



PAMIBIA 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 / 07BOAC/ 07BLSC / 07BTMM	LEVEL: 5
COURSE CODE: FAC511S	COURSE NAME: FINANCIAL ACCOUNTING 101
SESSION: JULY 2019	PAPER: THEORY AND CALCULATIONS
DURATION: 3 HOURS	MARKS: 100

SECOND OPPORTUNITY EXAMINATION QUESTION PAPER	
EXAMINER(S)	C. MAHINDI, K. TJONDU, R. KAMPUNGU, L. GEORGE, Z. STELLMACHER, G. MWENYO, V. MAHINDI AND M. NAMUPALA
MODERATOR:	J. van WYK

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 4 PAGES (Excluding the front page)

Question 1**(28 marks)**

The Veldskoen Boys (Pty) Ltd are a high-end leather shoe merchant in Namibia's capital, Windhoek. They purchase their raw materials including leather hides, fabric dye, laces, chemicals for the treatment of the leather hides and laces from various suppliers. You are the financial accountant of Veldskoen Boys.

The Veldskoen Boys have a 31 May year-end. They make use of the perpetual inventory system to account for inventory. The entity is registered for VAT.

As at 1 June 2018, the Veldskoen Boys had the following inventory on hand (exclusive of VAT)

	N\$
- Shoes for sale	145,000
- Untreated hides	58,000
- Hide treating chemicals	23,000
- Shoe laces	<u>6,000</u>
	<u>232,000</u>

You have also been provided with the following additional information and transactions:

1. The value of untreated hides as at 31 May 2019 amounted to N\$ 63,000 (VAT excl).
2. During the financial year, N\$167,000 (VAT excl) worth of untreated hides were utilised to produce leather shoes.
3. On 30 June 2018, you entered into a contract with SWAVON Leather Works to purchase 1,000 pairs of completed shoes for N\$345,000 (incl VAT) on credit.
4. On 1 July 2018, after inspecting the shoes purchased, you realised that quality of N\$23,000 (VAT excl.) worth of shoes was poor and returned them to SWAVON Leather Works.
5. A fellow shoe maker, Cobblers Inc, approached you to purchase N\$3,000 (VAT Excl) worth of laces from you as their consignment from their suppliers would not arrive before the end of August. They paid N\$5,175 for the laces by Electronic Funds Transfer on 4 August 2018. (VAT Excl)
6. The following (VAT Excl) purchases of raw materials were made on 12 October 2018
 - Untreated hides (refer to requirement (a) below)
 - Hide treating chemicals (N\$147,000)
 - Laces (N\$ 77,000)
7. On 30 November 2018 you made a sale of completed shoes of N\$460,000 (VAT Incl) to the Namibian Farmworkers Association on Credit. The cost of the shoes (VAT Excl) was N\$330,000.

Required:

- (a) Calculate the value of untreated hides purchased during the year. (2)
- (b) Enter transactions in 3 – 7 above in the general journal of Veldskoen Boys (Pty) Ltd for the reporting period ended 31 May 2019. Narrations not required. (17)
- (c) State whether VAT is due from or payable to the receiver of revenue and the amount. (4)

- (d) Assuming that Veldskoen Boys (Pty) Ltd wants to maintain a gross profit margin on Sales of 30%. Calculate the price total price that a customer would pay if it cost N\$750 to manufacture one pair of leather shoes as well as the profit to be obtained by Veldskoen Boys (Pty) Ltd. (5)

Question 2

(42 marks)

Officium Prestige (Pty) Ltd is a clothing retail store located in Windhoek.

You have been asked by the Financial Director of Officium Prestige (Pty) Ltd to prepare the Statement of Profit or Loss and the Statement of Financial Position for the 2018 financial year.

Officium Prestige (Pty) Ltd Trial Balance as at 31 December 2018

	DR	CR
	N\$	N\$
Motor Vehicles at Cost	150,000	
Accumulated depreciation: Motor Vehicles		15,000
Store equipment at Cost	100,824	
Accumulated depreciation: Store equipment		20,165
Closing inventory – 31.12.2018	46,655	
Trade and other receivables	68,387	
Allowance for credit losses		2,888
Bank	2,833	
Capital		130,480
Long term borrowings		49,308
Trade payables		60,000
Short term borrowings (Current portion of long-term borrowings)		33,024
Sales		388,077
Sales returns	21,500	
Purchases	148,016	
Opening inventory – 01.01.2018	52,666	
Salaries and Wages	64,650	
Office Rental	35,000	
Credit losses	1,400	
Interest expenses	8,233	
Interest income		1,222
	700,164	700,164

Additional information (Assume that information below has not been accounted for unless otherwise stated):

- Officium Prestige purchased two assets on 1 January 2017:
 - Motor Vehicle at a cost of N\$150 000

- Store equipment at a cost of N\$100,824.

The company depreciates its motor vehicle at 10% p.a using the straight-line method and store equipment at 20% p.a using the reducing balance method. The purchase of the two assets have been accounted for, however the accountant has not passed the depreciation journals for the current year.

2. On 1 January 2018, the bookkeeper paid an amount of N\$35,000 as rental expense. Monthly rental is N\$2,500.

The accountant entered the transaction as follows:

DR – Office Rental N\$35,000

CR – Bank N\$35,000

3. The company recruited Hip Hip Advertising CC to assist with year-end promotions, Hip Hip’s services cost the company N\$8,500. This amount is yet to be settled at year end.
4. A customer NUST (Pty) Ltd purchased white T-Shirts from the company on 31 October 2018 in the amount of N\$5,600. NUST (Pty) Ltd made an Electronic Funds Transfer (EFT) payment of N\$5,600 on the same day, Officium Prestige (Pty) Ltd will only deliver the T-Shirts on 1 January 2019.
5. The entity did not pay 2 employees their December 2018 salaries, the employees each earn N\$6,500 per month.

Required:

- (a) Prepare the adjusted trial balance of Officium Prestige (Pty) Ltd as at 31 December 2018. (22)
- (b) Prepare the Statement of Profit or Loss for the reporting period ended 31 December 2018 (13)
- (c) Prepare only the Equity and Liabilities section of the Statement of Financial Position as at 31 December 2018. (7)

Question 3

(17 marks)

Rama Enterprises is a business in the construction industry has a 31 May year end. They recently acquired a machine to aid in the production of cement. Rama Enterprises is not registered for VAT. The following information relates:

Machine Purchased on 1 January 2018.

	N\$
Purchase Price	570,000
Fuel (Incurred to transport machine to factory)	45,000
Staff party to celebrate acquisition of machine	14,000
Staff training	12,000
Testing to ensure machine is fully operational before production commences	10,980
Proceeds from sale of samples made during testing	14,820
Advertising of new products made by machine	50,000
Initial operating losses	35,000

The machine is expected to produce 1 000 000 units over its useful life, and it is expected to have a residual value of N\$31,160. Rama Enterprises uses the production units method to account for depreciation. Production is expected to be as follows:

Year	Units
2018	75,000
2019	300,000
2020	325,000
2021	200,000
2022	100,000
	1,000,000

Required:

- (a) Calculate the cost price of the machine on 1 January 2018. Clearly indicate which items are excluded from the cost price. (8)
- (b) Using your answer from the requirement above, calculate the depreciation and carrying amount of the machine at 31 May 2019. (9)

Question 4

(13 marks)

- (a) The Conceptual Framework for Financial Reporting 2018 identifies qualities that make Financial statements useful. Name and explain the enhancing characteristics of useful financial information. (8)

- (b) AR Ltd is a wholesaler that trades in building material. AR Ltd has an agreement with several selected customers that, should the customer prefer it, purchased building materials would not be delivered immediately to the purchaser's premises, but that the building material will be stored in AR Ltd's warehouse.

On 4 December 2018, JB (Pty) Ltd, one of AR Ltd's selected customers, placed an order with AR Ltd for 100 000 bags of cement at N\$32 per bag. The 100 000 bags of cement were available for delivery on 4 December 2018, but JB (Pty) Ltd requested that, due to current limited storage space, the bags of cement be delivered to its premises on 30 January 2019.

On 4 December 2018, the 100 000 bags of cement were put aside in AR Ltd's warehouse as sold to JB (Pty) Ltd and a sales invoice of N\$3 200 000 was issued to JB (Pty) Ltd on this date. The invoice is payable on 4 February 2019.

AR Ltd's current reporting period ends on 31 December 2018. AR Ltd uses the periodic inventory system.

Required:

Discuss the nature of the above transaction in terms of IFRS 15 and provide the journal entry to record the transaction in the records of AR Ltd. AR is not registered for VAT. (5)

You are not required to discuss the 5-step process for the recognition of revenue

END OF EXAMINATION!



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