAC	LEVEL: 7
COURSE CODE: GFA711S	COURSE NAME: FINANCIAL ACCOUNTING 310
DATE: June 2025	PAPER: THEORY AND CALCULATIONS
DURATION: 3 HOURS	MARKS: 100

FIRST OPPORTUNITY EXAM	
EXAMINER(S)	Dr. S. Dzomira; Dr. M. Nyakuwanika; Ms. A. Peter
MODERATOR:	Mr Marko Tondotsa

INSTRUCTIONS
<ol style="list-style-type: none">1. Capture your full name, student number and assessment number on the first page2. 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 (20 marks)

Jay-Jay Jet Limited is a low-cost airline. Leave accruing to its employees during any given year may be carried forward for one year only and is non-vesting. Details regarding the leave offered to each of the company's three categories of employees, pilots, aircrew and directors, are as follows:

	Days leave allocated in 2024 per employee	Average days actually taken in 2024 (from the 2024 allocation) per employee	Average unused days at 31/12/24 per employee	Average unused days at 31/12/24 that are expected to be taken in 2025 per employee
Pilots	45 days	35 days	10 days	4 days
Aircrew	25 days	18 days	7 days	3 days
Directors	15 days	10 days	5 days	2 days

Details regarding the number of employees under each of the company's three categories of employees, together with their average annual salaries, are as follows:

	Number of employees during 2024	Number of employees expected to resign	Average annual salary during 2024 (N\$)
Pilots	200	20	175 000
Aircrew	300	6	90 000
Directors	10	1	600 000

There were no resignations or newly appointed employees during 2024. It is probable that the employees who the company expects will resign, will resign very early in 2025 and thus it is estimated that none of these will be taking any leave in 2025. Thus, the average number of days leave that will be taken in 2025 (referred to above) has been calculated based on only those employees who are expected to remain employed in 2025.

Jay-Jay Jet Limited operates on a 5-day working week. The year ended 31 December 2024 has 365 days.

The leave pay liability had a balance of N\$200 000 at 31 December 2023.

Required:

a) Determine the leave-pay liability that would need to be recognised for each type of employee. **(7 marks)**

b) Journalise the entries that would be necessary to account for paid leave for the year ended 31 December 2024 **(5 marks)**

c) Identify the four categories of employee benefits per IAS 19 Employee Benefits and explain the meaning of each. **(8 marks)**

QUESTION 2 (25 marks)

The following is an extract from the trial balance of Glitch Limited at 31 December 2024, together with some additional information:

**Glitch Limited
Extract From Trial Balance
at 31 December**

	2024		2023	
	Dr (N\$)	Cr (N\$)	Dr (N\$)	Cr (N\$)
Retained earnings at beginning of year		94500		60000
Profit for the year		50000		40000
Preference dividends declared	2500		2500	
Ordinary dividend declared	5000		3000	

Additional information

- The balances in the share capital accounts at 1 January 2023 were as follows:
 - Ordinary shares: N\$200 000 (all the ordinary shares were issued at N\$0,20 per share).
 - Non-cumulative, non-redeemable 10% preference shares: N\$50 000 (all the preference shares were issued at N\$1 per share).
- An issue of 500000 ordinary shares took place on 31 March 2024 at an issue price of N\$0,20 per share.
- There was no other movement in the equity accounts other than the movements evident from the information provided above. There are no components of other comprehensive income.

Required:

a) Prepare an extract from the statement of profit or loss of Glitch Limited for the year ended 31 December 2024. **(10 marks)**

b) Prepare extracts from the statement of changes in equity of Glitch Limited for the year ended 31 December 2024. **(5 marks)**

c) Prepare the earnings per share and dividends per share notes for inclusion in the notes to the financial statements of Glitch Limited for the year ended 31 December 2024. **(10 marks)**

Financial statements and notes must be in accordance with International Financial Reporting Standards. Comparatives are required for(a) to (c).

QUESTION 3 (30 marks)

Shamah Ltd, a manufacturer, values inventories at the lower of cost and net realisable value, with cost determined using the weighted average (WA) method.

The value of closing inventories at 31 December 2022, 2023 and 2024 was originally computed as follows:

	\$
2022	315 000
2023	175 000
2024	330 000

During the year ended 31 December 2024, management decided that the cost that the cost of inventories should rather be determined using the first-in-first-out (FIFO) basis to better reflect the physical flow of inventories.

Closing inventories at 31 December 2022, 2023 and 2024 were calculated on the FIFO basis as follows:

	\$
2022	430 000
2023	195 000
2024	450 000

Profit before tax, before adjusting for the change in policy, for the years ended 31 December 2022 to 31 December 2024 was as follows:

	\$
2022	700 000 (Fully taxable)
2023	850 000 (Fully taxable)
2024	1 010 000 (Fully taxable)

Assume a tax rate of 30%. NAMRA indicated that the new inventory cost method will be considered only from the 2024 onwards (i.e. prior year assessments will not be reopened).

Retained earnings on 1 January 2023 amounted to \$1 455 000 and on 31 December 2023 to \$1 950 000. The issued share capital consists of 1 000 000 ordinary shares that were issued at \$1 each. Assume that a dividend of \$100 000 is paid annually.

Required:

Disclose the above information in the statement of profit or loss and other comprehensive income and statement of changes in equity of Shamah Ltd for the year ended 31 December 2024. **(30 marks)**

QUESTION 4 (25 marks)

Smart Limited enters a contract with Property Limited for the lease of three floors of an office building. The exact floors are specified in the contract and Property Limited is not permitted to relocate tenants to other floors of the building.

The commencement date of the lease is July 2024 and the duration of the lease is for five years with the option to extend for a further five years. Smart Limited is reasonably certain to exercise the option to extend the lease.

The lease payments are N\$50 000 per annum during the initial term and N\$55 000 per annum during the optional term, all payable in advance.

Smart Limited incurred initial direct costs of N\$20 000, comprising N\$15 000 as compensation to the tenant formerly occupying the three floors and N\$5 000 as agents commission. These are paid on 1 July 2024. Property Limited agrees to reimburse the N\$5 000 agents commission.

The interest rate implicit in the lease is not readably determinable. Smart Limited's incremental borrowing rate is 5% per annum. The following present value table is provided:

	<u>PV factor</u>
Present value annuity in advance of N\$1 for years 1 to 5, discounted at 5%	4,5459
Present value annuity in advance of N\$1 for years 6 to 10, discounted at 5%	3,5619

Required:

- a) Calculate the amount to record as the initial lease liability and the right of use asset, explaining your answer. **(15 marks)**
- b) Prepare the journal entries in the accounting records of Smart Limited for the year ended 30 June 2025 and 30 June 2026. **(10 marks)**
Ignore tax.