



A F R I C A

UNIVERSITY

COLLEGE OF BUSINESS AND MANAGEMENT SCIENCES

NMAC 202: INTERMEDIATE ACCOUNTING I

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 Marks)

a) A multinational corporation, **Global Tech Solutions**, operates across various countries, including Zimbabwe, France, and Canada, each adhering to different accounting standards. These inconsistencies in financial reporting have made it challenging for investors to evaluate Global Tech Solutions' overall performance. The CFO is advocating for the adoption of International Financial Reporting Standards (IFRS) across all subsidiaries to streamline reporting and enhance transparency.

REQUIRED

- i. Discuss the advantages of harmonizing financial reporting standards in the context of Global Tech Solutions. (5 marks)
- ii. Identify and explain the potential challenges Global Tech Solutions may encounter while transitioning to IFRS. (4 marks)
- iii. What are the primary sources of regulation that influence financial reporting? (3 marks)

b) A newly established company, **Innovate Corp.**, is preparing its inaugural financial statements. The management team is unsure about how to structure their financial reporting and which principles to adhere to. They seek guidance on the conceptual framework of accounting to ensure their financial statements are compliant and informative for stakeholders.

REQUIRED

- i. Describe the purpose of the Conceptual Framework in financial reporting. (5 marks)
- ii. Reflect on the possible consequences if the company fails to follow the principles outlined in the conceptual framework. (4 marks)
- iii. What are some criticisms or limitations of the Conceptual Framework in its current iteration? (4 marks)

QUESTION 2 (25 Marks)

a) On 1 March 2024, **Home Audio Systems** receives an order from a customer for a premium sound system along with 12 months of technical support. The details of the order are as follows:

- **Sound System Price:** \$900
- **Technical Support Price:** \$300
- **Total Payment Received Upfront:** \$1,200
- **Delivery Date of Sound System:** 1 March 2024
- **Technical Support Period:** 12 months, commencing from the delivery date
- **Reporting Period:** Home Audio's reporting period concludes on 31 December 2024.

Utilizing the Five-Step Model for revenue recognition under IFRS 15, please address the following:

REQUIRED

- i. Identify the contract. (3 marks)**
 - ii. Specify the distinct performance obligations within the contract. (4 marks)**
 - iii. Calculate the transaction price (show your workings). (4 marks)**
 - iv. Allocate the transaction price to the performance obligations in the contract. (3 marks)**
 - v. Determine when revenue should be recognized as a performance obligation is satisfied. (3 marks)**
 - vi. Discuss how revenue recognition impacts the financial statements of Home Audio Systems. (8 marks)**
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QUESTION 3 (25 Marks)

On 1 July 2023, **EcoBuild Supplies** acquires a batch of sustainable building materials for \$35,000. The company incurs the following additional expenses:

- **Freight Costs:** \$1,500
- **Import Duties:** \$700
- **Handling Costs:** \$400
- **Storage Costs (necessary for production):** \$150
- **Costs of preparing inventory for sale (e.g., packaging):** \$60
- **Abnormal Wastage Costs:** \$30
- **General Storage Costs:** \$10
- **Administrative Overheads:** \$20
- **Selling Costs:** \$25

By 31 December 2023, EcoBuild sells part of its inventory. The remaining inventory consists of 600 units with the following details:

- **Cost per Unit:** \$25
- **Net Realizable Value (NRV) per Unit:** \$20

REQUIRED

- i. Calculate the total cost of the inventory that EcoBuild Supplies will recognize under IAS 2. (10 marks)**
 - ii. Determine the carrying amount of the remaining inventory at 31 December 2023 in accordance with IAS 2. (7 marks)**
 - iii. If EcoBuild Supplies needs to write down the inventory to its net realizable value, calculate the total write-down amount. (5 marks)**
 - iv. Discuss how inventory valuation affects financial performance and decision-making. (3 marks)**
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QUESTION 4 (25 Marks)

**FUTURE TECH COMPANY
INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2023**

	\$'000
Revenue	5,000
Cost of Sales	4,000
Gross Profit	1,000
Other Income: Interest Received	50
Distribution Costs	60
Administrative Expenses	300
Finance Costs	80
Profit Before Tax	610
Income Tax Expense	183
Profit for the Year	427

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	2023	2022
	\$'000	\$'000
Assets		
Non-current Assets		
Property, Plant and Equipment	500	400
Intangible Assets	300	250
Investments	50	0
	850	650
Current Assets		
Inventories	200	150
Receivables	400	390
Short-term Investments	60	0
Cash in Hand	20	10

	2023	2022
	680	550
Total Assets	1,530	1,200

Equity and Liabilities

Equity

Share Capital (\$1 Ordinary Shares)	300	250
Share Premium Account	200	180
Revaluation Surplus	120	100
Retained Earnings	350	250
Total Equity	970	780

Non-current Liabilities

Long-term Loan	200	100
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Current Liabilities

Trade Payables	120	150
Bank Overdraft	100	120
Taxation	40	50
	360	320

Total Liabilities	560	420
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Total Equity and Liabilities	1,530	1,200
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The following information is available:

- (a) The proceeds from the sale of non-current asset investments amounted to \$80,000.
- (b) Equipment, with an original cost of \$100,000 and a net book value of \$50,000, was sold for \$45,000 during the year.
- (c) 100,000 \$1 ordinary shares were issued during the year at a premium of \$0.50 per share.
- (d) The short-term investments are highly liquid and are close to maturity.
- (e) Dividends of \$40,000 were paid during the year.

REQUIRED

- a) Prepare a Statement of Cash Flows for the year ending 31 December 2023 following the format outlined in IAS 7. (17 Marks)**
- b) Discuss the significance of cash flow statements in financial reporting. (4 Marks)**
- c) List and briefly describe the components of a complete set of financial statements as outlined in IAS 1. (4 Marks)**

END OF EXAMINATION