



**NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY**

FACULTY OF MANAGEMENT SCIENCES

DEPARTMENT OF ACCOUNTING, ECONOMICS AND FINANCE

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| QUALIFICATION: VARIOUS PROGRAMMES | |
| QUALIFICATION CODE: VARIOUS | LEVEL: 5 |
| COURSE CODE: BAC1100 | COURSE NAME: BUSINESS ACCOUNTING 1A |
| SESSION: JUNE 2019 | PAPER: THEORY AND PRACTICAL |
| DURATION: 3 HOURS | MARKS: 100 |

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| FIRST OPPORTUNITY EXAMINATION QUESTION PAPER | |
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| <p style="text-align: center;">INSTRUCTIONS</p> <ol style="list-style-type: none">1. This exam paper is made up of four (4) questions2. Answer ALL the questions and in blue or black ink3. Start each question on a new page in your answer booklet and show all your workings4. 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 and any assumption made by the candidate should be clearly stated. |
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PERMISSIBLE MATERIALS

1. Examination paper.
2. Examination script.
3. Calculator

THIS QUESTION PAPER CONSISTS OF 6 PAGES (including this front page)

QUESTION 1

(20 marks)

In each of the following questions only write down the letter that represents the correct answer. For instance, if you think that the correct answer for number 1.1 is A, then write it as 1.1 A.

- 1.1 Accounting equation should always be in balance, given that, if total assets increased by N\$4 000, then:
- A. liabilities must have decreased by N\$4 000.
 - B. owner's equity must have decreased by N\$4 000.
 - C. assets must have increased by \$4 000 and owner's equity must have decreased by N\$4 000.
 - D. liabilities and owner's equity each increased by N\$2 000.
- 1.2 A transaction causes a N\$10 000 decrease in both assets and liabilities this transaction could have been:
- A. the purchases of delivery vehicle for N\$10 000.
 - B. the collection of N\$10 000 accounts receivable.
 - C. the repayment of a N\$10 000 bank loan.
 - D. investment by owner of N\$10 000 in the business.
- 1.3 At the end of 31 March 2019, a business made a prepayment of N\$10 000 electricity expenses for the month of April 2019, at the end of March 2019 this transaction should be treat as:
- A. an expense
 - B. a liability
 - C. an asset
 - D. an income
- 1.4 At the end of 31 March 2019, a business made a prepayment of N\$10 000 electricity expenses for the month of April 2019, at the end of April 2019 this transaction should be treat as:
- A. an expense
 - B. a liability
 - C. an asset
 - D. an income
- 1.5 At the 31 March 2019, a business received a prepaid rent of N\$15 000 for the month of April 2019, at the end of March 2019 this transaction should be treat as:
- A. an expense
 - B. a liability
 - C. an asset
 - D. an income

1.6 At the 31 March 2019, a business received a prepaid rent of N\$15 000 for the month of April 2019, at the end of April 2019 this transaction should be treat as:

- A. an expense
- B. a liability
- C. an asset
- D. an income

1.7 Which principle dictates that expenditure should be overstated and income understated?

- A. Prudence
- B. Matching principle.
- C. Historical cost principle.
- D. Periodicity principle.

The following details refer to questions 1. 8 - 1.10:

During the month of May 2019, Veni a sole trader purchased goods to the value of N\$6 000, of which one fourth was sold for N\$4 500 during May. In addition, rental and insurance for the month amounted to N\$1 000 and N\$1 500 were incurred, respectively.

1.8 The total costs to be taken into account when you prepare statement of profit or loss for May 2019 should be:

- A. N\$4 000
- B. N\$4 500
- C. N\$1 500
- D. N\$3 000

1.9 The gross profit percentage on sales for the year ended 31 May 2019 was:

- A. 33%
- B. 88%
- C. 67%
- D. 11%

1.10 The net profit percentage on sales for the year ended 31 May 2019 was:

- A. 11%
- B. 67%
- C. 88%
- D. 33%

QUESTION 2

(20 marks)

On the 28 February 2019, Mamasiku 's cash book showed that he had a favorable balance of N\$3 199 on her current account at the bank. A bank statement as at end of February 2019 showed that Mamasiku was in credit with the bank by N\$8 493.

On checking the following information were revealed:

- (a) Item appearing on the bank reconciliation statement as at 28 February 2019 but not on the bank statement for March 2019.
Electronic fund transfer payment to accounts payable Johny Shilongo amounted to N\$1 650 on 15 February 2019 was rejected.
- (b) On 20 March 2019 accounts receivable Ms Ketu, paid N\$4 000 directly into the bank account.
- (c) On 30 March 2019 the bank credited business bank account with N\$200 as an interest received on positive balance.
- (d) Bank charges and cash handling fees of N\$250 and N\$65, respectively, for the month of March 2019, shown in the bank statement but not entered in the cash book.
- (e) Fixed deposit interest received amounting to N\$1 000 had been paid directly into the business bank on 31 March 2019 and not entered in the cash book .
- (f) A debit order of N\$2 260 for Mamasiku's loan repayment had been paid by the bank.
- (g) A withdraw of N\$9 509 for VAT payment had not been deducted from the bank accounts. On enquiring at the bank it was established that the money was incorrectly drawn from the account of another client of the bank..
- (h) A deposit of N\$8 490 was made on 25 March 2019 but it was not reflected on the business bank statement. On enquiring at the bank it was established that the money was incorrectly deposited into the account of another client of the bank.

Required:

- (a) Prepare an updated cash book of Mmamasiku for the month of April 2019 (14)
- (b) Prepare the bank reconciliation statement for the month of 30 April 2019. (6)

QUESTION 3

(30 marks)

During February 2019, the following occurred in the business of Kutako Trading, a general dealer:

- 1 Mr Kutako deposited an amount of N\$200 000 into the bank account of the business.
- 2 Paid for an advertisement on Facebook using the debit card of the business, N\$2 500.
- 6 Sold goods on credit to Mr Hosea, N\$100 000.
- 8 Paid for repairs to Mr Kutako's personal vehicle N\$3 250 by electronic funds transfer (EFT)
- 10 Purchased goods on account from H. Haufiku, N\$150 000.
- 12 Mr Hosea returned damaged goods worth N\$5 000.
- 15 Mr Hosea deposited N\$92 000 directly into the account of the business in full settlement of his account.
- 28 Received interest on the positive balance in the bank account N\$2 500.

Required:

1. Enter the above transactions in Kutako's 'T' (ledger) accounts and balance off all the accounts. (18)
2. Prepare a trial balance of Kutako as at 28 February 2019. (12)

QUESTION 4

(30 marks)

The following pre-adjustment trial balance were compiled from accounting records of Naave-stores for the year ended 31 May 2019

| | N\$ | N\$ |
|-----------------------------------|------------------|------------------|
| Owner's equity | | 585 000 |
| Drawings | 60 000 | |
| Long term investment | 217 500 | |
| Land and buildings | 500 000 | |
| Mortgage | | 195 000 |
| Salaries and wages | 162 500 | |
| Municipal taxes | 32 000 | |
| Trading inventory at 01 June 2018 | 130 000 | |
| Accounts receivables | 33 750 | |
| Accounts payables | | 40 000 |
| Purchases | 100 000 | |
| Insurance | 58 000 | |
| Rental income | | 50 000 |
| Machinery at cost | 160 000 | |
| Carriage on sales | 6 000 | |
| Carriage on purchases | 3 250 | |
| Revenue from sales | | 695 000 |
| Bank | 82 500 | |
| Interest on mortgage | 19 500 | |
| | 1 565 000 | 1 565 000 |

Additional information:

- (1) On 1 January 2019, the owner deposited an additional amount of N\$50 000 into business bank account.
- (2) A credit customer who owes the business N\$3 750 was declared insolvent and her account must be written off as irrecoverable.
- (3) Depreciation on machinery cost must still be provided for at 20% per annum on straight-line method. Machinery was bought on 31 July 2018.
- (4) Rental income for the year should have been N\$60 000.
- (5) On 1 April 2019 the owner took inventory to the value of N\$5 000 (at cost). The transaction was not entered in the accounting records.

- (6) Included in the amount for insurance is an annual insurance premium amount to N\$1 500 for the month of July 2019.
- (7) On 1 July 2018 trading inventory had a balance of N\$120 000.

Required:

- (a) Prepare the statement of profit or loss of Naave-stores for the year ended 31 May 2019. (16)
- (b) Prepare the statement of financial position of Naave-stores as at 31 May 2019. (14)

END OF EXAMINATION PAPER

