



**NAMIBIA UNIVERSITY  
OF SCIENCE AND TECHNOLOGY**

**FACULTY OF MANAGEMENT SCIENCES**

**DEPARTMENT OF ACCOUNTING, ECONOMICS AND FINANCE**

<b>QUALIFICATION : VARIOUS</b>	
<b>QUALIFICATION CODE: VARIOUS</b>	<b>LEVEL: 6</b>
<b>COURSE CODE: BAC211S</b>	<b>COURSE NAME: BUSINESS ACCOUNTING 2A</b>
<b>SESSION: JANUARY 2019</b>	<b>PAPER: THEORY</b>
<b>DURATION: 3 HOURS</b>	<b>MARKS: 100</b>

<b>SPECIAL OPPORTUNITY EXAMINATION QUESTION PAPER</b>	
<b>EXAMINER(S)</b>	Mr. G Jansen
<b>MODERATOR:</b>	Mr. D Kamotho

<b>INSTRUCTIONS</b>
<ol style="list-style-type: none"><li>1. This question paper is made up of four (4) questions.</li><li>2. Answer <b>ALL</b> the questions and in blue or black ink.</li><li>3. Start each question on a new page in your answer booklet.</li><li>4. Questions relating to this examination may be raised in the initial 30 minutes after the start of the paper. Thereafter, candidates must use their initiative to deal with any perceived error or ambiguities &amp; any assumption made by the candidate should be clearly stated.</li></ol>

**THIS QUESTION PAPER CONSISTS OF 7 PAGES** (Excluding this front page)

**QUESTION 1****(25 MARKS)**The following financial information relates *Latina Limited*

Statement of profit or loss and other comprehensive income for the year ended 31 March 2018.

	N\$
Revenue	6 460 000
Cost of sales	-3 003 000
Gross profit	3 457 000
Operating expenses	-2 574 000
Profit from operations	883 000
Finance costs	-65 000
Profit before tax	818 000
Taxation	-204 500
Profit for the year	613 500
Other comprehensive income	
Gain on property revaluation	200 000
Total comprehensive income for the year	813 500

Statement of financial position as at 31 March 2018.

		2018 N\$	2017 N\$
Non-current assets			
Property, plant and equipment	Note 1	2 095 000	1 250 000
Current assets		745 800	831 500
Inventory		263 500	187 500
Trade receivables		341 400	265 500
Prepaid insurance		63 000	52 500
Investments		75 400	230 000
Cash at bank		-	93 500
Cash in hand		2 500	2 500
<b>Total assets</b>		<b>2 840 800</b>	<b>2 081 500</b>
<b>Equity and liabilities</b>			
<b>Equity</b>		2 096 900	1 226 200
Ordinary share capital (N\$1 shares)		20 000	10 000
Share premium		380 000	180 000
Revaluation reserve		300 000	100 000
Retained earnings		1 396 900	936 200
Non-current liabilities			

Bank loan	400 000	500 000
Current liabilities	343 900	355 300
Trade payables	129 400	206 500
Taxation	194 000	142 600
Accrued finance costs	5 500	6 200
Bank overdraft	15 000	-
<b>Total equity and liabilities</b>	<b>2 840 800</b>	<b>2 081 500</b>

### Additional information

- Property, plant and equipment has been calculated as follows:

	2018	2017
Carrying amount at 31 March	2 095 000	1 250 000
Property, plant and equipment at valuation	3 620 000	2 500 000
Accumulated depreciation	-1 525 000	-1 250 000

- Operating expenses includes:

	<b>N\$</b>
Depreciation	525 000
Loss on disposal of non-current assets	60 000
Staff costs	1 020 000
Bad debts	167 500

- During the year ended 31 March 2018, non-current assets that had originally cost N\$500 000 and had a net book value of N\$250 000 were disposed of. This was the only disposal of non-current assets during the year. The company charges a full 12 months depreciation on all non-current assets held at 31 March.
- During the year ended 31 March 2018 the company paid total dividends of N\$152 800.
- Insurance is included in operating expenses in the statement of profit or loss and other comprehensive income.

### REQUIRED:

Prepare the statement of cash flows of *Latina Limited* for the year ended 31 March 2018 using the direct method. (25)

**Note:** Working other than the reconciliation of cash generated from operations are not required.

## QUESTION 2

( 28 MARKS)

This question consists of two independent parts.

### PART A

(15 MARKS)

*Welwitchia Entity* is situated at the Pupkewitz Lifestyle Centre and sells a wide variety of printed plastic bags to customers from various outlets across the country.

*Welwitchia Entity's* reporting period ends on 31 July 2018. *Welwitchia Entity* uses the periodic inventory system.

The following matter **has not yet been dealt** with and the accountant has asked for your assistance.

#### MATTER 1

*Pretty Entity* Receivable is one of *Welwitchia Entity's* selected premium customers. On the 19<sup>th</sup> July 2018, *Pretty Entity* ordered goods from *Welwitchia Entity* and negotiated with the manager to allow the entity discount, either a settlement discount or a cash discount. The manager however informed the purchasing clerk of *Welwitchia Entity* that the current economic downturn experienced across the business industry in Namibia makes it impossible for them to allow any discount at this stage, this company policy might be relaxed in future. *Welwitchia Entity* delivered the goods to *Pretty Entity* premises on 21 July 2018 with an invoice amount of N\$150 000.

#### REQUIRED:

- a) Explain the difference between settlement discount and cash discount. (2)
- b) Define credit risk. (1)
- c) Provide two (2) circumstances under which accounts receivable will be impaired at year end. (2)
- d) List four (4) qualitative characteristic of financial information. (4)
- e) Prepare the general journal entries for the outstanding transactions (**matter 1**) above in the records of *Welwitchia Entity* and in the records of *Pretty Entity* for the reporting period ended 31 July 2018. (6)

#### Note:

- Dates are required and will carry marks.
- Ignore Value Added Tax.
- Round off all amounts to the nearest Namibian Dollar.

**PART B****(13 MARKS)**

The following information was taken from the records of *Absolute Logistics Entity*:

Date	Details	N\$
	<b>Balances on 1 January 2018:</b>	
Debits	Payables control	150
	Bad debts	720
Credits	Payables control	3 600
	Allowance for bad debts	1 400
	<b>Totals of subsidiary ledgers on 31 January 2018:</b>	
	Cash payments journal:	
	Receivables column	650
	Purchases column	31 000
	Payables column	24 500
	VAT input	3 800
Total	Purchases book	26 300
	Purchases returns book	260
	<b>Totals of the general journal:</b>	
Debits	Payables ledger	60
	General ledger	1 530
Credits	Payables ledger	540
	General ledger	1 420

**ADDITIONAL INFORMATION:**

1. *Anna's* debt of N\$300 should be written off as irrecoverable.
2. The account of *Absolute Logistics Entity* has been charged with interest of N\$65 by the supplier.
3. A cheque of N\$150, received from *Friendo* in settlement of his account, is endorsed to *Paloma*, a payable.
4. On 31 January 2018, the receivables ledger contained credit balances of N\$410 and the payables ledger debit balances of N\$170.

**REQUIRED:**

Compile the payables control account in the general ledger of *Absolute Logistics Entity* for the month ended 31 January 2018.

(13)

**QUESTION 3****(30 MARKS)**

Jan van Riebieck is a sole trader with a small business operating in the Northern Industrial of Windhoek. The trial balance extracted as at 31 December 2018 failed to agree. The debits exceeded the credits by N\$4,120. You may ignore the effects of VAT and depreciation.

A detailed examination of the books was undertaken, and the following matters were uncovered:

1. The total in the sales day book was N\$42,100 – the figure used when posting sales to the T-accounts was N\$41,200.
2. No entry had been made for expenses paid in cash from the petty cash tin, the expenses paid in this manner were as follows:
  - a. Canteen supplies N\$75
  - b. Postage stamps N\$35
  - c. Present for retiring employee N\$170
3. Discounts allowed of N\$65 were credited to the discount received account. The entry in the receivable's personal account was correct.
4. A credit note for N\$770 for purchases returns was treated correctly in the supplier's account and debited to the purchases returns account as N\$880.
5. A cheque payment to a payable for N\$1,300 was treated appropriately in the supplier's account and debited to drawings.
6. Cash drawings by Jan of N\$1,110 were treated as cash sales in error. The transaction processed is instead for a cash sale of N\$1,100.
7. An old motor vehicle was sold on December 15th for N\$3,700. The vehicle originally cost N\$16,750 and had a balance in the accumulated depreciation account of N\$14,100 at the time of sale. The only entry that has been made to record the transaction is to debit bank and credit sales with N\$3,700.

**REQUIRED:**

- a) Prepare the journal entries necessary to correct the above errors. Ignore narrations. (21)
- b) Prepare a suspense account to clear the difference. (3)
- c) Prepare a working showing the effect on proprietor's profit (if any) of correcting each of the above errors. (6)

**Question 4****(17 MARKS)**

You have been presented with the following summarized accounts of Samantha Trading, a sole trader.

**Samantha Trading****Statement of profit or loss for the year ending 28 February 2018**

	N\$
Sales (all credit)	1200
Cost of sales	<u>(600)</u>
Gross Profit	600
Administrative expenses	(570)
Loan interest payable	(570)
Profit	20

**Samantha Trading****Statement of financial position as at 28 February 2018**

	N\$	N\$
<b>ASSETS</b>		
Non-current assets		<b>685</b>
Current assets	<u>275</u>	<b>275</b>
Inventory	75	
Trade Receivables	200	
<i>Total Assets</i>		<b><u>960</u></b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		<b>620</b>
Capital	620	
<b>LIABILITIES</b>		
<b>Non-Current Liabilities</b>		<b>100</b>
Long-term loan	100	
<b>Current liabilities</b>		<b>240</b>
Trade Payables	200	
Bank overdraft	40	
<i>Total equity and liabilities</i>		<b><u>960</u></b>

**REQUIRED:**

Calculate the following accounting ratios: (Round off your answer to 2 decimal places where applicable)

- a) Gross profit margin (3)
- b) Inventory turnover (3)
- c) Net profit margin (3)
- d) Acid test ratio (4)
- e) Accounts receivable collection period (4)

**END OF EXAMINATION PAPER**