



**NAMIBIA 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> 07BGAC	<b>LEVEL:</b> 6
<b>COURSE CODE:</b> FAC612S	<b>COURSE NAME:</b> FINANCIAL ACCOUNTING 202
<b>DATE:</b> November 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>	Dr. D. R. Muzira, Ms. A Gustav, Ms. V. Ueitele, Mr. M, Nghiludile and Mr. C. Mahindi
<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 6 PAGES** (excluding this front page)

**QUESTION 1****(25 marks)**

BrightFarms (Pty) Ltd is a local agricultural company. They operate commercial greenhouses and provide fresh vegetables and herbs to restaurants, grocery stores, and local markets. BrightFarms does not sell directly to individual consumers but operates under contracts with several large clients. The company has a 31 December year end.

The accounting profit before tax for the financial year ended 31 December 2024 is N\$1,200,000. Included in the accounting profit before tax are non-taxable government agricultural grants of N\$250 000 and donations made of N\$4 500.

The company acquired a new set of greenhouse equipment on 1 January 2024 for N\$1,500,000. The equipment has a useful life of four years and a residual value of N\$270 000. In terms of the Income Tax Act, 1/3 of the cost of the asset is allowed as a tax deduction, not apportioned for part of a year. The old equipment, with a carrying amount of N\$300 000 was sold for N\$360 000. The tax base on date of sale was N\$280 000.

Annual price adjustments are implemented on 1 January. However, BrightFarms decided to implement a new pricing strategy whereby it offers clients a 10% discount on annual supply contracts if they pay the full amount in advance. A group of restaurants decided to take up the offer and paid the full amount of N\$210 000 on 28 December 2024. BrightFarms is then contractually bound to supply fresh produce for the year ended 31 December 2025.

The 2024 tax rate is 30%.

**Required:**

- a) Calculate the Current tax payable of BrightFarms (Pty) Ltd as at 31 December 2024. **(12)**
- b) Calculate the Deferred tax balance of BrightFarms (Pty) Ltd as at 31 December 2024 using the Statement of Financial Position approach **(6)**
- c) Prepare the income tax expense note for the reporting period ended 31 December 2024 of BrightFarms (Pty) Ltd. **(7)**

**Question 2****(25 marks)**

Eco Friendly (Pty) Ltd is a specialist manufacturer of ergonomic furniture. The company has a reporting period that ends on 31 December.

The following information was extracted from the records of Eco Friendly (Pty) Ltd for the reporting period ended 31 December 2024.

**Assets, liabilities and equity as at 31 December 2024 and 31 December 2023**

	Additional information	2024 N\$	2023 N\$
Investment in subsidiary – cost	2	575 000	-
Financial investments in listed shares - fair value	3	1 400 000	990 000
Land – cost		1 760 000	1 760 000
Mortgage bond	4	(1 689 000)	(1 550 000)
Plant – cost	5	2 450 000	2 450 000
Loan: ABC Bank	5	(1 755 000)	(1 950 000)
Accumulated depreciation – Plant	5	(1 225 000)	(980 000)
Accumulated impairment – Plant	5	(78 000)	-
Vehicles	6	1 400 000	1 350 000
Accumulated depreciation - Vehicles	6	(975 000)	(950 000)
Trademarks	7	655 000	745 000
Accumulated amortisation - Trademarks	7	(290 000)	(245 000)
Accumulated impairment - Trademarks	7	(37 000)	(29 000)
Bank		1 019 000	1 171 000
Call deposit		167 000	152 000
Trade receivables	8	370 000	245 000
Trade inventories	9	208 000	165 000
Dividends receivable	2	57 000	-
Ordinary share capital		(2 300 000)	(2 050 000)
Retained earnings	10	(980 000)	(545 000)
Trade payables		(345 000)	(315 000)
Income received in advance	11	(24 000)	-
Provision for warranty claims		(105 000)	(75 000)
Shareholders for dividends		(190 000)	(230 000)
Income tax payable		(68 000)	(109 000)
		<b>0</b>	<b>0</b>

**Additional information:**

- 1 The sales for the reporting period ended 31 December 2024 amounted to N\$2 350 000.
- 2 On 18 February 2024, Eco Friendly (Pty) Ltd acquired 2% of the shares in

Upholstery Goods (Pty) Ltd. On 31 December 2024, Upholstery Goods (Pty) Ltd declared a dividend of N\$57 000 which was paid on 15 January 2025.

- 3 On 1 January 2024, the investment in listed shares represents 30 000 shares in a listed company, Fit Furn Ltd. On 15 August 2024, Eco Friendly (Pty) Ltd bought an additional 5 000 shares in Fit Furn Ltd when they were trading at N\$35 per share. No shares in the listed investment were sold during the year.

Eco Friendly (Pty) Ltd received dividends of N\$105 000 from Fit Furn Ltd during the year.

- 4 The mortgage bond was used for the financing of the land. The instalment including the interest is payable on 31 December each year. However, due to an oversight, the instalment for 2024 has not been paid and the interest expense for the African Packaging has been capitalised to the mortgage bond.
- 5 The plant was financed by a loan from ABC Bank. An instalment of N\$240 000 was paid on the loan. There were no additions to the loan facility.
- 6 During the year, a vehicle with a cost price of N\$350 000 and a carrying value of N\$50 000 was involved in an accident and was written off. The insurance company paid out N\$400 000 which was used to replace the vehicle. No other vehicles were purchased or disposed of during the year.
- 7 A trademark with a cost of N\$200 000 and a carrying value of N\$95 000 was sold for a loss of N\$5 000. No impairments have ever been recorded on this trademark.
- 8 Trade receivables are presented net of the allowance for doubtful debts. The allowance for doubtful debts was decreased by N\$70 000 during the reporting period.
- 9 On 31 December 2024, it was discovered that trade inventories with a carrying value of N\$55 000 would only be sold for N\$40 000 as a result of minor defects.
- 10 Retained earnings on 31 December 2023 reconciles as follows with retained earnings on 31 December 2024:

	<b>Retained</b>
	<b>N\$</b>
Balance at 31 December 2023	545 000
Profit for the year before tax	1 050 000
Income tax expense for the year	(275 000)
Dividend – ordinary	(340 000)
Balance at 31 December 2024	980 000

- 11 The profit before tax accurately reflects all the transactions that transpired during the year.
- 12 Income received in advance relates to an order that was placed by a customer who insisted on paying in advance so that his order would be prioritised.

- 13 The cash payments to suppliers and employees as it appears in the statement of cashflows has correctly been determined to be N\$1 081 000.

**Required:**

- a) Present the statement of cashflows of Eco Friendly (Pty) Ltd for the reporting period ended 31 December 2024 using the direct method. Show all workings. (25)

**Question 3**

**(25 marks)**

**This question consists of two unrelated parts:**

**PART A**

**(10 marks)**

1. On 31 January 2025, the marketing director of Sunrise Airways Ltd informed management of the possibility that the company's new logo, which appears on all its aircraft, would have to be changed after complaints had been received from its main competitor, Tropical Airlines Ltd. The competitor claimed that the new logo was similar to its own logo and started legal proceedings against Sunrise Airways Ltd. However, on 28 February 2025, the legal advisors of Sunrise Airways Ltd were of the opinion that it is not probable that Tropical Airlines Ltd will be successful with their legal claim against the company.
2. After a review of the company's insurance policy covering possible claims from passengers for damaged or lost baggage and flight delays, the financial director of Sunrise Airways Ltd recommended that the company cancel their current insurance policy with Quicksure Ltd on 1 March 2025 and self-insure in future. Based on previous years' records, the financial director estimated that these claims from passengers amounted to approximately N\$240,000 a year. For the year ended 28 February 2024, 25 claims amounting to N\$185,000 in total were submitted by passengers. On 27 February 2024, it was probable that these claims of N\$185 000 would be successful. On 15 April 2024, the court ruled that an amount of N\$178 000 should be paid for all the claims submitted during the previous financial year, which was subsequently paid out. Claims amounting to N\$260 000 in total were submitted by passengers during the year ended 28 February 2025. The final outcome of these claims will be determined during the court hearings scheduled for April 2025. On 28 February 2025, Sunrise Airways Ltd's legal advisors advised the company that the possibility is remote that the company will be found liable for N\$65 000 of the claims submitted during the current financial year due to incomplete records.

**Required:**

- i. Prepare the journal entries for the above-mentioned transactions in the books of Sunrise Airways Ltd for the year ended 28 February 2025. (6)

- ii. Disclose the Contingent liability in the notes to the annual financial statements of Sunrise Airways Ltd for the year ended 28 February 2025 according to the requirements of IAS 37, Provisions, contingent liabilities and contingent assets. (4)

**PART B**

**15 marks**

Dripp Limited's had the following as events that occurred or information became available between 1 July 2025 and 31 August 2025 (the date the financial statements were authorised for issue): Dripp's reporting period ended 30 June 2025.

- a. A debtor that owed Dripp N\$160 000 at year-end had their factory destroyed in a labour strike in June 2025. As a result, this debtor has filed for insolvency and will probably pay 40% of the balance owing. Dripp was unaware of this debtor's financial difficulties on 30 June 2025.
- b. Dripp declared a dividend on 20 August 2025 of N\$200 000.
- c. A debtor that owed Dripp N\$10 000 at year-end was in financial difficulties at year-end and, as a result, Dripp processed an impairment loss adjustment of N\$2 000 against this account. In July 2025, the debtor's lawyers announced that it would be paying 70% of all debts.
- d. Inventory carried at N\$120 000 at year-end was sold for N\$100 000 in July 2025. It had been damaged in a flood during May 2025.
- e. Current tax expense of N\$45 000 had been incorrectly debited to rent revenue in June 2025.

**Required:**

None of the above events has yet been considered. For each event, explain whether the event is an adjusting or non-adjusting event after the reporting period. If the event is an adjust event, provide the relevant journal entries. (15)

**Question 4****(25 marks)**

SunnyBird Ltd purchased 100 000 debentures from NestEgg Ltd on 1 January 2025 at their fair value of N\$21,50 per debenture. The debentures were purchased for collecting contractual cash flows of interest and principal only on specified dates.

The debentures have a face value of N\$20 per debenture, and interest is paid annually on 31 December at a coupon interest rate of 12% per annum. The debentures will be redeemed on 31 December 2029 at their face value. SunnyBird Ltd incurred transaction costs of N\$25 000 when it purchased the debentures.

The effective interest rate (IRR) of debentures is 9,7089%.

**Required:**

- a. Discuss how the investment in the debentures would be classified and measured in terms of IFRS 9, in the financial statements of SunnyBird Ltd. (8)
- b. Prepare all the journal entries (except for any impairment journal entries) relating to the investment in the debentures for the financial year ending 31 December 2025 and 2026. Journal narrations are required. Show all workings. (17)

**END OF EXAMINATION QUESTION PAPER**