UNAM
UNIVERSITY OF NAMIBIA

Faculty	**Commerce, Management and Law**		
School	**School of Accounting**		
Subject	**Financial Accounting 2A**		
Subject Code	**AFE 3781**		
Date	**June / July 2026**		
Duration	**180 Minutes**	**Marks**	**100**

FIRST OPPORTUNITY EXAMINATION

Examiner(s)	**F.HAMUNIME**
Moderator	**C.MHAKA**

This question paper consists of 9 pages (including this front page).

Instructions to candidates:

1. **Make sure that you are writing the correct examination paper.**
2. **Make sure that you are handed the correct examination answer book by the invigilator.**
3. **Show all calculations, where applicable.**
4. **Start each question on a new page.**
5. **No pencil work will be marked.**
6. **Answer all the questions using: appropriate arrangement and presentation; clarity of explanation; logical arguments; and clear and concise language.**
7. **Use of a non-programmable pocket calculator is permissible.**
8. **Manage your time wisely.**
9. **Round all amounts to the nearest Namibian dollar and all percentages to two decimal places.**
10. **Assume that all amounts are material except where the contrary is stated.**
11. **Smart watches are NOT allowed.**
12. **Hand in your examination answer book in time, no examination answer book will be accepted after the examination.**

QUESTION 1 **25 Marks (45 Minutes)**

Section A

A company that manufactures jeans incurred the following expenses during the year ended 31 March 2025:

	N$
Raw material purchases	400 000
Direct wages paid[1]	750 000
Supervisors' wages[2]	100 000
Wage payroll expense[3]	40 000
Factory rental	800 000
Factory repairs and maintenance	20 000
Selling expenses	1 000
Electricity - offices	5 000
Electricity - factory	15 000
Administration costs	65 000

Additional information:

1. During the year the workers were on a go-slow strike and productivity was 70% of normal time. The Company still had to pay 100% of the wages, leading to wastage of both labour costs and overhead costs.

2. The Supervisors are all paid the same wages. 60% are employed in the factory and 40% in administration.

3. The wage payroll expense of N$ 40 000 is split between manufacturing and administration based on the ratio of wages (direct wages and supervisors' wages) capitalised against inventory to those expensed.

4. The company uses all of its plant, which cost N$ 240 000 three years ago, in the production of jeans.

5. The company's delivery vehicle cost N$100 000 three years ago. The vehicle is used exclusively to deliver goods to the company's major customers.

6. Depreciation is computed on the straight-line method, at 20% p.a. on plant, and 25% p.a. on vehicles.

7. The company managed to produce (and has budgeted to produce) 20 000 pairs of jeans for the year ended 31 March 2025, despite the go-slow strike.

8. Finished goods inventory consisted of 2 000 pairs of jeans at 31 March 2025 (2024: nil).

9. Raw material on hand at 31 March 2025 amounted to 20% of the raw materials purchased during the year (2024: nil).

10. There is no work in process (closing and opening) and no consumable stores (closing and opening).

11. The company has a policy of capitalising all costs permitted by IFRS.

12. The company has a policy to add the cost of wastage to the cost of sales.

Section B

Matava Limited ("Matava") is in the computer application software development business. They are constantly on the outlook for new developments that can be sold to smartphone users.

Sipho Malake has spent the past three years in developing a bank application ("Bapp") that will dramatically change the way internet banking is done. He decided to present his prototype of "Bapp" as "for sale" to Matava's Managing Director, Bob Searle, who immediately realised that this app will sell in millions, once completely developed.

Sipho incurred expenses of N$745 340 in developing "Bapp" up to 31 March 2022. Research constituted N$145 340 of this amount, and the balance was development cost. Bob offered Sipho an appointment in the post as Chief "Bapp" developer at a monthly salary of N$50 000 starting 1 April 2022. He also agreed to purchase the "Bapp" for N$900 000 from Sipho. Sipho spent one month training staff of Matava on how to further develop "Bapp" and development started on 1 May 2022.

A summary of the payments made to purchase and develop "Bapp" is as follows for the year ended 31 March 2023:

Date	Paid To:	Description of expenditure	Amount (N$)
1 Apr 2022	Sipho Malake	Purchase of "Bapp"	900 000
1 Apr 2022 - 31 Mar 2023	Sipho Malake	Salary	600 000
1 Apr 2022 - 31 Mar 2023	"Bapp" development staff	Salaries (spread evenly over 12 months @ R200 000 per month)	2 400 000
1 Aug 2022	Graham Gordan	Installation advisor	200 000
31 Aug 2022	Cuco Caterers	Launch party of 'Bapp"	80 000
31 Aug 2022	Adco advertising agency	Announcement in media countrywide of release of "Bapp"	150 000
1 Sept 2022	Internet Kings	Development of website on which "Bapp" can be purchased	1 500 000

Additional information:

1. Matava uses the revaluation model (NRV method) to account for intellectual properties such as applications, and the cost model for websites. Revaluations are done annually at the end of the financial year. As there is an active market in the buying and selling of applications for smartphones, the fair value of the "Bapp" at 31 March 2023 was determined as N$2 000 000.

2. The "Bapp" was completed 31 August 2022 and sales started on 1 September 2022.

3. Sipho and the development staff were actively involved in the support and maintenance of "Bapp" for the period 1 September 2022 to 31 March 2023.

4. The estimated life of the "Bapp" application as well as the website is three years each.

5. The payment to Graham Gordan was necessary to finally commission the "Bapp" application.

REQUIRED		**MARKS**	
		Subtotal	**Total**
(a)	Calculate the value of the closing inventory on 31 March 2025 ***(Refer to Section A above).***	15	15
(b)	Journalise all of the above transactions in the books of Matava Limited for the year ended 31 March 2023 ***(Refer to section B Above)***	10	10
TOTAL MARKS			**25**

Question 2 **25 Marks (45 Minutes)**

Vertex Ltd ("Vertex") is a company in the technology industry. This industry is extremely vibrant and companies are very innovative, leading to constant change in the value of the plant that produces the products. Vertex purchased the plant on 1 March 2019 for N$ 30 000 000 paying in cash. The residual value was estimated at N$0. The carrying amount at 28 February 2020 was N$20 000 000. The plant is depreciated annually using the straight-line basis.

Vertex has a 28 February year end. The revaluation model is used to account for plant in the company's records and the gross replacement value method is utilised. It is the policy of Vertex to determine the fair values of the plant at the end of each financial year.

The fair value of the plant was determined on 28 February 2020 by SIP Valuations Services, an independent valuer. The valuer uses the income approach and inputs are based on market expectations of future net cash inflows from the use of the asset (inputs are level one inputs). The fair value was finalised at N$5 000 000 less than the carrying amount at that date. The recoverable amount was not less than the carrying amount.

Towards the end of the 2021 financial year, the plant was again revalued by the same valuer to a fair value of N$11 000 000.

The entity intends keeping the plant in its existing use and recovering the carrying amount of the equipment through use. The company transfers the maximum from the revaluation surplus to retained earnings on an annual basis.

Vertex also has land that was acquired on 1 March 2019. The cost price was N$10 000 000. The cost model is used to account for land. Depreciation is not provided on land.

Profit before tax before accounting for any expenses or income relating to the equipment is as follows:

	2021	**2020**
Profit before tax	N$ 35 000 000	N$ 29 000 000

REQUIRED		**MARKS**	
		Subtotal	**Total**
(a)	Prepare the following disclosure for property, plant and equipment in accordance with International financial reporting standards for the year ended 2021:		
	i) Accounting policy (3.5)	3.5	
	ii) Property, plant and equipment note	15.5	
	iii) Statement of comprehensive income	6	25
TOTAL MARKS			**25**

Question 3 **25 Marks (45 Minutes)**

Freeholds Limited

Freeholds Limited, a company with a 31 December year-end, sells and buys properties. During the year ended 31 December 2023 the following contract(s) in terms of IFRS 15, Revenue from Contracts with Customers were identified where the accountant was unsure about the accounting treatment thereof. VAT rate is 15%.

Freehold Contract 1:
During the current year Freeholds Ltd has sold one of their properties to Getu Ltd for N$5 800 000 including VAT. Getu Ltd has the intention to use the property purchased from freeholds as an office building and has no intention of selling it in the near future. Included in the sale contract is a clause that states that Freeholds Ltd will be entitled to an additional 5% on any future sale of the property by Getu Ltd, if it were to be sold for more than N$9 000 000 including VAT.

Aircooler Limited
Aircooler Ltd, a company with a 31 March year-end, sells, installs, repairs and services air conditioners. During the year ended 31 March 2023 the following transactions in terms of IFRS 15, Revenue from Contracts with Customers was incurred. Aircooler Ltd have made no accounting entries for these transactions. Furthermore, Aircooler machines can only be used after it has been installed. A market related interest rate is 12% per year, compounded annually.

Aircooler Contract 2:
An agreement was established between Aircooler Limited and Freeholds Limited to supply and install an air conditioner for the new administration offices of Freeholds Limited. According to the agreement the Aircooler must be supplied and installed on 1 April 2022. Freeholds Limited develops shopping centres and Aircooler Limited wants to maintain a good client relationship with them, therefore Aircooler Limited agreed that Freeholds Limited can pay the full contract price of N$ 105 000 on 31 March 2024.

Aircooler Contract 3:
Aircooler Ltd repaired Wallace Limited's Aircooler on 1 February 2023. According to the contract, Aircooler Ltd must also service one other Aircooler on 30 April 2023. Wallace Ltd will only pay after the Aircooler has been serviced. Aircooler Ltd quoted Wallace Ltd N$ 24 000 for the repair and the service of the Aircoolers. No discount was granted on the contract.

Aircooler Contract 4:
Franc Limited purchased an Aircooler from Aircooler Ltd on 15 March 2022. Aircooler Limited delivered the air conditioner at Franc Limited's premises on 20 March 2022 but could only perform the installation on 3 April 2022. Franc Limited paid the full agreed upon sales price of N$ 105 000 to Aircooler Limited on 15 March 2022. The installation process is quite complex and can only be done by the specialised technicians of Aircooler Ltd.

REQUIRED		MARKS	
		Subtotal	**Total**
(a)	Discuss in detail what the transaction price should be for the above freehold contract 1 in the accounting records of Freeholds Ltd in accordance with IFRS 15, Revenue from Contracts with Customers for the year ended 31 December 2023	10	10
(b)	Show how the above transactions of the Aircooler Contract 2, Aircooler Contract 3, Aircooler and Aircooler contract 4 will be accounted for in accordance with IFRS 15, Revenue from Contracts with Customers, by providing the necessary journal entries of Aircooler Ltd for the year ended 31 March 2023	10	10
(c)	Briefly explain the steps that should be followed in accounting for revenue according to IFRS 15, Revenue from Contracts with Customers.	5	5
TOTAL MARKS			**25**

Question 4 **25 Marks (45 Minutes)**

Goolam Ltd ("Goolam"), the parent company of the Goolam group that mainly provides wholesale Goolam, Getto and dune spice sales across the country. Goolam's reporting period ends on the year-end calendar. The reporting date for all subsidiaries within the group is also 31 December 2025.

The following are the condensed financial statements of Goolam Ltd and its subsidiary Getto Ltd ("Getto") which was acquired after Goolam Ltd acquired 70% of the issued share capital of Getto.

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2025

	Goolam Ltd N$	Getto Ltd N$
Non-current assets	**780 000**	**275 000**
Property, plant and equipment	405 000	275 000
Investment in Getto Ltd at cost price / market price	350 000	-
Other non-current assets	25 000	
Current assets	**92 500**	**135 000**
Trade receivables	27 500	90 000
Cash and bank	65 000	45 000
	872 500	**410 000**
Equity	**850 000**	**352 500**
Share capital (2 000 000 | 750 000 shares)	400 000	150 000
Retained earnings	425 000	202 500
General reserve	25 000	-
Current liabilities		
Trade and other payables	56 250	57 500
	872 500	**410 000**

EXTRACT FROM THE STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2025

	General Reserve	Retained earnings	
	Goolam Ltd N$	Goolam Ltd N$	Getto Ltd N$
Balance as at 1 January 2025	20 000	400 000	175 000
Changes in equity for 2025			
Total comprehensive income for the year:			
Profit for the year	-	50 000	32 500
Other comprehensive income	25 000	-	-
Dividend		(25 000)	(5 000)
Balance as at 31 December 2025	**25 000**	**425 000**	**202 500**

EXTRACT FROM THE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2025

	Goolam Ltd N$	Getto Ltd N$
Revenue	590 000	406 250
Cost of Sales	390 000	266 250
Gross Profit	200 000	140 000
Depreciation	(21 000)	(13 375)
Finance costs	(11 000)	(4 000)
Other expenses	(109 000)	(76 000)
Profit	59 000	40 625
Dividend received from Getto Ltd	3 500	-
Profit before tax	62 500	48 750
Income tax expense	(12 500)	(8 125)
PROFIT FOR THE YEAR	50 000	32 500
Other comprehensive income		
Foreign currency translation gain	5 000	-
Other comprehensive income for the year	5 000	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	55 000	32 500

Additional notes

1. On 1 January 2021, the date at which Goolam Ltd acquired the shareholding in Getto Ltd, the financial statements of Getto Ltd showed the following credit balance: *Retained earnings N$ 75 000*
2. Please note that identifiable assets acquired and liabilities assumed at acquisition date are shown at their acquisition-date fair values, as determined in terms of IFRS 3.
3. Goolam Ltd elected to measure the non-controlling interests in Getto Ltd at its proportionate share of the acquiree's identifiable net assets at acquisition date.
4. Ignore tax implications.

Required:

a) Prepare the analysis of the share holders' equity of Getto Ltd as at the acquisition date and show the calculation of goodwill or gain on bargain purchase where applicable. (5)

b) Prepare the necessary pro-forma journal entries. *No journal narrations are required.* (10)

c) Prepare a Statement of profit or loss and other comprehensive income for the year ended 31 December 2025 of the Goolam group in accordance with International Financial Reporting Standards ("IFRS"). *Notes and comparative figures are not required. The revenue, cost of sales, gross profit and different income and various expense items needs to be clearly indicated on the Statement of profit or loss and other comprehensive income for the year. One (1) mark will be allocated for Presentation Skills.* (10)

THE END