



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

FIRST 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 6 PAGES (Excluding the front page)

QUESTION 1

(17 marks)

Part A

Multiple choice questions

(10 marks)

Choose the correct answer. Only indicate the correct letter.

1. *Choose the correct answer*

- (a) External Auditors are appointed by the managers of a business.
- (b) External Auditors are appointed by the owners of the business.
- (c) The main task of the external auditors is to ensure the firms internal controls are working as they should be.
- (d) Internal auditors are concerned with expressing an opinion on the fair presentation of financial statements

2. *Choose the correct answer*

- (a) Auditing is the systematic examination of the activities and status of entity, based primarily on investigation and analysis of its systems, controls and records
- (b) The study of Taxation is concerned with the periodic reporting of a company's financial position, financial performance and equity in accordance with established principles and legal requirements.
- (c) Financial Accounting can be split into Cost Accounting and Financial Management
- (d) Management Accounting is another arm of accounting that is governed by statutory laws as enacted by the legislative

3. The Conceptual Framework for Financial reporting lists three primary users of financial. Which of the following is not a primary user of financial information?

- (a) Investors
- (b) Lenders
- (c) Creditors
- (d) The government

4. *Choose the answer that is incorrect*

- (a) If conflict exists between IFRS and the Conceptual Framework – the Framework overrides.
- (b) The Conceptual Framework sets out the objective of financial reporting.
- (c) The Conceptual Framework provides qualitative characteristics of useful financial information.
- (d) The scope of the Conceptual Framework includes the definition, recognition and measurement of the elements of financial statements

5. Which one of the following is the correct name of one of the elements of financial statements as contained in the latest Conceptual Framework?
- (a) The Statement of Income and Expenses
 - (b) The Statement of Profit and Loss
 - (c) The Statement of Profit or Loss
 - (d) The Statement of Net Profit
6. Which one of the following is incorrect?
- (a) Assets = Owners Equity + Liabilities
 - (b) Owners' Equity = Assets - Liabilities
 - (c) Liabilities + Assets = Owners Equity
 - (d) Assets – Owners Equity = Liabilities
7. Which statement **incorrectly** represents the double entry principle?
- (a) Drawings increase on the credit side
 - (b) Rental Income increases on the credit side
 - (c) Mortgage bond increase on the credit side
 - (d) Capital increases on the credit side
8. Which of the following is **not** a book of original entry?
- (a) Cash Book
 - (b) Sales Journal
 - (c) Petty Cash Book
 - (d) General Ledger
9. Which of the following represents the correct sequence of events?
- (a) Source Document - Transaction — Journals – Ledger – Trial Balance – Financial Statements
 - (b) Transaction – Source Document – Journals – Ledger – Trial Balance – Financial Statements
 - (c) Transaction – Source Document – Ledger – Journal – Trial Balance – Financial Statements
 - (d) Transaction – Source Document – Trial balance– Ledger – Journals – Financial Statements
10. Which of the following is a correct closing entry?
- (a) The sales account closes off to the Profit or Loss Account
 - (b) The Trading Account closes off to the Profit or Loss Account
 - (c) Credit Losses close off to the Trading Account
 - (d) The Profit or Loss Account closes off to the Trading Account

Part B

(7 marks)

Mr. Namatanga is a businessman operating a fast food restaurant in the lively neighbourhood of Kehemu in Rundu. His business has been in operation for the last three years and last year the business qualified for mandatory VAT registration. He buys all his meat from Mbinge Traders, a VAT registered butchery in Rundu. Mr. Namatanga asked his clever nephew Penda to help him with recording the VAT on the purchase of meat in the financial statements. Penda told his uncle Mr. Namatanga that Input VAT should be treated like any other business expense because the business paid it when purchasing the meat and it resulted in a decrease in assets in the form of an outflow of cash.

Mr. Namatanga recorded the Input VAT as a business expense in the Statement of profit or loss and other comprehensive income.

Required:

Explain, with reference to the definition of the **relevant element** of financial statements whether Input VAT should be treated as an asset, a liability, Income or an expense. (7)

QUESTION 2

(17 marks)

You are given the following transactions of Sela Shangombe, a sole trader who repairs stoves in Oshakati. Sela is a registered VAT vendor and the transactions below occurred in April 2019. Sela uses the perpetual system to account for inventory. Assume a standard VAT rate of 15%.

- i) Bought spare parts to perform repairs for cash from Speedy spares for N\$ 230 (including VAT).
- ii) Repaired a stove for a customer for the amount of N\$ 1 000 excluding VAT. The customer is not registered for VAT. The customer paid via EFT for the repair.
- iii) Sela met another businessman who was able to source the spare parts for the stoves from overseas at a very low cost. Sela paid N\$ 300 from petty cash (VAT inclusive) for the lunch of this business meeting.
- iv) Paid salaries to staff N\$ 18 000 via Electronic Funds Transfer (EFT).
- v) Bought spare parts from a non-registered vendor for N\$ 800 (VAT exclusive) on credit.
- vi) Sela filled up the business vehicle with petrol for an amount of N\$ 500, from petty cash.

Required:

- a) Prepare the general journal entries for the above transactions. If no VAT is applicable, state why it is not applicable. (12)
- b) Provide the input and output VAT for the above transactions as it would appear on Sela's VAT return. (2)
- c) How much VAT is due to or receivable from the receiver of revenue? (3)

QUESTION 3**(40 marks)**

Alexander (Pty) Ltd had the following balances in their records at the end of the reporting period, 31 May 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 (1/06/2018)	586,000	
Commission		32,000
Total	15,890,000	15,890,000

Additional information:

1. Inventory on 31 May 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 June 2019.
5. The vehicle was sold for proceeds of N\$10,000 on 31 March 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 Alexander (Pty) Ltd. Journal narrations are NOT required. (15)
- b) Prepare the Statement of Profit of Loss for incorporating adjustments the reporting period ended 31 May 2019. (10.5)
- c) Prepare the statement of financial position incorporating adjustments as at 31 May 2019. (14.5)

Ignore VAT

QUESTION 4

(16 marks)

Sky High Traders has presented you with an extract of their trial balance as at 30 June 2018.

Trial Balance extract

	Debit	Credit
	N\$	N\$
Building: at cost	750,500	
Land: at cost	1,500,000	
Furniture: at cost	900,000	
Furniture: accumulated depreciation (at 1 July 2017)		245,500

The land was purchased on 1 January 2016.

The building was purchased in January 2018 but only became available for use on the last day of the year which was 30 June 2018.

Depreciation:

- Buildings are depreciated on a straight-line basis and assumed to have an economic life of 25 years. The buildings are depreciated to a nil residual value.
- Furniture is depreciated at 20% per annum using the reducing balance method.

Required:

- a) Prepare the Property, plant and equipment note for inclusion in the financial statements of Sky-High Traders for the year ended 30 June 2018. (15)
- b) At what value will Property, plant and equipment be presented in the Statement of financial position of Sky High as at 30 June 2018. (1)

QUESTION 5

(10 marks)

Moto Fireplaces signed a contract with John Snow on 1 March 2019 to supply and install a fireplace at John Snow's residence. The terms of the contract specify that N\$20 000 is payable for installation of the fireplace one month after the installation. The fireplace is installed on 1 April 2019. Moto Fireplaces is not registered for VAT.

Required:

Discuss in terms of IFRS 15 Revenue from Contracts with Customers, the 5-step process for the recognition of revenue in the records of Moto Fireplaces and provide the journal entry to recognise the revenue. Assume the requirements of Step 1 have been met. (10)

END OF EXAM PAPER!

 RADHIKA
UNIVERSITY
OF SCIENCE AND
TECHNOLOGY

PT-0000
Pekalongan
RAMBIA

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M. H. H.

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