



A F R I C A

UNIVERSITY

COLLEGE OF BUSINESS AND MANAGEMENT SCIENCES

NMAC 411: ADVANCED FINANCIAL 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)

EcoTech Zimbabwe is a manufacturer of energy appliances based in Harare. The CEO, Mr. Tendai Chirwa, has recently expressed uncertainty about Integrated Reporting after attending a preliminary meeting about its implementation. He is unsure how it applies to EcoTech and how it can benefit the company.

Mr. Chirwa has scheduled a meeting with you, the Chief Sustainability Officer, to seek clarification on Integrated Reporting. He wants to understand its purpose, components, and the potential impact it could have on the company's strategy and stakeholder communication.

- a) **Define Integrated Reporting and explain its primary purpose for EcoTech Zimbabwe. (7 Marks)**
- b) **Explain how each of the six capitals of Integrated Reporting contribute to the overall value creation of EcoTech? (8 Marks)**
- c) **Discuss three key benefits of adopting Integrated Reporting for EcoTech Zimbabwe. (5 Marks)**
- d) **Outline the initial steps EcoTech should take to implement Integrated Reporting. (5 Marks)**

QUESTION 2 (25 Possible Marks)

Tadya Ltd		
Statement of Comprehensive Income for the Year Ended 31 December 2023		
Description	\$	
Sales	10,500,000	
Cost of Goods Sold	-10,000,000	
Gross Profit	500,000	
Tadya Ltd		
Statement of Financial Position as at 30 December 2023		
Description	2022	2023
Assets	\$	\$
Non-Current Assets		

Property, Plant and Equipment	4,000,000	4,000,000
Accumulated Depreciation	-1,000,000	-1,500,000
Total Non-Current Assets	3,000,000	2,500,000
Current Assets		
Inventory	1,200,000	3,500,000
Trade Receivables	900,000	100,000
Cash at Bank	250,000	50,000
Total Current Assets	2,350,000	3,650,000
Total Assets	5,350,000	6,150,000
Equity and Liabilities		
Ordinary Share Capital	3,000,000	3,000,000
Retained Earnings	1,000,000	1,500,000
Total Equity	4,000,000	4,500,000
Non-Current Liabilities		
Long-Term Loan (15%)	1,000,000	1,000,000
Current Liabilities		
Bank Overdraft	200,000	600,000
Trade Payables	150,000	50,000
Total Current Liabilities	350,000	650,000
Total Liabilities	1,350,000	1,650,000
Total Equity and Liabilities	5,350,000	6,150,000

Notes:		\$
Opening stock for the year ended 31 December 2023 were		1,000,000
Purchases for the year were		14,000,000
Depreciation for the year ended 31 December 2023 were		500,000
Loan interests for the year ended 31 December 2023 were		150,000
Sundry expenses for the year were		100,000
The consumer price index (CPI) figures from the Central Statistical Office were as follows		
1-Jan-21		80
1-Jan-22		110
31-Dec-23		250
Average for the year ended 31 December 2023		180

Non-current Assets were depreciated on a straight line balance method.

Other related transactions occurred evenly throughout the year

Closing stock amounting to \$ 5 000 000 was all purchased on 28 November 2023 and the CPI was 210

- a) **Prepare the adjusted Statement of Profit and Loss to comply with IAS 29 (6 Marks)**
- b) **Prepare the adjusted Statement of Financial Position to comply with IA 29 (9 Marks)**
- c) **Discuss the characteristics that indicate an economy is hyper-inflationary (5 Marks)**
- d) **Explain at least five major reasons why IAS 29 is criticised. (5 Marks)**

Question 3 (25 Possible marks)

- (a) ZimTech Innovations Ltd. is a growing technology company based in Harare, Zimbabwe, specializing in agricultural software solutions, e-commerce platforms, and mobile applications. The company operates in three primary areas: AgriTech Solutions, E-Commerce Services, and Mobile Development.

Recently, the company appointed a new board member, Ms. Tichaziva Zvedu, who is not very familiar with the concepts of operating segments and reporting segments as defined under IFRS 8. Ms. Tichaziva Zvedu raises a several questions: You are to assist as the expert in this area.

- i. Define the term "operating segment" as per IFRS 8 and discuss the criteria that determine whether an entity has an operating segment" under IFRS 8. (3 Marks)
- ii. Explain the 75% rule and the 10% rule in treatment of operating segments (IFRS 8). (8 Marks)
- iii. Explain how segment reporting enhances the usefulness of financial statements for stakeholders? Provide examples of the types of information that may be reported (3 Marks)

(b) ZimGrowth Ltd issued one new share for every two existing shares at \$2.50 per share on 1 July 2024. The pre-issue market price was \$4.00 per share.

Relevant Information

Year	Profit Attributable to Ordinary Shareholders	Number of Ordinary Shares in Issue
2024	\$ 650,000	1,500,000
2023	\$550,000	1000,000

Required:

- i. Calculate basic EPS for the year ended 31 December 2024. (3 Marks)
- ii. Calculate the prior year comparative EPS figure as it would appear in the financial statements for the year ended 31 December 2024. (4 Marks)
- iii. Discuss the importance and limitations of EPS in financial analysis. (4 Marks)

Question 4 (25 Possible marks)

	Titan co	Valley Co	Crest Co
Assets	\$	\$	\$
Non- Current Assets			
Tangible assets	90,000	60,000	60,000
Investments in Subsidiaries(cost)			
Shares Valley Co	90,000		
Shares in Crest Co	25,000	42,000	
	205,000	102,000	60,000

Current Assets	40,000	50,000	40,000
Total Assets	245,000	152,000	100,000
Equity and Liabilities			
Equity			
Ordinary shares	100,000	50,000	50,000
Revaluation surplus	50,000	20,000	
Retained earnings	45,000	32,000	25,000
	195,000	102,000	75,000
Non-current liabilities			
Loan 12 %	-	10,000	-
Current Liabilities			
Payables	50,000	40,000	25,000
Total Liabilities	50,000	50,000	25,000
Total Equity and Liabilities	245,000	152,000	100,000

Notes

(a) Titan Co acquired 60% of the shares in Valley Co on 1 January 2023 when the balance on that company's retained earnings was \$8,000 (credit) and there was no share premium account.

(b) Titan acquired 20% of the shares of Crest Co and Valley Co acquired 60% of the shares of Crest Co on 1 January 2024 when that company's retained earnings stood at \$15,000.

(c) There has been no payment of dividends by either Valley or Crest since they became subsidiaries.

(d) There was no impairment of goodwill.

(e) It is the group's policy to measure the non-controlling interest at acquisition at its proportionate share of the fair value of the subsidiary's net assets.

Required:

(i) Prepare the consolidated statement of financial position of Titan Co as at 31 May 2025. (17 Marks)

.On 1 January 2021, Chiedza issued a \$60m three-year convertible bond at par. There were no issue costs. The coupon rate is 10%, payable annually in arrears on 31 December.

- The bond is redeemable at par on 1 January 2024.
- Bondholders may opt for conversion in the form of shares. The terms of conversion are two 25-cent equity shares for every \$1 owed to each bondholder on 1 January 2024.
- Bonds issued by similar entities without any conversion rights currently bear interest at 15%.
- Assume that all bondholders opt for conversion in shares.

Required:

(ii) How will this be accounted for by Chiedza? (8 Marks)

END OF EXAMINATION PAPER