



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

**DEPARTMENT OF ACCOUNTING, ECONOMICS AND FINANCE**

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

<b>FIRST OPPORTUNITY EXAMINATION QUESTION PAPER</b>	
<b>EXAMINER(S)</b>	C. MAHINDI, G. JANSEN, A. SIMASIKU, J. CHIKAMBI, H. KANGALA, A. CLAASSEN, L. TANGENI
<b>MODERATOR:</b>	J. van WYK

<b>INSTRUCTIONS</b>
<ol style="list-style-type: none"><li>1. Answer ALL questions in blue or black ink only</li><li>2. Write clearly and neatly.</li><li>3. Start each question on a new page and number the answers clearly.</li><li>4. No programmable calculators are allowed.</li><li>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 &amp; any assumption made by the candidate should be clearly stated.</li></ol>

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

**QUESTION 1****(15 marks)**

1. To keep track of inventory, a business can either make use of the perpetual or the periodic inventory management systems. Briefly explain these different systems. (4)
2. The elements of financial statements can be measured using different bases of measurement. Explain the meaning of:
  - a) Current cost (2)
  - b) Net realisable value (2)
3. Briefly explain the purpose of source documents in accounting. (1)
4. Match the terms to the appropriate defining details in the table below: (6)

Term	Defining Details
Verifiability	Reports the entity's Assets, Equity and Liabilities
Going Concern	Income received in advance
Accounting Cycle	Relevant information that, if omitted could influence the user's decision
Statement of financial position	Assumes that the entity will operate in the foreseeable future
Materiality	Allows different independent users to reach the same conclusion using the same information
Liability	The steps that complete the process of recording financial transactions up to their inclusion in the financial statements.

**Question 2****(17 MARKS)**

World Class Entity and all of their suppliers are registered VAT vendors in accordance with the VAT Act. The entity's current reporting date is 30 April 2018. The applicable VAT rate is 15%.

World Class Entity uses the perpetual inventory system.

The following transactions and events still have to be recognised in World Class Entity's records for the reporting period ended 30 April 2018, unless stated otherwise:

1. On 30 April 2018, World Class Entity made payments in respect of the following by means of Electronic Fund Transfers (EFTs):
  - 1.1. Drawings by the owner for the amount of N\$48 000.
  - 1.2. An invoice for N\$13 680 for the ICAN membership fees of employees registered as Chartered Accountants with ICAN.
  - 1.3. Office rent payment (per the invoice) to the amount of N\$69 000 for April 2018.
  - 1.4. Payable Pretty (recognised as at 31 March 2018) an amount of N\$10 032 for inventory purchased in the previous month.

**Note: Recognise each of these payments separately.**

2. The bank statement for April 2018, which was received on 3 May 2018 from the bank, reflects the following items which still have to be recognised in World Class Entity 's records:
  - 2.1. Bank charges for April 2018 to the amount of N\$12 774;
  - 2.2. Interest on the bank overdraft for April 2018 to the amount of N\$4 525.
  - 2.3. An electronic deposit of N\$51 300 on 30 April 2018 by Receivable Vicky in respect of the amount due to World Class Entity .

**Note: Recognise each of these transactions/events separately.**

**Required:**

Recognise the outstanding transactions in the accounting records (general journal) of World Class Entity for the reporting period ended 30 April 2018. State whether the VAT is an output VAT or input VAT. Where no VAT is applicable, give reasons. (17 Marks)

**Note:**

Journal narrations are not required.

Round calculated amounts to the nearest Dollar where applicable.

**Question 3****(40 marks)**

The accountant of Hildegard Traders presented you with the following trial balance as at 30 April 2018.

<b>Hildegard Traders</b>		
<b>Trial balance as at 30 April 2018</b>		
	<b>Debit</b>	<b>Credit</b>
	<b>N\$</b>	<b>N\$</b>
Capital		720,000.00
Long term loan: LTL Bank		480,000.00
Land	640,000.00	
Buildings	330,000.00	
Accumulated depreciation: Buildings		3,300.00
Vehicles	250,000.00	
Accumulated depreciation: Vehicles		25,000.00
Inventories 1 May 2017	35,000.00	
Receivables	79,000.00	
Allowance for credit losses		2,400.00
Bank	36,450.00	
Payables		53,000.00
Sales		1,340,000.00
Purchases	710,000.00	
Freight on purchases	141,000.00	
Returns outwards		5,000.00
Water and electricity	36,000.00	-
Salaries and wages	294,000.00	
Insurance	30,000.00	
Interest expense	84,450.00	
Rent income		37,200.00
	<b>2,665,900.00</b>	<b>2,665,900.00</b>

You are provided with the following additional information:

1. Inventories at 30 April 2018 amounted to N\$85 000
2. The water and electricity bill averages an amount of N\$3 250 per month
3. Insurance includes an annual premium of N\$12 000, that was paid for until 30 June 2018. The remaining amount was paid monthly.
4. The rental contract stipulates an annual rental amount of N\$40 800
5. Ms Mwizi, a receivable owing N\$3 648 was declared insolvent and is thus unable to pay her outstanding debt. The allowance for credit losses must be adjusted to N\$2 199
6. Depreciation must still be provided for:
  - a. Buildings over a 50-year period on cost
  - b. Vehicles at 20% per annum on the reducing balance method



**Question 5**

**(15 marks)**

MTSEE a mobile telecommunications company entered into a contract with Johannes on 1 January 2018 after extensive credit checks by MTSEE. The contract was signed by both parties on the same day. In line with the contract, Johannes subscribes for MTSEE's monthly plan for 12 months and in return, Johannes receives a free mobile phone from MTSEE. Johannes will pay a monthly fee of N\$400. Johannes gets the mobile phone immediately after contract signature. MTSEE sells the same mobile phone for N\$3,500 and the same monthly plans for N\$350 per month without mobile phone.

Assume a VAT rate of 15% and that the above stated figures are shown inclusive of VAT.

**Required:**

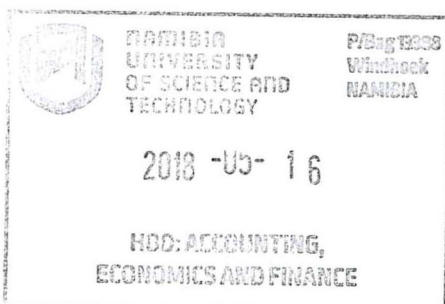
- a) Discuss in terms of IFRS 15 Revenue from contracts from customers whether the above agreement satisfies the requirements of a contract. (10)
- b) Assuming that MTSEE chooses to:
  - 1. Maintain a mark-up of 25% on the phone
  - 2. Maintain a margin of 30% on the phone

Calculate the gross profit and the cost price of the phone. (5)

Note: Round off all figures to the nearest whole number.

Show all workings!

**END OF EXAM PAPER!**



**Required:**

- a. Prepare general journal entries to account for transaction number 2 to 6. (7)
- b. Prepare the Statement of Profit or Loss for the reporting period ended 30 April 2018. (17)
- c. Prepare the Statement of Financial Position as at 30 April 2018. (16)

**QUESTION 4**

**(13 marks)**

Small Manufactures Ltd manufactures wood products as well as plastic crockery including drinking glasses.

**Plant (for Wood operations)**

Small manufacturers purchased a plant on 1 January 2017 for N\$1 000 000. During January 2017, some equipment was installed and other equipment was modified. Installation and modification costs incurred amounted to N\$200 000. For security reasons, a fence was erected at the plant at a cost of N\$20 000. The plant was ready for use on 1 February 2017. An opening function was held in the plant on 15 February 2017 at a cost of N\$25 000 in order to entertain customers and to introduce the new products to be manufactured at this plant. Production only commenced on 1 March 2017.

The plant has a useful life of 10 years and residual value was estimated at N\$ 200 000. Expected scrapping (dismantling) costs amount to N\$ 140 000 (discounted present value of scrapping costs equals N\$ 100 000). Assume that the provision for the scrapping costs will be raised

At the end of August 2017, heavy rain caused severe damage to the houses of the employees in the region. Management granted special leave to all the employees of the plant to attend to the repair of their houses. The plant stood idle during September 2017.

**Required:**

- a. Calculate the cost of the plant (used in the wood operations) (5)
- b. Calculate the depreciable amount of the plant (3)
- c. Calculate the depreciation for the year ended 31 December 2017 (2)
- d. Calculate the carrying amount of the plant on 31 December 2017 (3)