



**NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY**

QUALIFICATION: DIPLOMA IN BUSINESS PROCESS MANAGEMENT	
QUALIFICATION CODE: 06DBPM	LEVEL: 5
COURSE: BUSINESS ACCOUNTING 1 A	COURSE CODE: BAC511C
DATE: NOVEMBER 2018	SESSION: 1
DURATION: 3 HOURS	MARKS: 90

1st OPPORTUNITY EXAM

EXAMINER: MRS. W. GERTZE

MODERATOR: MRS. Z. MARITZ

**1. THIS EXAMINATION PAPER CONSISTS OF 7 PAGES
(INCLUDING THIS FRONT PAGE)**

2. INSTRUCTIONS

- 2.1. Answer ALL questions.
- 2.2. Please write down your answers in the answer book provided.
- 2.3. Start each question on a new page.
- 2.4. Write neatly and clearly.
- 2.5. Show all your workings.

Question 1

(16 marks)

Part A (6 Marks)

- 1.1. State two underlying assumptions used when preparing financial statements. (2)
- 1.2. Identify two different users of financial information and briefly explain the type of information needed for each category. (2)
- 1.3. Briefly explain the difference between Input VAT (Value Added Tax) and Output VAT.(2)

Part B (10 Marks)

Two brothers, Jake and Jim, decided to start a Carpenter business, Carpen-Tex. The following transactions took place in the first month of business:

- 1. Jake and Jim each contributed N\$90 000 to the entity and this was deposited in the bank account that had been recently opened.
- 2. A loan of N\$ 250 000 was obtained from SME Bank and deposited in the bank account.
- 3. Cutting equipment was purchased worth N\$ 50 000 paying by cheque.
- 4. Stationary was purchased on credit for N\$ 3 000
- 5. Sales for the first two weeks of the business was received and deposited, N\$ 15 000.

Required:

- a) Show the effect of the above-mentioned transactions on the accounting equation. (10 Marks)

Note: Present your work in columnar format like below. Show increases with “+” signs and decreases with “-” signs.

E.g. Bought goods worth N\$2 000 paying cash

Assets	Owner’s Equity	Liabilities
-2 000 (decrease-bank)	-2 000 (purchases-increase)	0

Question 2**(18 marks)**

The following transactions were obtained from the records of Ignatius Trading Enterprises for the month of July 2017.

1. The owner deposited his own money into the business account, N\$300 000
2. Purchased a delivery van from Novel Ford, N\$140 000. This amount has not yet been paid
3. Purchased inventory on credit from Metro Wholesalers, N\$20 000
4. Sold goods on credit to Epiphania Traders, N\$5 000.
5. Cash sales of N\$4 800.
6. Paid salaries by cheque, N\$20 000
7. Epiphania Traders returned damaged goods worth N\$800
8. Paid Metro Wholesalers N\$18 500 in full settlement of the account.

REQUIRED:

- a) Journalise the transactions in the General Journal of Ignatius Trading Enterprises for the month of July 2017. Journal narrations are not required. (18 marks)

Question 3**(31 marks)**

Mr Drostdy has been trading for some years as a wine merchant. The following list of balances has been extracted from his ledger as at 30 April 2018, the end of his most recent financial year.

	N\$
Bad debts recovered	900
Capital	83 887
Sales	259 870
Trade Creditors	19 840
Returns out	13 407
Provision for bad debts	512
Discount allowed	2 306
Discount received	1 750
Purchases	135 680
Returns inwards	5 624
Carriage outwards	4 562
Drawings	18 440
Carriage inwards	11 830
Rent, rates and insurance	25 973
Heating and Lighting	11 010
Postage, stationery and telephone	2 410
Advertising	5 980
Salaries and wages	38 521
Bad debts	2 008
Cash in hand	1 434
Cash in bank	4 440
Inventory as at 1 May 2017	15 654
Trade Debtors	24 500
Fixtures and Fittings – at cost	120 740
Accumulated depreciation on fixtures and fittings – 30 April 2018	63 020
Depreciation	12 074

The following additional information as at 30 April 2018 is available:

- a) Additional bad debts to be written off N\$ 500.
- b) Inventory at the close of the financial year was valued at N\$ 17 750.
- c) Insurances have been prepaid by N\$1 120.
- d) The water and electricity invoice for April 2018 was received on the last day of the financial year. It amounted to N\$1 360.
- e) Rates have been prepaid by N\$5 435.
- f) The provision for bad debts is to be adjusted so that it is 3% of trade debtors.

Required:

- a) Prepare **journal entries (general journals)** for **adjustments**. Narrations are not required. (8)
- b) Prepare a Statement of Profit or Loss for the year ended 30 April 2018. (Show workings separately). (11)
- c) Prepare a Statement of Financial Position as at 30 April 2018. (12)

Question 4**(25 marks)**

The following information has been extracted from Make-Up Ltd, a company that specialises in the production of health and cosmetics.

Make-Up Ltd Statement of profit or loss for the year ending 31 December 2017

	N\$ 000	N\$ 000
Sales		1 845
Cost of sales		<u>(758)</u>
Gross profit		1 087
Distribution costs	(136)	
Administrative costs	<u>(61)</u>	
		<u>(197)</u>
Profit from operations		890
Finance cost (interest)		<u>(104)</u>
		786
Income tax expense		<u>(69)</u>
Profit for the period		<u><u>717</u></u>

Make-Up Ltd Statement of financial position as at 31 December 2017

	N\$ 000	N\$ 000
Assets		
Noncurrent assets		
Property, plant and equipment		4 002
Current assets		335
Inventories	42	
Trade receivables	180	
Cash and cash equivalents	<u>113</u>	
Total assets		<u>4 337</u>
Equity and Liabilities		
Equity		
Issued share capital (N\$ 1 shares)	600	
Retained earnings	<u>1 132</u>	1 732
Liabilities		
Noncurrent liabilities		
Interest bearing borrowings		2 313
Current liabilities		<u>292</u>
Total Equity and Liabilities		<u>4 337</u>

The following information is also available:

1. The market price of one share of Make-Up Ltd was N\$10.22 at 31 December 2017.
2. All sales are made on credit.
3. Purchases made on credit during the year were N\$527 000 and trade payables at 31 December 2017 were N\$61 000.
4. The dividend for the year was N\$400 000.

Requirement:

- i. From the information above, calculate:
 - a) The gross profit margin (2 marks)
 - b) The operating profit margin (2 marks)
 - c) Net profit margin (2 marks)
 - d) Asset turnover (2 marks)
 - e) Return on capital employed (2 marks)
 - f) Current ratio (2 marks)
 - g) Quick ratio (2 marks)
 - h) Trade receivables days (2 marks)
 - i) Trade payables days (2 marks)
 - j) Inventory turnover days (2 marks)
- ii. Determine the length of the working capital cycle from the ratios calculated above. (5 marks)

