



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

DEPARTMENT OF ACCOUNTING, ECONOMICS AND FINANCE

QUALIFICATION: BACHELOR OF MARKETING, BACHELOR OF ACCOUNTING, BACHELOR OF TRANSPORT MANAGEMENT, BACHELOR OF LOGISTICS AND SUPPLY CHAIN MANAGEMENT	
QUALIFICATION CODE: 07BMAR / 07BOAC/ 07BLSC / 07BTMM	LEVEL: 5
COURSE CODE: FAC511S	COURSE NAME: FINANCIAL ACCOUNTING 101
SESSION: JULY 2018	PAPER: THEORY AND CALCULATIONS
DURATION: 3 HOURS	MARKS: 100

SECOND OPPORTUNITY EXAMINATION QUESTION PAPER

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MODERATOR:	J. van WYK

INSTRUCTIONS

1. Answer ALL questions in blue or black ink only
2. Write clearly and neatly.
3. Start each question on a new page and number the answers clearly.
4. No programmable calculators are allowed.
5. Questions relating to the paper 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.

THIS QUESTION PAPER CONSISTS OF 5 PAGES (Excluding the front page)

Question 1**(10 marks)**

- a. Financial information is useful when it is relevant and faithfully represents what it purports to represent. Explain the characteristics of faithful representation. (6)
- b. On 30 January 2018, the owner of Ebandulo Traders transferred N\$15 000 to Woke Wholesalers to settle their debts of N\$10 000. The extra N\$5 000 is for inventory that they are planning to purchase later on in February. Explain why the N\$5 000 paid in advance should not be recorded as a liability. (3)
- c. The accounting equation is based on the principle of duality. What does this mean? (1)

Question 2**(15 MARKS)**

Lush Entity is a beauty product retailer situated at The Khomas Grove Mall in Windhoek. It is a registered VAT vendor; the financial year end is 31 March 2018. *Lush* Entity uses the periodic inventory system.

The following transactions took place during the month of March 2018 and still need to be accounted for.

1. Purchased beauty soap to be used in the production process to produce the lush face wash gel from a local supplier Avon Namibia, for N\$150 000 and paid by EFT on 1 March 2018.
2. Sold batch of lush face wash gel to Monica Geingos a local customer on credit for N\$80 000.
3. Export a batch of lush face wash gel to Angelina Jolie in the United States of America, the value of this batch of beauty products amounts to N\$300 000.
4. Paid the monthly rent to NamProperty (Pty) Ltd (VAT vendor) by cheque, N\$50,000.
5. Paid salaries for the month of March of N\$ 150,000.
6. Bought a delivery vehicle to be used to deliver lush products to exclusive clients in Windhoek for N\$ 210 000.
7. Bought staff refreshments for the monthly brand ambassador competition worth N\$10 000

All amounts above are exclusive of VAT where applicable.

The standard VAT rate of 15% is applicable.

Required:

- a) Explain the difference between Input VAT and Output VAT. (2)
- b) List two examples of items/services which are zero rated for VAT purposes (2)
- c) Calculate the amount of VAT on each transaction above and state whether the VAT is an output VAT or input VAT. Where no VAT is applicable, give reasons. (11)

Round off amounts to the nearest Namibian Dollar.

Question 3**(30 marks)**

The following balances appeared in the records of Sauyemwa Traders, a general dealer trading in Rundu on 28th February 2018:

	N\$
Equipment at cost price	3,000
Vehicles at cost price	12,000
Accumulated depreciation – Equipment (01 March 2017)	1,500
Accumulated depreciation – Vehicle (01 March 2017)	5,856
Inventory (01 March 2017)	61,200
Accounts Receivables	13,000
Allowance for credit losses	400
Bank	30,000
Capital	78,000
Drawings	24,000
Accounts payable	41,000
Purchases	157,000
Purchases returns	5,044
Salaries and wages	12,720
Rent paid	3,480
Advertising	1,440
Insurance	960
Sales	187,000

The following additional information is provided:

Each of the above balances is a normal balance.

- I. Inventory on hand on 28 February 2018, was valued at N\$80 000.
- II. Depreciation to be provided as follows:
 - Equipment , 5% per annum on cost using straight line method
 - Vehicles, 20% per annum on reducing balance method
- III. Insurance prepaid as at 28 February 2018, amounts to N\$160.
- IV. Allowance for credit losses should be increased to N\$1 000
- V. Rent of N\$1 000 for the period 01 September 2017 to 28 February 2018 has not been paid and this has not been recorded in the books.

Required:

- a. Journalise the above adjustments number in the general journal of Sauyemwa Traders for February 2018. Journal narrations are not required. (6)
- b. Prepare the Statement of profit or loss and other comprehensive income for the reporting period ended 28 February 2018 (12)
- c. Prepare the Statement of financial position as at 28 February 2018 (12)

Question 4**(15 marks)**

Panama Limited purchased a machine on 1 January 2017. The following details are applicable:

	Note	N\$
Purchase price	1	1 000 000
Delivery costs		30 000
Installation costs		60 000
General administrative costs	2	10 000
Costs of testing	3	50 000
Pre-production costs	4	20 000
Initial operating losses	5	<u>100 000</u>
		<u>1 270 000</u>

Additional information:

1. The purchase price of N\$1 000 000 is only payable on 31 December 2017. The supplier of the machine does not usually allow credit for the purchase of similar machines but has made an exception for you. Using the interest rate of 14%, the discounted present value of the purchase price on 1 January 2017 is N\$ 877 190.
2. The administrative costs are of a general and indirect nature.
3. The costs of testing comprise costs incurred to produce samples while testing whether the machine is functioning properly. Samples were sold at net proceeds of N\$5 000.
4. The pre-production costs were necessary to bring the machine to the condition necessary to be able to operate in the manner intended by management.
5. The initial operating losses are attributable to the initial production of small quantities.
6. The asset was ready for use on 3 January 2017 and immediately put into use.
7. The machine will be depreciated using the straight-line method over eight (8) years, taking into account a residual value of N\$70 000.
8. Assume that a liability exists to dismantle and remove the machine at the end of its useful life at a cost of N\$35 000 (discounted present value equals N\$17 000).
9. Ignore VAT.

YOU ARE REQUIRED TO:

- a. Calculate the cost at which the asset will be recognised. (10)
- b. Calculate the carrying amount of the asset on 31 December 2015. (5)

Question 5**(15 marks)**

Beauty's Bridal Boutique (Pty) Ltd (BBB), is a registered VAT vendor and specializes in the manufacture of wedding gowns and evening dresses. BBB's reporting period ends on 31 May 2018

On 3 April 2018, BBB received an order from Monique Nepembe (a TV personality) for her upcoming wedding and an agreement was entered into and signed by both parties for the provision of the following items:

	N\$
1 x Wedding Dress	4,000.00
15 x Bridesmaids dresses	30,000.00
15 x Groomsman suits	22,500.00
	<hr/>
	56,500.00

The prices above are inclusive of VAT at a rate of 15%.

Monique Nepembe picked up the ordered clothing on 2 May 2018, and was issued with a tax invoice for the amount of N\$56 500. The invoice is payable on or before 31 May 2018.

Monique is a regular customer of BBB with an excellent payment record.

Required:

- Recognise revenue by applying the five-step model of IFRS 15. Assume the requirements of step 1 have been met (12)
- Assuming a 30% margin had been applied in achieving the selling price. Calculate the total cost price (3)

Question 6**(15 marks)**

The following balances appeared in the ledger of Slip and Slide CC on 31 December 2017

	N\$
Bank	22,200
Trade receivables	57,000
Sales	181,900
Trade payables	59,340
Inventory	95,000
General expenses	27,100
Stationery expense	7200
Credit losses	700
Salaries	41,600
Repairs and maintenance	19,000
Capital	365,400
Land and buildings	271,700
Drawings	66,420

It was discovered that the bookkeeper had made a number of errors. These are detailed below:

1. Each of the above balances is a normal balance.
2. Trade receivables were understated by N\$2 700 because of an addition error.
3. The payment of N\$3 000 for stationery was posted in error to the inventory account.
4. Cash of N\$125 paid for inventory was posted as a credit in the bank account and a debit in the repairs and maintenance account.
5. Bank charges of N\$300 had, as yet, been recorded only in the bank account.
6. General expenses of N\$910 had been recorded on the credit side of the general expenses account and on the credit side of the bank account
7. A Salary of N\$5 340 for 30 November 2017 was paid but it was not recorded anywhere.

Required:

Prepare a corrected trial balance as at 31 December 2017

END OF EXAMINATION!