



**NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY
FACULTY OF MANAGEMENT SCIENCES**

DEPARTMENT OF ACCOUNTING, ECONOMICS AND FINANCE

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

SECOND OPPORTUNITY EXAMINATION QUESTION PAPER	
EXAMINER(S)	Dudzille, N., George, L., Stellemacher, Z, Boamah, K., Sheehama, K.G.H., Muleka, T., Paulus, Sh. and Hainghumbi, H.
MODERATOR:	Evans Mushonga

INSTRUCTIONS
<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.

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 is A, then write it as 1. A.

The following details refer to questions 1-3:

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. 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

2. The gross profit for May was:
 - A. N\$4 000
 - B. N\$4 500
 - C. N\$1 500
 - D. N\$3 000

3. The net profit for May was
 - A. N\$3 000
 - B. N\$2 000
 - C. N\$1 500
 - D. N\$500

The following details refer to questions 4-5:

The following information relates to the 2018/2019 financial year of Tura Car:

	N\$
Sales	400 000
Purchases	250 000
Inventory on hand at 1 May 2018	90 000
Inventory on hand at 30 April 2019	60 000
Carriage inwards	20 000

4. The cost of sales for the ended 30 April 2019 was:
 - A. N\$320 000
 - B. N\$310 000
 - C. N\$300 000
 - D. N\$330 000

5. The gross profit percentage on sales for the year ended 30 April was:
- A. 33%
 - B. 25%
 - C. 28%
 - D. 30%
6. Which one of the following statements is correct?
- A. A trial balance is always extracted for a certain period.
 - B. Income items decrease equity whereas cost items increase equity.
 - C. A debit entry on an expense account decreases the expense account.
 - D. Payments made for services not yet rendered are classified as assets.
7. Which principle dictates that assets should be recorded in the accounts at the value they were purchased.
- A. Prudence
 - B. Matching principle.
 - C. Historical cost principle.
 - D. Periodicity principle.
8. Goods bought on credit with intention of resale are recorded in:
- A. Sales journal.
 - B. Purchases journal.
 - C. Sales returns journal.
 - D. Purchases returns journal.
9. Credit purchases of delivery vehicle is recorded in:
- A. Purchases Journal
 - B. Sales Journal
 - C. General Journal
 - D. Purchases Return Journal
10. Which of the following statements BEST describes a limited liability company?
- A It is normally a non-profit making organization
 - B It is normally owned by just one person
 - C In law it is regarded as having a separate existence from its owners
 - D It is normally owned and managed by the same persons

QUESTION 2

(31 marks)

Paul, a sole trader, wanted to improve hotdogs sales, so he hired a team of accounting students to figure out how. The students tested every aspect of the hotdog – the temperature, the viscosity and the sweetness. They wanted to make the *perfect* Paul’s hotdog. If they could create the best hotdog on the market, sales would certainly rise. Hotdogs are currently sold for N\$10.00 per hotdog.

Paul heard from his daughter that you are currently studying at Namibia University of Science and Technology (NUST) and you are registered at NUST doing introduction to financial accounting. He approached you to help him with determining some operation costs of his business.

He provided you with the following information of his business operational costs:

- Rental: N\$6 500 per month
- Cleaning and other miscellaneous supplies: N\$1 300 per month
- Equipment: Industrial Micro wave ovens: N\$936 x 10 ovens = N\$9 360
- Equipment: Industrial Refrigerator/freezer: N\$6 240
- Countertops: N\$15 600
- Dancing fees paid by his wife: N\$2 000 per month
- Tables and benches for customers to sit outside: N\$1 400 per bench-set x 10 = N\$15 000
- Water and electricity: N\$2 500 per month.
- Marketing and advertising N\$1 000 per month
- Two part-time employees: with each receiving a monthly salary of N\$5 500 per month (including taxes and benefits)
- Depreciation of equipment: N\$5 000 per year
- Bank loan: N\$20 000 from Bank Windhoek
- Golf course fees paid from business bank account: N\$5 000
- Prepaid income: N\$1 500 from WHK kids conference
- Bank loan charges N\$200 per month
- Sale of hotdogs: N\$50 000 per month.

REQUIRED:		
(a)	Which of the above costs are not business operational costs	(2)
(b)	Identify the expenses in Paul’s business that constitute business operational cash.	(7)
(c)	“Dancing fees paid by his wife: N\$2 000 per month.” You informed Paul that this is not allowed to be treated as a business transaction. Which accounting rule/concept will be violated if you record the transaction?	(2)
(d)	Name the assets mentioned in Paul’s business.	(4)
(e)	What are the liabilities stated in Paul’s business.	(2)
(f)	Which of these business operational costs is an example of drawings	(2)
(g)	Who exactly are the "six users of Paul’s financial statements"? What information do they need?	(12)
TOTAL		(31)

QUESTION 3

(18 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. Hauifiku, 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.

Required:

For each of the transactions listed above, indicate which account must be debited and which account must be credited in the ledger, as well as the overall effect of each transaction on the elements of the accounting equation. Present your answer in the following format:

Date	ASSETS =	EQUITY	LIABILITIES	ACCOUNT DEBITED	ACCOUNT CREDITED
	N\$	N\$	N\$		
1.2.19	+20 000	+20 000		Bank	Sales

QUESTION 4

(31 marks)

The following trial balance was compiled from accounting records of Okalongo-stores for the year ended 31 March 2019

	N\$	N\$
Owner's equity		207 300
Drawings	23 000	
Long term investment	80 000	
Petty cash	2 000	
Provision for bad and doubtful debts		1 200
Salaries and wages	34 000	
Inventory	22 000	
Accounts receivables	21 300	
Accounts payables		12 500
Advertisements	1 600	
Administrative expenses	2 600	
Bank overdraft		12 000
Office equipment at cost	24 000	
Accumulated depreciation: Office equipment		8 400
Cost of sales	114 000	
Repairs and maintenance	3 600	
Water and electricity	8 650	
Sales		208 550
Bank	102 700	
Insurance	10 500	
	449 950	449 950

Additional information:

- (1) The entity took out a fire insurance policy on 1 February 2019 and paid the annual premium of N\$6 000 for coverage until 31 January 2020.
- (2) A credit customer who owes the business N\$1 300 was declared insolvent and her account must be written off as irrecoverable.
- (3) Depreciation on office equipment must still be provided for at 20% per annum on straight-line method.
- (4) On 31 March 2019 water and electricity amounted to N\$2 650 was still not paid.
- (5) On 1 December 2018 a tenant moved into office space available for rent and receivable amount is N\$5 000 per month. No deposit was required.
- (6) The long - term investment was invested a few years ago. Interest on the investment is provided for at 10% per annum.

Required:

- (a) Prepare the statement of profit or loss of Okalongo-stores for the year ended 31 March 2019. (16)
- (b) Prepare the statement of financial position of Okalongo-stores as at 31 March 2019. (15)



END OF EXAMINATION PAPER