



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

DEPARTMENT OF ACCOUNTING, ECONOMICS & FINANCE

QUALIFICATION: BACHELOR OF INFORMATICS	
QUALIFICATION CODE: 07BAIF	LEVEL: 5
COURSE CODE: BAI620S	COURSE NAME: BUSINESS ACCOUNTING FOR INFORMATICS
SESSION: NOVEMBER 2019	PAPER: PRACTICAL AND THEORY
DURATION: 3 HOURS	MARKS: 100

FIRST OPPORTUNITY QUESTION PAPER	
EXAMINERS:	D Nkala and T Shindobo
MODERATOR:	D Kamocho

<p style="text-align: center;">INSTRUCTIONS</p> <ul style="list-style-type: none">• This examination paper is made up of five (5) questions.• Answer All the questions and in blue or black ink only.• Show all your workings.• Start each question on a new page in your answer booklet and show all your workings.• Questions relating to this 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 and any assumption made by the candidate should be clearly stated.

PERMISSIBLE MATERIALS

Non-programmable calculator

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

QUESTION 1**(15 marks)**

You are the accountant of Bulldozer Stores which is a sole trader business. The financial year-end of the business is December 2016.

On 24 August 2016, Fay Daniels (the owner) ordered inventory to the value of N\$45 000, the supplier sent an invoice dated 20 December 2016, they paid on the same day. The supplier will however deliver the inventory on 05 January 2017 (the following year).

Required

a) Using the applicable definitions of the basic elements of accounting, advise Fay on the correct accounting treatment of this transaction. (5 Marks)
b) State and briefly explain the fundamental qualitative characteristics as identified in the Conceptual Framework (5 marks)
c) Who exactly are the "two users of Bulldozer Stores financial statements"? What information do they need? (3 marks)
d) What is the purpose of the Statement of financial position (2 marks)

- a. Prepare the adjusting general journal entries to account for the above transactions. Journal narrations are NOT required. (10)
- b. Prepare the post- adjustment (incorporating the adjustments) trial balance of Shilongo Traders as at 28 February 2019. (11)
- c. Prepare the Statement of Profit or Loss of Shilongo Traders for the reporting period ended 28 February 2019 incorporating the adjustments. (6)
- d. Prepare the Statement of Financial Position of Shilongo Traders as at 28 February 2019 incorporating the adjustments. (13)

Question 3

(20 marks)

PART A

Dresses were sold to retailers at various prices. The company produced more dresses than expected, which resulted in closing inventory.

The fabric used for the dresses is imported from Brazil. There was an opening inventory of 1 000 metres which cost N\$84 000.

The following is the schedule of purchases and usage of fabric for the current financial year:

- September 2018: purchased 150 metres @ N\$64.50 per meter.
- November 2018: 1 100 metres were issued to production.
- January 2019: purchased 800 metres @ N\$65 per meter.
- February 2019: 680 metres were issued to production.

REQUIRED:

Prepare a detailed stores ledger card regarding the fabric, using the following valuation methods:
First in, first out (FIFO) method (10 marks)

PART B

(10 marks)

The storekeeper of Highveld Ltd has established that it requires 125 units of material XXX per 5-day week. It costs the firm N\$67.50 each time it places an order for new inventory. The material costs N\$4.50 per unit and the carrying cost per unit per year amounts to 12% of the cost price. The firm operates only 250 days in a year.

Required:

1. Calculate the Economic Order Quantity. (5)
2. Calculate the number of orders to be placed annually. (3)
3. Calculate the annual ordering cost. (2)

QUESTION 4**(10 marks)**

You have been presented with the following summarized accounts of Marco Trading, a sole trader.

Marco Trading
Statement of profit or loss for the year ending 28 February 2019

		N\$'000
Sales (all credit)	1200	
Cost of sales		(600)
Gross Profit		600
Administrative expenses		(570)
Loan interest payable		(10)
Profit		<u>20</u>

Marco Trading
Statement of financial position
as at 28 February 2019

		N\$'000
Assets		
Non-current assets		685
Current assets		275
Inventory	75	
Trade receivables	200	
Total Assets		960
Equity and Liabilities		
Equity		
Capital		620
Liabilities		
Non-current liabilities		
Loans		100
Current liabilities		240
Trade payables	200	
Bank Overdraft	40	
Total equity and liabilities		960

Calculate the following accounting ratios: (Round off your answer to 2 decimal places where applicable)

1. Gross profit margin (2)
2. Inventory turnover (2)
3. Net profit margin (2)
4. Current ratio (2)
5. Receivables collection period (2)

QUESTION 5**(15 marks)****Part A****(10 marks)**

Lucy has decided to set up her own hair retail business on 1 August 2019. Here is a summary of the transactions in the first month of the business.

2019	August 1	Lucy opened a business bank account and deposited N\$25 000
	3	Bought inventory of goods for resale costing NS\$ 8000 on credit from Ali Express
	5	Purchased a cash register (till) for NS490 paying by debit card.
	12	Sold goods for NS1200 on credit to Nancy
	21	Nancy returned NS250 worth of goods to Lucy

Required:

Record the above transactions in Lucy's 'T' (ledger) accounts. Balance off all the ledger accounts, showing balances carried down and brought down at the end of the month

Part B**(5 marks)**

Henry Wholesalers has compiled the following information for the month of October 2019. The company is a VAT vendor and deals mainly with businesses that are registered for VAT as well.

(i)

1. Paid salaries N\$5 000 by cheque. (1)
2. Bought tea and coffee for the office from Pick' n Pay, N\$150 (1)
3. Sold goods to NUST for N\$42 000 on account. VAT incl. (1)

Required:

Calculate the VAT portion of the above transactions, where VAT is not applicable, give reasons.

(ii) List any two examples of VAT zero rated items.

(2)



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FIRST OPPORTUNITY MEMORANDUM PAPER	
EXAMINERS:	D Nkala and T Shindobo
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INSTRUCTIONS
<ul style="list-style-type: none">• This memorandum paper is made up of five (5) suggested solution.

PERMISSIBLE MATERIALS

Non-programmable calculator

THIS QUESTION PAPER CONSISTS OF 11 PAGES (Including this front page)

FIRST OPPORTUNITY SOLUTION

Question 1

15 marks

a) An **asset** and a **liability** will be recognised in the December 2016 financial year. 1

A liability is a present obligation of the enterprise arising from past events, the settlement of which is expected to result in an outflow of economic resources from the enterprise. 1

A present obligation (current liability / accounts payables) arises on 20 December 2016, from which Fay Daniels will have to pay at a future date and the amount can be measured reliably (N\$ 45 000).1

An asset is a resource controlled by the enterprise as a result of past events and from which future economic benefits are expected to flow to the enterprise. 1

On the same day (20 December 2016), the entity needs to recognise inventory as a current asset. As it now owns it, as result of Fay buying the inventory and from which future economic benefit will be realised (within 12 months) from re-selling it.1 The value of which can be measured reliably (N\$ 45 000). 1

(Maximum: 5 Marks)

b) **Faithful Representation.**1 Information is faithfully represented if it is complete^{1/2}, neutral^{1/2} (or free from bias) and free from error^{1/2}.

Relevance.1 Information is relevant if it is material.^{1/2} This means that the omission or misstatement of such information would make a difference to the economic decisions made by users of financial statements. 1

Maximum 5 marks

c)

1. Suppliers and trade creditors ✓ are interested in information that will help them determine whether the amounts owing to them will be paid on time. ✓
2. Lenders ✓ – want information that will enable them to decide whether their loans will be paid when due, and whether or not to issue new loans to the entity. ✓
3. Owner ✓ (Paul) – who supply risk capital in the form of funding, he is concerned with the risk inherent in, and the return provided by his investments. ✓
4. Customers ✓ will be interested in the continuance of the entity, especially if they depend on it themselves. ✓
5. Employees ✓ – wish to know about the stability and profitability of their employers. This may give them confidence about their jobs and could be used to discuss salary and conditions of employment. ✓
6. The Government and government agencies ✓ are interested in the allocation of resources and the activities of the entities in general.

Any two, 1^{1/2} marks each correct answer

d) The purpose of the Statement of financial position is to record the financial position of the business at a point in time. That is to determine an entities net asset value/ net worth 2

Question 2

40 marks

a.

Shilongo Traders
General journal for February 2019

		Debit	Credit	
		N\$	N\$	
2	Stationery on hand	810		1
	Stationery expense		810	1
3	Depreciation (80 000/10)	8,000		1
	Accumulated depreciation: Equipment		8,000	1
4	Credit losses (54,200 * 2%)	1,084		1
	Allowance for credit losses		1,084	1
5	Telephone expenses	1,280		1
	Accrued expenses		1,280	1
6	Prepaid expenses 19500 -(1050*12)	6,900		1
	Rental expense		6,900	1
				10

b.

Shilongo Traders			Marks
Post- adjusted trial balance as at 28 Feb 2019			
	Debit N\$	Credit N\$	
Capital		126,400	0.5
Drawings	24,000		0.5
Equipment	80,000		0.5
Accumulated depreciation: Equipment (8000+8000)		16,000	0.5
Inventory (1 March 2018)	13,300		0.5
Receivables control account	54,200		0.5
Payables control account		47,600	0.5
Bank	35,120		0.5
Sales		560,000	0.5
Purchases	318,000		0.5
Carriage inwards	8,650		0.5
Rental expenses (1050*12)	12,600		0.5
Salaries	148,000		0.5
Telephone expenses (13450 + 1280)	14,730		0.5
Water and electricity expenses	23,090		0.5
Stationery expense (4690 – 810)	3,880		0.5
Stationery on hand	810		0.5
Depreciation	8,000		0.5
Accrued expenses		1,280	0.5
Credit losses	1,084		0.5
Allowance for credit losses		1,084	0.5
Prepaid expenses	6,900		0.5
	752,364	752,364	
			11

P

c.

Shilongo Traders

Statement of profit or loss for the year ended 28 February 2018

Marks

	N\$	N\$	
Sales		560,000	0.5
Less: Cost of Sales		(321,250)	
Opening Inventory	13,300		0.5
Purchases	318,000		0.5
	331,300		
Carriage inwards	8,650		0.5
	339,950		
Less: Closing inventory	(18,700)		0.5
Gross Profit		238,750	
Other expenses		(211,384)	
Rental expense	12,600		0.5
Salaries	148,000		0.5
Telephone expenses	14,730		0.5
Water and electricity expenses	23,090		0.5
Credit losses	1,084		0.5 P
Stationery expense	3,880		0.5
Depreciation	8,000		0.5 P
Net Profit		27,366	

6 Marks

d.

Shilongo Traders
Statement of Financial Position as at 28 February 2018

Marks

	N\$	N\$	
ASSETS			
Non-current assets		64,000	
Property, plant and equipment (W1)	64,000		2
Current assets		114,646	
Inventories	18,700		1
Stationery on hand	810		1
Trade and receivables (54200 - 1084 (P))	53,116		2
Prepayments	6,900		1 P
Cash and cash equivalents	35,120		1
Total assets		178,646	
EQUITY AND LIABILITIES			
Total equity		129,766	
Capital	126,400		1
Profit	27,366		1 P
	147,366		
Less: drawings	(24,000)		1
	123,366		
Total liabilities			
Current liabilities		48,880	
Trade and other payables	47,600		1
Accrued expenses	1,280		1
Total equity and Liabilities		178,646	
			13

W1	Property, Plant and equipment	N\$
	Cost	80,000 ✓
	Less: Accumulated depreciation	16,000 ✓
	Carrying Amount	<u>64,000</u>

Question 3

20 marks

Part A

FIFO

Month	RECEIVED			ISSUED			INVENTORY		
	Q	P (N\$)	V (N\$)	Q	P (N\$)	V (N\$)	Q (N\$)	P (N\$)	V (N\$)
Sept.							1 000	84.00✓	84 000
	150	64.50	9 675				<u>150</u>	64.50✓	<u>9 675</u>
							1150		93 675
Nov.				1 000	84.00	84 000			
					✓				
				<u>100</u>	64.50	<u>6 450</u>	50	64.50✓	3 225
					✓				
				1 100		90 450			
Jan.	800	65.00	52 000				50	64.50✓	3 225
							<u>800</u>	65.00✓	<u>52 000</u>
							850		55 225
Feb.				50	64.50	3 225			
					✓				
				<u>630</u>	65.00	<u>40 950</u>	170	65.00✓	11 050
					✓				
				680		44 175			

Part B

- $$EOQ = \sqrt{(2 \cdot D \cdot C_o) / C_h}$$

$$= \sqrt{2 \cdot (25 \cdot 250) \cdot 67.50 / 12\% \cdot 4.501}$$

$$= \sqrt{843750 / 0.541}$$

$$= \sqrt{15625001}$$

$$= \underline{1250} \text{ Units}$$
- Number of orders = Annual Demand/EOQ

$$= 25 \cdot 250 / 12501$$

$$= \underline{5} \text{ orders per annum}$$
- Total annual ordering cost = no. of orders x cost per order^{1/2}

$$= 5 \cdot 67.501$$

$$= \underline{N\$337.50}^{1/2}$$

Question 4**(10 marks)**

Calculate the following accounting ratios:

1. Gross profit margin:

$$\frac{\text{Gross profit}}{\text{Total sales revenue}} \times 100 \quad (1)$$

$$= \frac{600}{1200} \times 100/1$$
$$= 50 \% \quad (1)$$

2. Inventory turnover :

$$\frac{\text{Cost of goods sold}}{\text{Closing inventory}} \quad (1)$$

$$\text{*average inventory} = \frac{\text{opening inventory} + \text{Closing inventory}}{2}$$

$$= \frac{600}{75}$$
$$= 8 \text{ TIMES} \quad (1)$$

3. Net profit Margin :

$$\frac{\text{Net profit}}{\text{Total sales revenue}} \times 100 \quad (1)$$

$$= \frac{20}{1200} \times 100$$
$$= 1.67 \% \quad (1)$$

4. Current ratio :

$$\frac{\text{Current Assets}}{\text{Current liabilities}} \quad (1)$$

$$= \frac{275}{240}$$
$$= 1.15 \text{ TIMES} \quad (1)$$

5. Receivables collection period

$$\frac{\text{Average trade receivables}}{\text{Credit Sales}} \times 365 \text{ days} \quad (1)$$

$$= \frac{200}{1200} \times 365$$

= 60.83 days

(1)

Question 5

15
marks

Part A

Dr			Sales Account		Cr	
Details		N\$	Date	Details		N\$
			12 Aug	Debtors		1 200✓
Balance	c/d	1 200✓				
1 mark		<u>1 200</u>				<u>1 200</u>
			1 Sept	Balance	b/d	1 200

Dr			Capital		Cr	
Date	Details	N\$	Date	Details		N\$
31 Aug	Balance	c/d	01 Aug	Bank		25 000✓
	1 mark	<u>25 000</u>				<u>25 000</u>
			1 Sept	Balance	b/d	25 000

Dr			Debtors Control Account (Nancy)		Cr	
Date	Details	N\$	Date	Details		N\$
12 Aug	Credit sales	1 200✓	21 Aug	Sales return		250✓
	2 marks					
		<u>1 200</u>	31 Aug	Balance	c/d	950✓
1 Sept	Balance	b/d				<u>1 200✓</u>
		<u>950</u>				

Dr			Accounts Payable Control (Ali Express)			Cr		
Date	Details	N\$	Date	Details	N\$			
31 Aug	Balance	c/d	8 000✓	03 Aug	Purchases	8 000✓		
	1 mark							
			<u>8 000</u>			<u>8 000</u>		
				1 Sept	Balance	b/d	8 000	

Dr			Purchases Account			Cr		
Date	Details	N\$	Date	Details	N\$			
03 Aug	Creditors		8 000✓	31 Aug	Balance	c/d	8 000✓	
	1 mark							
			<u>8 000</u>				<u>8 000</u>	
1 Sept	Balance	b/d	8 000					

Dr			Bank Account			Cr		
Date	Details	N\$	Date	Details	N\$			
01 Aug	Capital		25 000✓	05 Aug	Cash register	490✓		
	2 marks							
			<u>25 000</u>	31 Aug	Balance	c/d	24 510✓	
							<u>25 000✓</u>	
1 Sept	Balance	b/d	24 510					

Dr			Cash register (till) Account			Cr		
Date	Details	N\$	Date	Details	N\$			
05 Aug	Bank		490✓	31 Aug	Balance	c/d	490✓	
	1 mark							
			<u>490</u>				<u>490</u>	
1 Sept	Balance	b/d	490					

Dr		Sales return Account		Cr	
Date	Details	N\$	Date	Details	N\$
21 Aug	Debtors	250✓			
			31 Aug	Balance	c/d 250✓
	1 mark	250			250
1 Sept	Balance	b/d 250			

0.5 mark for every correct entry

Part B

- i) (a) No VAT- Not a taxable supply 1
 (b) No VAT- Entertainment Expense 1
 (c) $15/115 * N\$ 42\ 000$
 $= N\$ 5\ 478.26$ 1
- ii) Any two below: 2
- ▶ Supply of a business as a going concern
 - ▶ Export of goods
 - ▶ Certain foodstuffs e.g. mahangu and maize meal
 - ▶ fuel
 - ▶ Certain services supplied to non-residents
 - ▶ Services physically rendered outside of Namibia
 - ▶ International transport of goods and passengers
 - ▶ Supply of funeral undertaking services
 - ▶ Supply of goods or services by a charitable organization, children's home, old age home or orphanage