



**NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY**

FACULTY OF MANAGEMENT SCIENCES

DEPARTMENT OF ACCOUNTING, ECONOMICS AND FINANCE

QUALIFICATION: BACHELOR OF ACCOUNTING	
QUALIFICATION CODE: 07BOAC	LEVEL: 5
COURSE CODE: FAC512S	COURSE NAME: FINANCIAL ACCOUNTING 102
SESSION: NOVEMBER 2019	PAPER: THEORY AND CALCULATIONS
DURATION: 3 HOURS	MARKS: 100

FIRST OPPORTUNITY EXAMINATION QUESTION PAPER	
EXAMINER(S)	Mr. K Tjondu, Ms. G Mwenyo and Ms. L George
MODERATOR:	Ms. J van Wyk

INSTRUCTIONS
<ol style="list-style-type: none">1. Answer ALL the questions.2. Start each question on a new page, number the answers correctly and clearly.3. Write clearly and neatly.4. The names of people and businesses used throughout this examination paper do not reflect the reality and may be purely coincidental.5. 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 and any assumptions made by the candidate should be clearly stated.

THIS QUESTION PAPER CONSISTS OF _6_ PAGES (Including this front page)

QUESTION 1**(25 marks)**

Robert Marley is the owner of Marley Wholesale, a small fruit and vegetable wholesale business. For the quarter ended 31 October 2019, the following items were extracted from the books of Marley Wholesale.

	N\$
Sales	129,602
Purchases	92,558
Returns outwards	8,114
Returns inwards	17,346
Received from credit customers	119,624
Paid to credit suppliers	82,617
Discounts received	4,594
Discounts allowed	6,053
Sales ledger balance 31 October 2019	33,188
Purchases ledger balance 31 October 2019	22,231

Required:

- a) For the quarter ended 31 October 2019, prepare Marley Wholesale's:
- (i) Receivables control account. (7 marks)
 - (ii) Payables control account. (7 marks)
- b) Briefly explain the purpose control accounts. (4 marks)
- c) Mr Maranatha the CEO of the company estimates that 5% of the total cash received last year was lost due to theft. Recommend possible internal control measures over cash receipts and payments to reduce or discourage theft. (7 marks)

QUESTION 2**(30 Marks)**

The bookkeeping system of Turner is not computerised, and at 30 September 2019 the bookkeeper was unable to balance the accounts. The trial balance totals were:

Debit N\$1,796,100

Credit N\$1,852,817

Nevertheless, he proceeded to prepare draft financial statements, inserting the difference as a balancing figure in the balance sheet. The draft profit and loss account showed a profit of N\$141,280 for the year ended 30 September 2019.

He then opened a suspense account for the difference and began to check through the accounting records to find the difference. He found the following errors and omissions:

1. N\$8,980 - the total of the sales returns book for September 2019, had been credited to the purchases returns account.
2. N\$49,600 paid for an item of plant purchased on 1 April 2019 had been debited to plant repairs account. The company depreciates its plant at 20% per annum on a straight-line basis, with proportional depreciation in the year of purchase.
3. The cash discount totals for the month of September 2019 had not been posted to the general ledger accounts. The figures were:
Discount allowed N\$836 Discount received N\$919
4. N\$580 insurance prepaid at 30 September 20X7 had not been brought down as an opening balance.
5. The balance of N\$38,260 on the telephone expense account had been omitted from the trial balance.
6. A car held as a non-current asset held for sale had been sold during the year for N\$4,800. The proceeds of sale were entered in the cash book but had been credited to the sales account in the general ledger. The original cost of the car N\$12,000, and the accumulated depreciation to date N\$8,000, were included in the motor vehicles account and the accumulated depreciation account. The company depreciates motor vehicles at 25% per annum on a straight-line basis with proportionate depreciation in the year of purchase but none in the year of sale.

Required:

- a) Open a suspense account for the difference between the trial balance totals. (7 marks)
- b) Prepare the journal entries necessary to correct the errors and eliminate the balance on the suspense account. Narratives are not required. (12 marks)
- c) Draw up a statement showing the revised profit after correcting the above errors. (11 marks)

QUESTION 3**(45 marks)****The following trial balance relates to Nameva Ltd as at 30 September 2019**

	N\$'000	N\$'000
Equity shares of 20 cents each (note (i))		50,000
8% loan note (note (ii))		30,600
Profit and loss account – 30 September 2018		12,100
Other equity reserve		3,000
Revaluation reserve		7,000
Share premium		11,000
Land and building at valuation – 30 September 2018:		
Land (N\$7 million) and building (N\$36 million) (note (iii))	43,000	
Plant and equipment at cost (note (iii))	67,400	
Accumulated depreciation plant and equipment – 30 September		13,400
Available-for-sale investments (note (iv))	15,800	
Stock at 30 September 2019	19,800	
Trade debtors	29,000	
Bank		4,600
Deferred tax (note (v))		4,000
Trade creditors		21,700
Turnover		182,500
Cost of sales	128,500	
Administrative expenses (note (i))	25,000	
Distribution costs	8,500	
Loan note interest paid	2,400	
Bank interest	300	
Investment income		700
Current tax (note (v))	900	
	<hr/>	<hr/>
	340,600	340,600
	<hr/>	<hr/>

The following notes are relevant:

- (i) Nameva Ltd has accounted for a fully subscribed rights issue of equity shares made on 1 April 2019 of one new share for every four in issue at 42 cents each. The company paid ordinary dividends of 3 cents per share on 30 November 2018 and 5 cents per share on 31 May 2019. The dividend payments are included in administrative expenses in the trial balance.
- (ii) The 8% loan note was issued on 1 October 2017 at its nominal (face) value of N\$30 million. The loan note will be redeemed on 30 September 2021 at a premium which gives the loan note an effective finance cost of 10% per annum.

(iii) Non-current assets:

Nameva Ltd revalues its land and building at the end of each accounting year. At 30 September 2019 the relevant value to be incorporated into the financial statements is N\$41.8 million. The building's remaining life at the beginning of the current year (1 October 2018) was 18 years.

Plant and equipment includes an item of plant bought for N\$10 million on 1 October 2018 that will have a 10-year life (using straight-line depreciation with no residual value). Production using this plant involves toxic chemicals which will cause decontamination costs to be incurred at the end of its life. The present value of these costs using a discount rate of 10% at 1 October 2018 was N\$4 million. Nameva Ltd has not provided any amount for this future decontamination cost. All other plant and equipment is depreciated at 12.5% per annum using the reducing balance method.

No depreciation has yet been charged on any fixed assets for the year ended 30 September 2019. All depreciation is charged to cost of sales.

- (iv) The available-for-sale investments held at 30 September 2019 had a fair value of N\$13.5 million. There were no acquisitions or disposals of these investments during the year ended 30 September 2019.
- (v) The income tax expense for the year ended 30 September 2019 is N\$6.25 million. A provision for corporation tax for the year ended 30 September 2019 of N\$5.6 million is required. Deferred tax liability which is a non-current liability amounted to N\$3.75 million.

Required:

- (a) Prepare the profit and loss account for Nameva Ltd for the year ended 30 September 2019. (15 marks)
- (b) Prepare the statement of changes in equity for Nameva Ltd for the year ended 30 September 2019. (15 marks)
- (c) Prepare the Statement of Financial Position of Nameva Ltd as at 30 September 2019. (15 marks)

Notes to the financial statements are not required.

END OF EXAMINATION

