



PAMIBIA 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: January 2025	PAPER: THEORY AND CALCULATIONS
DURATION: 3 hours	MARKS: 100

2ND OPPORTUNITY EXAMINATION – QUESTION PAPER	
EXAMINER(S)	D. R. Muzira /D. Kamotho
MODERATOR:	M Tondota

INSTRUCTIONS

1. Answer ALL questions in blue or black ink only.
2. Capture your full name, student number and assessment number on the first page.
3. Write clearly and neatly.
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 9 PAGES (Including the front page)

Question 1

(25 marks)

Part A

Queen Ltd has an investment property in the form of an office building in Windhoek which was acquired for rental purposes on 1 January 2021 at a cost of \$440 000. Land & buildings are revalued by a sworn valuer at the end of the year. The valuation report had the following values based on the different ways in which Queen Ltd could benefit from the asset:

	2023 N\$	2022 N\$
Selling price	740,000	580,000
Office building (current use-rented out)	650,000	600,000
Residential (rent out for domestic use)	800,000	620,000

Additional information

It is physically possible and legally permissible to use the building for residential purposes. The cost of converting the office building to residential property are insignificant. The report noted that the area in which the plot is located was de-designated (disallowed) for residential accommodation by the municipality at the beginning of 2022.

Required:

Determine the fair value in 2022 and 2023 (justify your answers) (5 marks)

Part B

Outline the steps to be taken where control is attained in a piece meal acquisition.

(20 marks)

Question 2

(25 marks)

Statement of Financial position as at 31 December 2022		
	P Ltd	S Ltd
	N\$ '000'	N\$'000'
Assets		
Non-Current assets:		
Property Plant & Equipment	46,380	9,120
Investment in S Ltd (cost)	7,464	-
	53,844	9,120
Current assets	15,240	2,640
Total Assets	69,084	11,760
Equity & Liabilities		
Share capital (N\$1 per share)	12,240	960
Revenue Reserves	47,904	9,480
	60,144	10,440
Current liabilities	8,940	1,320
Total equity & liabilities	69,084	11,760
Statement of profit or loss and other comprehensive income for the year ended 31 December 2022		
	N\$ '000'	N\$'000'
Revenue	12,240	4,800
Cost of sales & Expenses	(10,800)	(4,320)
Profit Before Tax	1,440	480
Income tax Expense	(432)	(96)
Profit After Tax	1,008	384
Other comprehensive income		
Gain on property revaluation net of tax	288	96
Total comprehensive income	1,296	480

Additional Information:

1. P Ltd acquired 25% of S Ltd on 1 January 2021 for N\$2,424,000 and exercised significant influence over the financial and operating policy decisions of S Ltd.
2. The FV of S's identifiable assets & liabilities as at 1 January 2021 was equivalent to their book value. S Ltd's reserves stood at N\$6,960,000.
3. A further 35% stake was acquired by P Ltd in S Ltd on 30 September 2022 for N\$5,040,000. The fair value of S Ltd's identifiable assets and liabilities as at that date was N\$11,040,000 and S Ltd's revenue reserves stood at N\$9,360,000. As at 30 September 2022, S Ltd's share price was N\$14.50.
4. The difference between the fair value of the identifiable assets and liabilities of S Ltd and their book value was due to brands. The brands were estimated to have an average remaining useful life of 5 years from 30 September 2022.
5. Income and expenses are assumed to accrue evenly over the year. Neither company paid dividend during the year and neither issued any shares.
6. P Ltd elected to measure NCI as at the date of acquisition at fair price.
7. There is no impairment loss on goodwill as at 31 December 2022 while amortisation of brands is classified in cost of sales.

Required:

Consolidated statement of profit and loss and other comprehensive income for the year ended 31 December 2022. (25 marks)

Question 3**(25 marks)**

- a) Your Managing director does not understand the meaning of 'deferred tax'.
Explain to him how deferred tax arises in an organization (5 marks)
- b) X Ltd has machinery that is traded in three different markets as shown below:

	Market A	Market B	Market C
	N\$'000'	N\$'000'	N\$'000'
Volume (annual)	20 000	12 000	10 000
Price	10 000	9 800	11 000
Transport cost	(500)	(500)	(550)
Transaction cost	(200)	(200)	(120)

Required:

- a) Identify the principal market (2)
- b) Identify the most advantageous market (2)
- c) Determine the fair value of the machinery (justifying your answers) if the following assumptions are made:
- i. Market A is the principal market. (4)
 - ii. Market B is the principal market. (4)
 - iii. Market C is the principal market (4)
 - iv. There is no principal market for the machinery (4)

(justify your answers)

Question 4**(25 marks)**

Financial statements of Pee Ltd and subsidiaries for the year ended 31 March 2024.

Consolidated income statements for the year ended 31 March 2024

	N\$	N\$
Sales		875,630
Opening Inventory	61,600	
Purchases	<u>540,908</u>	
	602,508	
Less closing Inventory	<u>130,730</u>	<u>471,778</u>
Gross profit		403,852
Expenses:		
Selling & distribution	72,140	
Administration	80,200	
Interest paid	2,500	
Goodwill written-off	<u>5,000</u>	<u>159,840</u>
Operating profit		244,012
Taxation		<u>(46,830)</u>
Profit after tax		197,182
Attributable to:		
Group		174,822
Non-controlling interest		22,360
		197,182

Consolidated Statement of financial positions as at 31 March.

	31 March 2024	31 March 2023
	N\$	N\$
N\$1 ordinary shares	100,000	100,000
Retained profit	256,462	81,640
Non-controlling interest	<u>41,040</u>	<u>18,680</u>
	<u>397,502</u>	<u>200,320</u>
Non-current assets	181,820	173,320
Goodwill	-	5,000
Inventory	130,730	61,600
Debtors & prepayments	224,012	30,500
Bank & cash balances	12,440	35,800
Less current liabilities:		
Trade creditors	(97,360)	(44,700)
Taxation	<u>(54,140)</u>	<u>(61,200)</u>
	<u>397,502</u>	<u>200,320</u>

Additional information

1. Some non-current assets were sold for N\$33,000 cash.
2. Sar Ltd, another subsidiary, was acquired during the year. A Cash payment of N\$ 72,600 was made for a 100% interest in that company. The relevant assets and liabilities acquired were:

Plant & Machinery	N\$ 41,500
Inventories	53,600
Prepayments	8,400
Bank & cash balances	6,240
Creditors	37,140

Required:

Prepare the consolidated statement of cash flows for Pee Group for the year ended 31 March 2024 in accordance with IAS7. **Use the indirect method.**

(25 marks)

END OF QUESTION PAPER

Present Value Table										
Year	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%
1	0.990	0.980	0.971	0.962	0.952	0.943	0.935	0.926	0.917	0.909
2	0.980	0.961	0.943	0.925	0.907	0.890	0.873	0.857	0.842	0.826
3	0.971	0.942	0.915	0.889	0.864	0.840	0.816	0.794	0.772	0.751
4	0.961	0.924	0.888	0.855	0.823	0.792	0.763	0.735	0.708	0.683
5	0.951	0.906	0.863	0.822	0.784	0.747	0.713	0.681	0.650	0.621
6	0.942	0.888	0.837	0.790	0.746	0.705	0.666	0.630	0.596	0.564
7	0.933	0.871	0.813	0.760	0.711	0.665	0.623	0.583	0.547	0.513
8	0.923	0.853	0.789	0.731	0.677	0.627	0.582	0.540	0.502	0.467
9	0.914	0.837	0.766	0.703	0.645	0.592	0.544	0.500	0.460	0.424
10	0.905	0.820	0.744	0.676	0.614	0.558	0.508	0.463	0.422	0.386
	11%	12%	13%	14%	15%	16%	17%	18%	19%	20%
1	0.901	0.893	0.885	0.877	0.870	0.862	0.855	0.847	0.840	0.833
2	0.812	0.797	0.783	0.769	0.756	0.743	0.731	0.718	0.706	0.694
3	0.731	0.712	0.693	0.675	0.658	0.641	0.624	0.609	0.593	0.579
4	0.659	0.636	0.613	0.592	0.572	0.552	0.534	0.516	0.499	0.482
5	0.593	0.567	0.543	0.519	0.497	0.476	0.456	0.437	0.419	0.402
6	0.535	0.507	0.480	0.456	0.432	0.410	0.390	0.370	0.352	0.335
7	0.482	0.452	0.425	0.400	0.376	0.354	0.333	0.314	0.296	0.279
8	0.434	0.404	0.376	0.351	0.327	0.305	0.285	0.266	0.249	0.233
9	0.391	0.361	0.333	0.308	0.284	0.263	0.243	0.225	0.209	0.194
10	0.352	0.322	0.295	0.270	0.247	0.227	0.208	0.191	0.176	0.162
	21%	22%	23%	24%	25%	26%	27%	28%	29%	30%
1	0.826	0.820	0.813	0.806	0.800	0.794	0.787	0.781	0.775	0.769
2	0.683	0.672	0.661	0.650	0.640	0.630	0.620	0.610	0.601	0.592
3	0.564	0.551	0.537	0.524	0.512	0.500	0.488	0.477	0.466	0.455
4	0.467	0.451	0.437	0.423	0.410	0.397	0.384	0.373	0.361	0.350
5	0.386	0.370	0.355	0.341	0.328	0.315	0.303	0.291	0.280	0.269
6	0.319	0.303	0.289	0.275	0.262	0.250	0.238	0.227	0.217	0.207
7	0.263	0.249	0.235	0.222	0.210	0.198	0.188	0.178	0.168	0.159
8	0.218	0.204	0.191	0.179	0.168	0.157	0.148	0.139	0.130	0.123
9	0.180	0.167	0.155	0.144	0.134	0.125	0.116	0.108	0.101	0.094
10	0.149	0.137	0.126	0.116	0.107	0.099	0.092	0.085	0.078	0.073