



A F R I C A

UNIVERSITY

COLLEGE OF BUSINESS AND MANAGEMENT SCIENCES

NMAC 401: ADVANCED ACCOUNTING

END OF FIRST SEMESTER EXAMINATIONS

NOVEMBER 2025

LECTURER: R CHIHOWA

TIME: 3 HOURS

INSTRUCTIONS

1. This paper contains **four** questions.
2. Answer **All** questions.
3. Start each question on a new page.

Question 1 (25 Possible marks)

Below are the Statements of Financial Positions of three companies as at 31 December 2024

| | Eco | Deco | Peco |
|-------------------------------------|---------------------|---------------------|---------------------|
| | \$ | \$ | \$ |
| Noncurrent assets: | 3,040,000.00 | 1,000,000.00 | 700,000.00 |
| Property, Plant and Equipment | 2,000,000.00 | 1,000,000.00 | 700,000.00 |
| 720 000 Shares Deco | 740,000.00 | | |
| 147 000 Shares in Peco | 300,000.00 | | |
| Current assets: | 640,000.00 | 1,060,000.00 | 400,000.00 |
| Inventory | 400,000.00 | 700,000.00 | 200,000.00 |
| Receivables | 200,000.00 | 300,000.00 | 150,000.00 |
| Cash | 40,000.00 | 60,000.00 | 50,000.00 |
| Total Assets | 3,680,000.00 | 2,060,000.00 | 1,100,000.00 |
| Equity: | 2,500,000.00 | 1,460,000.00 | 940,000.00 |
| Ordinary \$1 shares | 1,200,000.00 | 800,000.00 | 490,000.00 |
| Retained earnings | 1,300,000.00 | 660,000.00 | 450,000.00 |
| | 1,180,000.00 | 600,000.00 | 160,000.00 |
| Current liabilities: | 200,000.00 | 500,000.00 | 130,000.00 |
| Tax | 980,000.00 | 100,000.00 | 30,000.00 |
| Total Equity and Liabilities | 3,680,000.00 | 2,060,000.00 | 1,100,000.00 |

You are given the following information:

- i. Eco acquired its shares in Deco on 1 January 2024 when Deco's had retained losses of \$100 000.

- ii. Eco acquired its shares in Peco on 1 January 2024 when Po had retained earnings of \$20,000.
- iii. An impairment test at the year-end shows that goodwill for Deco remains unimpaired but the investment in Peco has impaired by \$5 500.
- iv. The Eco Group values the non-controlling interest using the fair value method. The fair value on 1 January 20X9 was \$160,000.

Required

Prepare Consolidated Statement of Financial position for Eco Ltd to comply with the standards. (25 Marks)

Question 2 (25 Possible marks)

- a) **Explain the reasons why companies may choose to operate as a group. (7 Marks)**
- b) **Discuss the indicators of significant influence as outlined in IFRS. (7 Marks)**
- c) **Define control according to the standards and analyze how control can be achieved without holding 50% of an entity's voting rights. (6 Marks)**

Eco Ltd has a number of assets held for sale and is uncertain about how to account for them.

d. Define the term "asset held for sale" according to IFRS 5 and outline the criteria that must be met for an asset to be classified as held for sale under IFRS 5 (5 Marks)

Question 3 (25 Possible marks)

Rico Ltd owns a building that previously served as its head office. As of 1 January 2022, the building had a carrying amount of \$450,000 under the cost model. At that time, the fair value of the property was \$550,000. After vacating the premises, the directors decided to retain the building for rental purposes and to take advantage of potential increases in property values. Rico Ltd measures its investment properties at fair value. By 31 December 2022, the fair value of the property had risen to \$675,000.

Required:

- a) **Describe how an entity should recognize and measure investment property as per IAS 40 (5 Marks).**
- b) **Explain the accounting treatment of the building in the financial statements of Rico Ltd for the year ending 31 December 2022. (12 Marks)**
- c) **Explain the concept of borrowing costs as defined in IAS 23. Specifically, detail when the capitalization of borrowing costs for qualifying assets commences, is suspended, and ceases according to IAS 23. (8 Marks)**

Question 4 (25 Possible marks)

(A) Zimco purchased of a new piece of machinery for its production line. The following costs are associated with the acquisition:

1. Purchase price of the machinery: \$120,000

2. Trade discount received: \$10,000
3. Transportation costs to the factory: \$5,000
4. Installation costs: \$8,000
5. Initial testing costs: \$2,000
6. Estimated dismantling costs at the end of the machinery's useful life of 10 years: \$15,000. The effective interest rate is 5%
7. Routine maintenance costs incurred: \$1,000

Required:

a) Discuss the recognition criteria and measurement requirements for an asset to be classified as Property, Plant, and Equipment (PPE) according to IAS 16. Provide examples (5 Marks).

b) Calculate the total cost of the machinery to be recognized as property, plant, and equipment, identifying which costs should be capitalized and which should not. (10 Marks)

(B) ZimCo has an item of land carried in its books at \$13,000. Two years ago, a slump in land values led the company to reduce the carrying value from \$15,000. This reduction was taken as an expense in the income statement. In the current year, there has been a surge in land prices, and the land is now worth \$20,000.

Required:

a) Account for the revaluation of the land in the current year, including any necessary journal entries. (6 Marks)

b) Discuss the impact of this revaluation on Zim Co's financial statements, including any implications for the income statement and equity. (4 Marks)

END OF EXAMINATION