



**NAMIBIA UNIVERSITY  
OF SCIENCE AND TECHNOLOGY**

**FACULTY OF MANAGEMENT SCIENCES**

**CENTRE OF ENTERPRISE DEVELOPMENT CED**

<b>QUALIFICATION :</b> COMMERCIAL ADVANCED TRAINING SCHEME (CATS)	
<b>QUALIFICATION CODE:</b> 06DBPM	<b>LEVEL:</b> 6
<b>COURSE CODE:</b> BAC 611C	<b>COURSE NAME:</b> BUSINESS ACCOUNTING 2A
<b>SESSION:</b> NOVEMBER 2019	<b>PAPER:</b> THEORY & PRACTICAL
<b>DURATION:</b> 3 HOURS	<b>MARKS:</b> 100

<b>FIRST OPPORTUNITY EXAMINATION QUESTION PAPER</b>	
<b>EXAMINER(S)</b>	Mr. CHIKAMBI J.
<b>MODERATOR:</b>	Mr. SHEEHAMA .K.G.H

**INSTRUCTIONS**

1. This question paper is made up of four (4) questions.
2. Answer **ALL** the questions and in blue or black ink.
3. Start each question on a new page in your answer booklet.
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 & any assumption made by the candidate should be clearly stated.
5. Programmable calculators are not allowed

**THIS QUESTION PAPER CONSISTS OF 4 PAGES** (Excluding this front page)

## GENERAL

The names of people and businesses used throughout this examination paper do not reflect the reality and may be purely coincidental.

### QUESTION 1

(30 MARKS)

This question consists of two independent parts.

#### PART A

(17 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 and all its suppliers are registered as VAT vendors. A VAT rate of 15% is applicable.

Welwitchia Entity's reporting period ends on 31 July 2017. Welwitchia Entity uses the periodic inventory system.

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

#### MATTER 1

Angoplasticos Receivable is one of Welwitchia Entity's selected premium customers and therefore qualifies for a settlement discount of 5% on normal selling price if they pay their debt within a period of 7 days from the date of the invoice. Angoplasticos receivable has a history of utilizing the settlement discount. On 10 July 2017 Welwitchia Entity delivered goods with a normal invoice selling price of R114 400 to the premises of Angoplasticos Receivable relating to goods ordered on 8 July 2017.

Due to an oversight by the new accountant who started working at Angoplasticos on 15 July 2017, the account with Welwitchia Entity was settled on 20 July 2017.

#### 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) Journalise **all** the outstanding transactions (matter1) above in the records of Welwitchia Entity for the reporting period ended 31 July 2017. (12)

#### Note:

- Dates are required and will carry marks.
- Round off all amounts to the nearest dollar.
- Calculations must be shown and referenced clearly.

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

The following information was taken from the records of Naraville Trading:

Date	Details	N\$
	<b>Balances on 1 January 2017:</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 2017:</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 *Narraville Trading* 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 2017, 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 *Narraville Traders* for the month ended 31 January 2017.

(13)

**QUESTION 2****(40 MARKS)**

A. You are the accountant of TMU Motor Spares Limited, a company that provides motor vehicle parts and accessories and is situated in Oshakati. The trial balance of TMU Motor Spares Limited had a balance in a suspense account of N\$4 381 at its year-end of 30 September 2017.

You have identified the following issues:

1. A capital contribution by Mr Jerry, the main shareholder of TMU Motor Spares Limited, amounting to N\$2 750 had been entered correctly to the bank account, but had been debited to sales.
2. Discount received of N\$289 in September 2017 had been accounted for as a discount allowed.
3. A VAT credit of N\$800 on motor expenses had been incorrectly claimed.
4. Additions to Property, Plant & Equipment purchased and paid for by cheque on the 1 April 2017 had been expensed to the repairs and maintenance account amounting to N\$8 000 (excluding VAT). TMU Motor Spares Limited's depreciation policy is to depreciate on a proportionate basis from the date of acquisition and at the rate of 7.5% per annum.
5. The total of the purchase's daybook has been carried forward as N\$3 417 whereas the correct amount was N\$3 741. The correct amount has been posted to the relevant trade payable.
6. A rent expense of N\$1 640 paid during the year was recorded by debiting the rates account.
7. The balance of N\$573 on the telephone expense account has been omitted from the trial balance.
8. An unaccounted statement for municipality rates amounting to N\$405 had been discovered in the waste basket.

**REQUIRED:**

Prepare general journal entries for TMU Motor Spares Limited to record and correct relevant transactions from the above information for the financial statements for the year ending 30 September 2017. (20)

**Note:**

Journal narrations are not required.

Where applicable, round off amounts to the nearest N\$

1. List the considerations according to the Companies Act of 2004 for the directors to declare the dividend in point 7. (5)

2. Contrast (compare) the characteristics of a close corporation, partnership and a private limited company. Make use of the format as indicated below: **Limit your answer to 5 characteristics.** (15)

<i>Close corporation</i>	<i>Partnership</i>	<i>Private Company</i>
1.		
2.		
3.		

### QUESTION 3

**(30 MARKS)**

Bernardus Swartbooi is a sole trader with a small business operating in the Northern Industrial of Windhoek. The trial balance extracted as at 31 December 2016 failed to agree. The debits exceeded the credits by N\$4,120.

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

1. The total in the sales daybook 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 notes 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 Bernardus Swartbooi 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.

**(Ignore the effects of VAT and depreciation)**

**REQUIRED:**

- a) Prepare the journal entries necessary to correct the above errors. Ignore narrations. (11)
- b) Prepare a suspense account to clear the difference. (3)
- c) Prepare a working on proprietor's profit showing the effect (if any) of correcting each of the above errors. (6)

**END OF EXAMS PAPER**