



Investing in Africa's Future"

COLLEGE OF BUSINESS AND MANAGEMENT SCIENCES

NMAC 411: ADVANCED FINANCIAL ACCOUNTING

END OF SEMESTER EXAMINATION

APRIL 2026

LECTURER: MR R 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)

Zonge ltd is a retail company in Zimbabwe offering various products, including groceries, electronics, household goods, and clothing. To comply with International Financial Reporting Standard (IFRS) 8, Zonge ltd must evaluate its operating segments for financial reporting. Zonge Ltd key management consults you to assist.

Segment	Total Revenue (\$000)	External Revenue (\$000)	Internal Revenue (\$000)	Profit/Loss (\$000)	Assets (\$000)
Grocery	500	100	400	120	4,000
Household Goods	200	150	50	30	1,500
Fresh Produce	600	580	20	90	2,000
Beverages	150	100	50	-10	800
Snacks	250	200	50	40	1,000
Bakery	100	70	30	20	600
Total	1,800	1,200	600	290	9,900

Required:

- Define an operating segment according to IFRS 8. **(3 Marks)**
- Which types of companies are required to apply IFRS 8? **(3 Marks)**
- Describe the process Zonge Ltd should follow to identify its operating segments under IFRS 8. **(4 Marks)**
- According to IFRS 8, which of the segments below must be reported? **(15 Marks)**

QUESTION 2 (25 Marks)

- Discuss the process of determining the functional currency of an entity according to IAS 21. Explain 3 major possible results of failing to identify the functional currency **(6 Marks)**
- Spar (Zimbabwe) Ltd. has a year-end of 31 December 2025 and uses the dollar (\$) as its functional currency. On 20 November 2025, Spar buys goods from a Mozambican supplier for Mozambican Meticaís (MZN) 297,500.

Rates of MZN:

Date	MZN	\$
15 Nov 2025	42.50	1.00
12 Dec 2025	41.75	1.00
31 Dec 2025	37.15	1.00

Required:

Show the journal entries and Financial Statements extracts for 2025 if:

- A payment of MZN 146,125 is made on 12 December 2025. **(5 Marks)**
- The amount owed remains outstanding at the year-end date **(5 Marks)**

c. Discuss the recognition and treatment of foreign exchange differences under IAS 21 in the following scenarios:

- i. Non-Monetary Assets Measured at Historical Cost **(3 Marks)**
- ii. Non-Monetary Assets Measured at Fair Value **(3 Marks)**
- iii. Non-Monetary Assets at Revaluation **(3 Marks)**

QUESTION 3 (25 Marks)

a. On 31 December 2024, the issued share capital consisted of 6,000,000 ordinary shares of 50c each. On 1 September 2025 the company made a rights issue in the proportion of 2 for 6 at 80c per share and the shares were quoted immediately before the issue at \$1.2. Its trading results for the last two years were as follows:

Year	2024	2025
	\$	\$
Profit after tax	360,000	740,000

Required:

- i. Calculate the basic Earnings Per Share (EPS) to be presented in the financial statements for the year ended 31 December 2025, including the comparative figure for the previous year. **(10 Marks)**
- ii. Demonstrate the inclusion of a free element within the rights issue fraction by estimating the number of shares that were implied to be issued for free. **(5 marks)**

b. Define hyperinflation according to IAS 29 and explain the key indicators that suggest an economy is experiencing hyperinflation. **(5 Marks)**

c. On 1 July 2022, **P Ltd.** had inventory of **\$620,000** which had been purchased on the same date. During the following year, inventory costing **\$1,850,000** was purchased. On 30 June 2023, inventory costing **\$900,000** was still on hand. The company uses the FIFO method, and all inventory on 30 June 2023 was purchased on that date. The following indices are applicable:

Date	Index
1/07/2022	150
30/06/2023	240
Average for the year	195

REQUIRED:

Calculate the cost of goods sold figure that should be included in the restated income statement for the year ended 30 June 2023 to comply with IAS 29. **(5 Marks)**

QUESTION 4 (25 Marks)

A. The following are statements of financial position as at 31 December 2024 for the **Victoria Falls Corporation**, a conglomerate

Companies	Victoria Falls Corp	Kafue Corp	Senga Corp
ASSETS	\$	\$	\$
Investments (at cost)	450,000	300,000	Nil
Other assets	350,000	250,000	700,000
Total Assets	800,000	550,000	700,000

Equity and Liabilities**Equity**

Ordinary shares \$1	300,000	300,000	300,000
Retained earnings	300,000	150,000	200,000
	600,000	450,000	500,000

Current Liabilities

Payables	200,000	100,000	200,000
----------	---------	---------	---------

Total Liabilities	200,000	100,000	200,000
--------------------------	----------------	----------------	----------------

Total Equity and Liabilities	800,000	550,000	700,000
-------------------------------------	----------------	----------------	----------------

- i. Victoria Falls Corporation acquired 75% of the shares of **Kafue Corporation** on 1 January 2022 for **\$350,000**. Kafue's retained earnings were **\$90,000** at that date. The fair value of the non-controlling interest in Kafue was **\$60,000**.
- ii. Victoria Falls acquired 40% of the shares of **Senga Corporation** on 1 January 2021 for **\$120,000** when Senga Corporation's retained earnings were **\$70,000**.
- iii. Kafue Corporation acquired 65% of the shares of Senga on 1 January 2022, paying **\$250,000** when Senga's retained earnings were **\$80,000**. The fair value of a 40% holding in Senga was **\$150,000**, and the fair value of the non-controlling interest based on effective shareholding was **\$62,500**.

REQUIRED:

Prepare the consolidated statement of financial position for **Victoria Falls Group** as at 31 December 2024. **(15 Marks)**

- B. Jordan issues a \$150,000 5% three-year convertible loan on 1 January 2025. The market rate of interest for a similar loan without conversion rights is 7%. The conversion terms are one equity share (\$1 nominal value) for every \$3 of debt. Conversion or redemption at par takes place on 31 December 2027.

Required:

How should this be accounted for:

- i. if all holders elect for the conversion? **(5 Marks)**
- ii. if no holders elect for the conversion? **(5 Marks)**

END OF EXAMINATION PAPER