



PAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY

FACULTY OF MANAGEMENT SCIENCES

DEPARTMENT OF ACCOUNTING, ECONOMICS AND FINANCE

QUALIFICATION : VARIOUS	
QUALIFICATION CODE: VARIOUS	LEVEL: 6
COURSE CODE: BAC211S	COURSE NAME: BUSINESS ACCOUNTING 2A
SESSION: JUNE 2019	PAPER: THEORY AND CALCULATIONS
DURATION: 3 HOURS	MARKS: 100

FIRST OPPORTUNITY EXAMINATION QUESTION PAPER	
EXAMINER(S)	Mr. J Chikambi
MODERATOR:	Mr. D Kamocho

INSTRUCTIONS
<ol style="list-style-type: none">1. This question paper is made up of four (4) questions.2. Answer ALL the questions and in blue or black ink.3. Start each question on a new page in your answer booklet.4. 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 & any assumption made by the candidate should be clearly stated.

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

QUESTION 1**(23 MARKS)**

Welwitchia Entity is situated at the Pupkewitz Lifestyle Centre and sells a wide variety of printed plastic bags to customers from various outlets across the country.

Welwitchia Entity's reporting period ends on 31 July 2018. *Welwitchia Entity* uses the periodic inventory system.

The following matter has not yet been dealt with and the accountant has asked for your assistance.

MATTER 1

Pretty Entity Receivable is one of *Welwitchia Entity's* selected premium customers. On the 19th July 2018, *Pretty Entity* ordered goods from *Welwitchia Entity* and negotiated with the manager to allow the entity discount, either a settlement discount or a cash discount. The manager however informed the purchasing clerk of *Welwitchia Entity* that the current economic downturn experienced across the business industry in Namibia makes it impossible for them to allow any discount at this stage, this company policy might be relaxed in future. *Welwitchia Entity* delivered the goods to *Pretty Entity* premises on 21 July 2018 with an invoice amount of N\$150 000.

REQUIRED:

- a) Explain the difference between settlement discount and cash discount. (4)
- b) Define credit risk. (3)
- c) Provide two (2) circumstances under which accounts receivable will be impaired at year end. (2)
- d) List four (4) qualitative characteristic of financial information. (4)
- e) Prepare the general journal entries for the outstanding transactions (matter 1) above in the records of *Welwitchia Entity* and in the records of *Pretty Entity* for the reporting period ended 31 July 2018. (10)

Note:

- Dates are required and will carry marks.

- Ignore Value Added Tax.
- Round off all amounts to the nearest Namibian Dollar.

Question 2

(20 MARKS)

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

Victoria Trading Statement of profit or loss for the year ending 28 February 2018

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

Victoria Trading Statement of financial position as at 28 February 2018

	N\$	N\$
ASSETS		
Non-current assets		685
Current assets	<u>275</u>	275
Inventory	75	
Trade Receivables		

	200	
<i>Total Assets</i>		<u>960</u>
EQUITY AND LIABILITIES		
EQUITY		620
Capital	620	
LIABILITIES		
Non-Current Liabilities		100
Long-term loan	100	
Current liabilities		240
Trade Payables	200	
Bank overdraft	40	
<i>Total equity and liabilities</i>		<u>960</u>

REQUIRED:

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

- a) Gross profit margin (3)
- b) Inventory turnover (3)
- c) Net profit margin (3)
- d) Acid test ratio (3)

- e) Debtor collection (3)
- f) Current ratio (3)
- g) Account payable period (3)

QUESTION 3

(30 MARKS)

The following information was extracted from the books of **AM Entity** for the year ended 31 January 2019;

Balances as at 1 January 2019:

	Debit	Credit
	N\$	N\$
Receivables balances	142,760	11,200
Payables balances	4,150	162,450

During the year 2017, the following transactions took place:

	N\$
Credit Sales	1,150,000
Cash Sales	11,000
Returns inwards (all on credit)	74,000
Credit purchases	942,070
Returns outwards (50% credit, 50% cash)	80,600
Cash received from receivables	985,200
Cash paid to payables	888,410
Discounts received	23,600
Discounts allowed	19,700
Interest charged by payables for overdue accounts	5,470
Dishonoured cheque (included in cash receipts above)	2,170
Irrecoverable debts	24,860
Irrecoverable debts recovered (original write off included in irrecoverable debts above)	3,420
Contra entry between receivables and payables	9,750
Refunds from payables	2,190
Refund to receivables	3,330

The following additional information as at 31 December 2018 is available:

- The total credit balance in the receivable's ledger is N\$ 9,100.
- The total debit balance in payables ledger is N\$ 3,320.

REQUIRED:

- a.) Prepare the receivables control account for **AM Entity**, for the year ended 31 January 2019. (16)
b.) Prepare the payables control account for **AM Entity**, for the year ended 31 January 2019. (14)

QUESTION 4

(27 marks)

Global-Link Ltd issued a prospectus inviting application for 270 000 ordinary shares of N\$3 each and N\$270 000 worth of 7% debentures of N\$90 each.

The ordinary shares were offered at premium at N\$4.50 each. The debentures were offered at par, payable N\$90 on application.

Applications were received for 290 000 ordinary shares and 3 100 debentures.

All ordinary shares and debentures offered were allotted and excess money was refunded

Required:

4.1 Define the following terms and give one example of each: (9 marks)

4.1.1 Debenture (3)

4.1.2 Ordinary share (3)

4.1.3 Share premium (3)

4.1.4 List the considerations according to the Companies Act of 2004 for the directors to declare the dividend. (4 marks)

4.2 Record the above issues in a General Ledger (14 marks)

(NB: narrations are not required)

END OF EXAMINATION PAPER