



PAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY
FACULTY OF MANAGEMENT SCIENCES

DEPARTMENT OF ACCOUNTING, ECONOMICS & FINANCE

QUALIFICATIONS: BACHELOR OF HOSPITALITY, BACHELOR OF TOURISM AND BACHELOR OF NATURE	
QUALIFICATION CODE: 07BOH	LEVEL: 5
COURSE: INTRODUCTION TO HOSPITALITY AND TOURISM ACCOUNTING	COURSE CODE: IHA520S
DATE: NOVEMBER 2019	SESSION: 1 ST SESSION
DURATION: 3 HOURS	MARKS: 100

1ST OPPORTUNITY EXAMINATION QUESTION PAPER	
EXAMINER	Kuhepa Tjondu
MODERATOR:	Mr. E. Mushonga

INSTRUCTIONS
<ol style="list-style-type: none">1. Answer ALL questions in blue or black ink only2. 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.6. The names of people and businesses used throughout this exam paper do not reflect reality and are purely coincidental.7. Show all workings!

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

Question 1**(30 marks)**

You are provided with the following information for transactions that took place in the business of Hospitable Air Conditioners, a business that install, buy, and sell air conditioners. Transactions are for October 2019:

1. Mr Eliaser, the owner, banked N\$50 000 into the bank account of the business, being additional contribution.
2. Mr Eliaser bought a vehicle that he intends using in his business, total amount for the vehicle cost is N\$28 000, he paid N\$5 000 by Electronic Funds Transfer (EFT) and the remaining amount was still due to Auto House where he bought the vehicle.
3. Installed 2 air conditioners and received N\$2 000 by direct deposit in the bank account for each service done.
4. The employees of Hospitable Air Conditioners were paid their monthly salaries of N\$8000 by Blue Wallet.
5. Repaired a client's air conditioner and received N\$3 500 cash.
6. Installed 5 air conditioners for a total amount of N\$12 000 to Mr Hamalwa's house on account.
7. Received a telephone bill from Telecom and settled it on the same day by bank transfer, N\$650.
8. Mr Eliaser made a payment of N\$7 000 by EFT on the outstanding account balance of Auto house.
9. Bought four new air conditioners to be installed at a client premises next week, on account, N\$8 000.
10. One was returned back to the supplier because it was not working properly, this was valued at N\$2 000.

Required:

- a) Identify the source document for each of the transactions above. (Number each answer appropriately). (10 marks)
- b) Name FIVE users of accounting information and explain why they are interested in financial information. (10 marks)
- c) Name and explain FIVE characteristics of useful financial information. (10 marks)

QUESTION 2**(50 marks)**

Higoam Motel had the following balances in their records at the end of the reporting period, 31 October 2019.

Details	Debit (N\$)	Credit (N\$)
Land	1,000,000	
Buildings	3,000,000	
Motor vehicle-At cost	740,000	
Machinery-At cost	2,000,000	
Accumulated Depreciation-Machinery		500,000
Accumulated depreciation-Motor Vehicle		240,000
Receivables	1,450,000	
Payables		630,000
Drawings	524,500	
Capital		4,540,000
Cash and cash equivalents	349,000	
Sales		9,898,000
Advertising	320,000	
Carriage inwards	204,000	
Fuel	473,000	
Wages	1,048,000	
Sales Returns	68,000	
Purchases Return		50,000
Purchases	4,067,500	
Insurance	60,000	
Inventory (1/11/2018)	586,000	
Commission		32,000
Total	15,890,000	15,890,000

Additional information:

1. Inventory on 31 October 2019 was valued at N\$680,000.
2. Wages includes N\$70,000 paid as advance to employees.
3. The insurance account was charged with N\$40,000 which relates to advertising.
4. The insurance account includes a premium of N\$9,000.00 for November 2019.
5. The vehicle was sold for proceeds of N\$10,000 on 31 August 2019. The cost of the motor vehicles sold was N\$53,100 and the depreciation to the date of disposal was N\$37,400. No entries in respect of this transaction has been recorded.
6. Provide for depreciation on Machinery at 10% per annum on the reducing balance method and Motor vehicles 20% on the straight-line method.

Required:

- a) Journalise the above adjusting entries in the general journal of Higoam (Pty) Ltd. Journal narrations are NOT required. (15 marks)
- b) Prepare the Statement of Profit of Loss for incorporating adjustments the reporting period ended 31 October 2019. (19 marks)
- c) Prepare the statement of financial position incorporating adjustments as at 31 October 2019. (16 marks)

Question 3**(20 Marks)**

Comparator prepares ready-made meals and distributes them to various wholesalers and retailers. It has recently subscribed to an inter-firm comparison service. Members submit accounting ratios as specified by the operator of the service, and in return, members receive the average figures for each of the specified ratios taken from all subscribing entities in the same sector. The specified ratios and the average figures for Comparator's sector are shown below.

Ratios of companies reporting a full year's results for periods ending 30 September 2019:

Return on capital employed	22.1%
Net asset turnover	1.8 times
Gross profit margin	30%
Net profit (before tax) margin	12.5%
Current ratio	1.6:1
Quick ratio	0.9:1
Inventory days	46 days
Receivables days	45 days
Payables days	55 days
Debt to equity	40%

Comparator's financial statements for the year to 30 September 2019 are set out below:

Statement of profit or loss	
	\$000
Revenue	2,425
Cost of sales	(1,870)
Gross profit	555
Other operating expenses	(215)
Profit from operations	340
Finance costs	(34)
Exceptional item (note (ii))	(120)
Profit before tax	<u>186</u>
Income tax expense	(90)
Profit for the year	96

Extract from statement of changes in equity	
	\$000
Retained earnings – 1 October 2018	179
Profit for the year	96
Dividends paid (interim \$60,000, final \$30,000)	(90)
	<u> </u>
Retained earnings – 30 September 2019	185
	<u> </u>

Statement of financial position		
	\$000	\$000
Non-current assets		540
Current assets		
Inventory	275	
Receivables	320	
		595
		<u> </u>
Total Assets		1,135
		<u> </u>
Equity		
Ordinary shares (25 cents each)		150
Retained earnings		185
		<u> </u>
		335
Non-current liabilities		
8% loan notes		300
Current liabilities		
Bank overdraft		65
Trade payables		350
Taxation		85
		<u> </u>
		500
Total Equity and Liabilities		1,135
		<u> </u>

Notes:

(i) The details of non-current assets are:

Cost		Accumulated depreciation	Carrying amount
	\$000	\$000	\$000
At 30 September 2019	3,600	3,060	540

(ii) The exceptional item relates to losses on the sale of a batch of computers that had become worthless due to improvements in microchip design.

(iii) The market price of Comparator's shares throughout the year averaged \$6 each.

Required:

a) Calculate the ratios for Comparator which are equivalent to those provided by the comparison service. (20 marks)

=====**End of Examination**=====

