



Investing in Africa's Future"

COLLEGE OF BUSINESS AND MANAGEMENT SCIENCES

NMAC 203: INTERMEDIATE ACCOUNTING 2

END OF SEMESTER EXAMINATION

APRIL 2026

LECTURER: MR CHIHOWA

DURATION: 3 HOURS

INSTRUCTIONS

ANSWER **ALL** QUESTIONS FROM THIS PAPER
MARKS ALLOTTED TO EACH QUESTION ARE SHOWN

CLEAR AND NEATLY PRESENTED WORK WILL BE AWARDED MARKS FOR
PRESENTATION

QUESTION 1 (25 Marks)

- a) On 1 January 2024, Aqua Solutions entered into a contract to lease a forklift for three years. The lessor agrees to maintain the forklift during the three-year period. The total contract cost is \$210,000. Aqua Solutions must pay \$70,000 each year, with payments commencing on 31 December 2024. Aqua Solutions accounts for non-lease components separately from leases. If contracted separately, it has been determined that the standalone price for the lease of the forklift is \$180,000, and the standalone price for the maintenance services is \$40,000. Aqua Solutions can borrow at a rate of 5% a year.

Required:

- a) Explain the recognition criteria for right of use asset and a lease liability **(3 Marks)**
- b) Distinguish between an operating lease and a finance lease as per IFRS 16. **(4 marks)**
- c) Prepare Statement of Financial Position and Statement of Profit and Loss Extracts for the Year Ended 31 December 2014 **(13 Marks)**
- d) Explain how a biological asset should be initially and subsequently recognized and measured as per IAS 41. **(5 marks)**

QUESTION 2 (25 Marks)

The following information is provided in relation to a defined benefit plan operated by Zim Liner. At 1 January 2024, the present value of the obligation was \$130 million and the fair value of the plan assets amounted to \$90 million.

Year	Discount Rate	Current and Past Service Cost (\$m)	Benefits Paid (\$m)	Contributions into Plan (\$m)	Present Value of Obligation at 31 December (\$m)	Fair Value of Plan Assets at 31 December (\$m)
2024	4%	31	21	25	200	120
2025	3%	33	23	30	230	140

Required:

- a) Determine the net plan obligation or asset at 31 December 2024 and 2025 and the amounts to be taken to profit or loss and other comprehensive income for both financial years. **(13 Marks)**
- b) Compare and contrast the following IAS 19 terms: Defined contribution plans and Defined benefit plans and Current Service Cost and Past Service Cost: **(4 Marks)**
- c) Describe the asset ceiling in the context of defined benefit plans **(3 Marks)**
- d) Differentiate between a change in accounting policy, a change in an accounting estimate and an error. Give examples **(5 Marks)**

QUESTION 3 (25 Marks)

ZimTech Solutions, which has a reporting date of 31 December, granted 100 share appreciation rights (SARs) to each of its 300 employees on 1 January 2022. The condition for these SARs is that employees must remain with the company until 31 December 2024. Over the course of the scheme, the entity anticipates employee departures, with 20 employees leaving in 2022, and estimates that 40 more will leave during 2023. In 2023, another 10 employees leave, with an additional 20 expected in 2024. Finally, 10 employees leave in 2024.

As for the fair value of the SARs, it is determined to be \$10.00 for 2022, \$12.00 for 2023, and \$15.00 for 2024.

Required:

- a) Discuss the differences between equity-settled and cash-settled share-based payment transactions as per IFRS 2. Include examples of each type and how their accounting treatments differ. **(4 Marks)**
- b) Calculate the expense for each of the three years of the scheme, and the liability to be recognised in the statement of financial position as at 31 December for each of the three years **(15 Marks)**
- c) Define and provide examples to the following terms: Provision, Contingent liability and Contingent asset **(6 Marks)**

QUESTION 4

Zim Liner prepares financial statements to 31 December each year. On 1 January 2021, the entity purchased a non-current asset for \$1.6 million that had an anticipated useful life of four years. This asset qualified for immediate tax relief of 100% of the cost of the asset. For the year ending 31 December 2021, the draft accounts showed a profit before tax of \$2 million. The directors anticipate that this level of profit will be maintained for the foreseeable future. Zim Liner pays tax at a rate of 30%. Apart from the differences caused by the purchase of the non-current asset in 2021, there are no other differences between accounting profit and taxable profit or the tax base and carrying amount of net assets.

Required:

- a. Compute the pre- and post-tax profits for Zim Liner for each of the three years ending 31 December 2021–2023 inclusive and for the period as a whole, assuming that:
 - i. no deferred tax is recognized **(6 Marks)**
 - ii. deferred tax is recognized. **(12 Marks)**
- b. Explain the term “related parties” per IAS 24 **(2 Marks)**
- c. Discuss the potential risks and challenges associated with related party transactions and relationships, and how IAS 24 addresses these concerns. **(5 marks)**

END OF EXAMINATION PAPER