



NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY
FACULTY OF MANAGEMENT SCIENCES

DEPARTMENT OF ACCOUNTING, ECONOMICS AND FINANCE

QUALIFICATION: BACHELOR OF MARKETING, BACHELOR OF ACCOUNTING, BACHELOR OF TRANSPORT MANAGEMENT, BACHELOR OF LOGISTICS AND SUPPLY CHAIN MANAGEMENT	
QUALIFICATION CODE: 07BMAR / 07MARB/ 07BOAC/ 07BLSC / 07BTMM	LEVEL: 5
COURSE CODE: FAC511S	COURSE NAME: FINANCIAL ACCOUNTING 101
SESSION: JANUARY 2020	PAPER: THEORY AND CALCULATIONS
DURATION: 3 HOURS	MARKS: 100

SECOND OPPORTUNITY EXAMINATION QUESTION PAPER	
EXAMINER(S)	C. MAHINDI, V. MAHINDI AND D. NKALA
MODERATOR:	J. van WYK

<p style="text-align: center;">INSTRUCTIONS</p> <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 4 PAGES (Excluding the front page)

QUESTION 1**(15 MARKS)**

Your friend started studying accounting this year. He is new to the subject and asked for your assistance by answering the following questions:

1. The framework for the Preparation and Presentation of Financial Statements includes an underlying assumption. Name this underlying assumption and briefly explain it. (3)
2. Briefly explain the term "recognition" in relation to the elements of financial statements. (2)
3. Briefly explain the term "measurement" in relation to the elements of financial statements. (2)
4. State and briefly explain the fundamental qualitative characteristics as identified in the Conceptual Framework. (6)
5. What is the purpose of the Statement of financial position (2)

QUESTION 2**(15 MARKS)****Scenario 1**

On 1 Dec 2019 an item of Property Plant and Equipment (PPE) that originally cost N\$299,600 (Accumulated depreciation at 1 April 2019 was N\$78,400) was sold for N\$265,000. The entry made in the records to account for the sale was:

		Debit N\$	Credit N\$
01-Dec-19	Cash	265,000	
	Property plant and equipment(at cost)		265,000
	<i>Entry to account for the sale of PPE</i>		

Property plant and equipment are depreciated on the straight line basis at 15% per annum. Depreciation has yet to be provided for on PPE. The reporting date is 31 March.

REQUIRED

Prepare the journal entries to correctly account for the sale of the PPE. (10)

Scenario 2

On 1 January 2019, a company which prepares financial statements for 31 December each year buys an item of equipment for N\$ 20,000. Useful life is estimated to be six years and residual value is expected to be approximately N\$1500.

The company uses the reducing balance method of depreciation at a rate of 35 % per annum.

REQUIRED

To the nearest dollar, calculate the carrying amount of this item for the year 31 December 2020? (5)

QUESTION 3**(35 marks)**

You are the accountant of Chamwe Trading and have been provided the following trial balance as at 31 October 2019.

Land & buildings	150,000.00	
Furniture	30,000.00	
Accumulated depreciation: furniture		7,500.00
Vehicles	45,000.00	
Accumulated depreciation: vehicles		12,000.00
Sales		750,000.00
Purchases	450,000.00	
Inventories (1 November 2018)	180,000.00	
Sales Returns	7,500.00	
Commission on purchases	15,000.00	
Credit losses	3,000.00	
Drawings	45,000.00	
Interest	4,500.00	3,000.00
Loan		90,000.00
Rent received		30,000.00
Salaries & wages	27,000.00	
Sundry expenses	16,500.00	
Accounts receivables	76,500.00	
Accounts payables		54,000.00
Bank	12,000.00	
Capital		115,500.00
	1,062,000.00	1,062,000.00

Additional information:

1. Inventories on 31 October 2019 amount to N\$195 000.
2. Interest on loan is calculated at 5% per year. The loan is repayable on 31 December 2020.
3. Property, plant and equipment:
 - 3.1 The buildings are occupied for the purposes of the activities of the entity and are accounted for in terms of the cost model. The value of the buildings is N\$45,000 and the land N\$105,000 at the date of purchase, 1 November 2018.
 - 3.2 Depreciation for the year has to be provided for as follows
 - Buildings at 3% on per year on cost
 - Furniture at 6% per year on cost
 - Vehicles at 10% per year on the diminishing balance method.
4. N\$7 500 of receivables must be written off as irrecoverable

REQUIRED:

Prepare the following components of financial statements:

- a) Statement of profit or loss for the year ended 31 October 2019. (18.5)
- b) Statement of financial position as at 31 October 2019 (16.5)

Question 4**(22 MARKS)**

Booster Limited (Booster) is a registered VAT vendor with a 31 December year end. Booster specialises in providing batteries and other electrical supplies.

On 1 April 2019, Booster ordered 60 generators worth N\$1 437 500 (including VAT) from Powercom Limited (Powercom) for purposes of resale. Booster is responsible for all delivery costs from the premises of Powercom to the premises of Booster. Van Wyk transporters was contracted to transport the generators, and they undertook this task on 15 April 2019 at a cost of N\$51 750 (including VAT) at which point the risk and rewards of ownership transferred to Powercom. To ensure that the generators were not damaged during transportation, Booster incurred a further N\$7,500 (Including VAT) in packaging costs. The transport and packaging costs were settled on 15 April 2019 via electronic funds transfer (EFT)

The invoice amount of N\$1,437,500 from Powercom was received together with the goods and contain a stipulation that, if the invoice is paid before 30 April 2019, a settlement discount of 5% will be granted. Booster's payment history indicates that Booster always takes advantage of any discounts granted.

On 28 April 2019, Booster paid the invoice price to Powercom by means of electronic funds transfer (EFT).

REQUIRED:

- a) Recognise the abovementioned transactions in the general ledger (T-accounts) of Booster Limited for the reporting period ended 31 December 2019. Assume that Booster make use of the perpetual inventory system.
(13)
- b) Assuming that the Booster settled the outstanding amount to Powercom on 1 May 2019, process the general journal entry to account for the payment in the records of Powercom.
(5)

PART B

Assume that each generator costs Booster N\$20,000 (excluding VAT). Booster maintains a gross profit margin of 35%. Calculate the gross profit and the selling price of each generator. (4)

QUESTION 5**(13 MARKS)**

Samsung (Pty) Ltd's current reporting period ends on 30 June 2019 and they use the periodic inventory system.

On 10 June 2019, Samsung (Pty) Ltd entered into a written agreement with a customer, CellShop (Pty) Ltd. The contract was signed by both parties and stipulates, *inter alia*, the following:

- 300 Samsung S4 cellphones will be delivered to CellShop (Pty) Ltd's premises on the following dates:
 - 175 cellphones will be delivered on 20 June 2019; and
 - 125 cellphones will be delivered on 6 July 2019.
- The sales price of the 300 cellphones is N\$862 500 (including VAT) and it is payable on 31 July 2019.

The sales price per cellphone is not influenced by the sales volume and the Samsung S4 cellphone is a distinct product.

CellShop (Pty) Ltd has an excellent payment record and the expectation is that the outstanding amount will be paid before the due date.

Both companies are registered as VAT vendors in accordance with the VAT Act. A VAT rate of 15% is applicable.

YOU ARE REQUIRED TO:

Recognise the revenue (sales) by applying the 5-step model of IFRS 15. Assume that the requirements of step 1 have been met. Show workings where applicable. (13 marks)

END OF PAPER!



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