



**NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY**

FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION

DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE

QUALIFICATION : BACHELOR OF ACCOUNTING AND BACHELOR OF LOGISTICS AND SUPPLY CHAIN MANAGEMENT	
QUALIFICATION CODE: 07BOAC AND 07BLSC	LEVEL: 5
COURSE: FINANCIAL ACCOUNTING 101	COURSE CODE: FAC511S
SESSION: JUNE 2022	PAPER: THEORY & CALCULATIONS
DURATION: 3 Hours	MARKS: 100

FIRST OPPORTUNITY EXAMINATION QUESTION PAPER	
EXAMINERS:	Ms Y Andrew, Mr G Jansen, Ms H Kangala, Ms M Amakali and Mr R Kampungu
MODERATOR:	Mr C Mahindi

INSTRUCTIONS TO CANDIDATES
<ol style="list-style-type: none">1. Answer all questions in blue or black ink.2. Round off all amounts to the nearest Namibian Dollar, where applicable.3. A non-programmable calculator is permissible.4. Show all your workings (where applicable).

QUESTION 1

(60 marks)

Each question is worth 1 mark unless indicated otherwise.

MULTIPLE CHOICE QUESTIONS

1. Which of the following is not a characteristic of accounting information?
 - A. Relevance.
 - B. Reliability.
 - C. Matching.
 - D. Comparability.
2. The last step in the accounting process is:
 - A. Identifying the business transactions and events.
 - B. Recording of business transactions.
 - C. Communication of financial results.
 - D. Classifying the business transactions.
3. Statement of changes in equity shows:
 - A. Assets and Liabilities.
 - B. Income and Expenses.
 - C. Sources and use of funds.
 - D. Losses and Gains.
4. Who is considered as the father of the modern accounting?
 - A. Leonardo da Vinci.
 - B. Henry Fayol.
 - C. Luca Friar Pacioli.
 - D. Jean *Myburgh*.
5. Which of the following accounting concepts has the working rule: "anticipate no profits but provide for all possible losses"?
 - A. Materiality concept.
 - B. Consistency concept.
 - C. Prudence concept.
 - D. Revenue recognition concept.
6. What is the main purpose of financial accounting?
 - A. Organize financial information.
 - B. Provide useful, financial information to users.
 - C. Keep track of Company expenses.
 - D. Minimize company taxes.
7. Which of the following is not an essential characteristic of partnership:
 - A. Profit is shared among partners.
 - B. The minimum number of partners is two and the maximum number is twenty.
 - C. It arises only by agreement among partners.
 - D. In a partnership business, secrets are open to each partner.
8. Mr. Namwandi is the owner and operator of Namwandi Enterprise, a motivational consulting business. At the end of its accounting period, December 31, 2020, Namwandi Enterprise has

assets of N\$760,000 and liabilities of N\$240,000. Mr. Namwandi, capital, as of December 31, 2021, assuming that assets bloated by N\$120,000 while liabilities increased by N\$72,000 during 2021.

Use the accounting equation to calculate the totals for the 31 December 2021?

$A = L + OE$

- A. N\$880 000 = N\$312 000 - N\$568 000.
- B. N\$880 000 = N\$312 000 + N\$568 000.
- C. -N\$880,000 = N\$312,000+ N\$568 000.
- D. N\$880 000 = -N\$312 000 + N\$568 000.

ANSWER QUESTIONS 9 – 13 USING THE BELOW INFORMATION

Easy Pots Enterprises is a local business that sells plastic, glass, and ceramic plant pots. The following events outline the operations of Easy Pots for the month of March 2022. Easy Pots uses a periodic inventory system and has a financial year end of March 31, 2022.

- 01/03/2022 The Assistant Accountant made a call to Crazy Ceramics, to enquire about and ask for an offer for 10 ceramic pots. The 2 entities have a credit agreement.
- 03/03/2022 The assistant accountant placed an order for 10 ceramic pots with Crazy Ceramics. The total amount for the order is N\$5,000.
- 05/03/2022 Crazy Ceramics delivered all the goods ordered and issued Easy Pots a 10% discounted invoice.
- 06/03/2022 Returned one ceramic pot worth N\$300 to Crazy Ceramics
- 07/03/2022 Made an EFT payment of N\$1500 to Crazy Ceramics to settle 2 of 4 outstanding invoices
- 08/03/2022 Wrote off N\$500 worth of accounts receivable due to a struggling Mrs. Smith.
- 10/03/2022 Deposited N\$2,000 into a fixed deposit account with FNB.
- 15/03/2022 Owner took N\$200 worth of office stationery for his children's school supplies.

9. What is the name of the source document that resulted from the events of 01/03/2022?

- A. Invoice.
- B. Quotation.
- C. Goods received note.
- D. Purchase order.

10. On which day can Easy Pots recognize the transaction with Crazy Ceramics for 10 ceramic pots into the financial statements?

- A. 01/03/2022.
- B. 05/03/2022.
- C. 03/03/2022.
- D. 04/03/2022.

11. Which source document did Easy Pots issue to Crazy Ceramics to initiate the transaction on 06/03/2022?

- A. Debit note.

- B. Credit note.
- C. Goods returned note.
- D. Invoice.

12. Which Source document did Easy Pots Issue to Crazy Ceramics to provide payment guidance on 07/03/2022?

- A. Remittance advice.
- B. Payment order.
- C. Bank statement.
- D. Cheque counterfoil.

13. How does the transaction on 05/03/2022 affect the accounting equation? Use the equation:

$A = OE + L$.

- A. Asset; nil = Equity; -4 500 + Liability; +4 500.
- B. Asset; -5 000 = Equity; -5 000 + Liability; nil.
- C. Asset; -4 500 = Equity; -4 500 + Liability; nil.
- D. Asset; +5 000 = Equity; nil + Liability; nil.
Asset; -5 000.
- E. Asset; +4 500 = Equity; nil + Liability; nil.
Asset; -4 500.
- F. Asset; +5 000 = Equity; nil + Liability; +5 000.
- G. Asset; +4 500 = Equity; nil + Liability; +4 500.
- H. Asset; nil = Equity; -5 000 + Liability; +5 000.

14. At which stage in the accounting cycle does the business verify that every debit has a corresponding credit?

- A. Trial balance.
- B. Journals.
- C. Ledger.
- D. Accounting equation.

15. Accounting is a systematic process of identifying, measuring, recording, verifying, summarizing, interpreting, and communicating financial information to users to assist them in making economic decisions. At which stage in the accounting cycle does the entity summarize and communicate financial information to users?

- A. Financial statements.
- B. Transaction.
- C. Journals.
- D. Ledgers.
- E. Trial Balance.

16. Which of the following formulas represents the accounting equation?

- A. $\text{Income} - \text{Expenses} = \text{Profit}$.
- B. $\text{Owner's equity} = \text{Assets} - \text{Liabilities}$.
- C. $\text{Assets} = \text{Owner's equity} - \text{Liabilities}$.
- D. $\text{Liabilities} = \text{Assets} + \text{Owner's equity}$.

17. Which of the following does not apply to VAT?
- A. VAT is secondary tax charged in the supply of goods or services.
 - B. Charged on the supply of goods or services, in the production of gains.
 - C. Charged on the supply of goods of services in the production of revenue.
 - D. VAT is an indirect tax.
18. E-web Ltd is a VAT registered vendor. At the end of April, the VAT on their total sales was recorded at a balance of N\$35 000, while the VAT balance on purchases were N\$20 000. How would you define the VAT balance due to or from Namibia Revenue Agency for the month of April?
- A. The VAT balance creates a resource, controlled by the entity and from which the future economic benefits is expected to flow to E-web Ltd.
 - B. The VAT balance creates an obligation, the settlement of which will cause an outflow of future economic benefits to flow from E-web Ltd.
 - C. The VAT balance causes a residual interest in the assets of E-web Ltd after deducting its liabilities.
 - D. The VAT balance causes a residual interest in the liabilities of E-web Ltd after deducting its assets.
19. On which of the following will you apply VAT at 15%?
- A. Tuition fees.
 - B. Purchases of office furniture.
 - C. Sale of Mahangu flour.
 - D. All of the above.
20. Tuyeni Ltd (pty) made an investment worth N\$ 80 000 in a Standard bank Namibia Ltd investment account, Interest on the investment is received every third month. The interest for the last quarter of 2021 was N\$ 3 000 and was only received on 29 January 2022.

The following will be recorded under current asset in the statement of financial position as at 31 December 2021.

- A. Interest payable N\$6 000.
- B. Interest receivable N\$3 000.
- C. Interest paid N\$3 000.

ANSWER QUESTIONS 21 and 22 USING THE BELOW INFORMATION

Taught Time Trading ("TTT") is based at Oshikango in the northern part of Namibia, the company purchased a building and leased this building to various tenants who wishes to do business in the central town of Oshikango.

One of the tenants Mr. Shipuna pays an amount of N\$5 000 per month. To keep a good relationship with his landlord Mr. Shipuna always paid rent on time. At the end of December 2021 Mr. Shipuna paid rent amounting to N\$15 000 of which N\$10 000 is for January and February 2022.

21. How would TTT account for the above transaction in their accounting records at 31 December 2021?
- A. Rent received in advance N\$ 10 000.
 - B. Rent receivable N\$ 10 000.
 - C. Rent paid N\$ 60 000.
22. In which statement will the rent received be recorded by TTT's bookkeeper for the year ending 2021?
- A. Statement of profit or loss and other comprehensive income.
 - B. Statement of financial position.
 - C. Statement of Cash outflow.
23. Venture Entity uses the perpetual inventory system. They recently purchased laptops at a total sales value of N\$5,000. They base their gross profit on a mark-up of 10%. Which accounts caused an effect on the debit side of their books at recognition of this transaction?
- A. Bank.
 - B. Purchases and cost of goods sold.
 - C. Bank and inventory.
 - D. Bank and Cost of goods sold.
24. Man City FC purchased a bus to transport its players to and from football matches. The bus cost N\$500,000 and the entity paid cash. Which of the following options correctly accounts for this transaction:
- A. Dr - Bank; Cr – Bus.
 - B. Dr - Bus; Cr – Liability.
 - C. Dr - Bank; Cr – Cash.
 - D. Dr - Bus; Cr – Bank.
25. Nigel Ltd, recovered N\$8,000 from a debtor that was written off as irrecoverable in the prior financial year, the correct way to account for this transaction is:
- A. Dr - Credit losses recovered; Cr – Bank.
 - B. Dr - Accounts receivable ; Cr – Bank.
 - C. Dr - Bank; Cr - Accounts receivable.
 - D. Dr - Bank; Cr - Credit losses recovered.
26. Chelsea FC, has a 30 June 2022 financial year, the entity purchased a machinery for N\$200,000 on 31 January 2022. The entity depreciates the machinery using a straight-line method at 20% per annum. Provide the journal entry to account for the depreciation charge?
- A. Dr - Machinery; Cr – Depreciation.
 - B. Dr - Depreciation; Cr – Machinery.
 - C. Dr - Accumulated depreciation; Cr – Depreciation.
 - D. Dr - Depreciation; Cr - Accumulated depreciation.

27. On August 15th 2021, Royal Bakery Ltd received an order for 2 over-the-top cakes from Golden Events CC, at N\$5,000 each. The cakes are needed for an event on December 14th. Royal Bakery Ltd requires a 20% deposit before they start working on the order. The company also gives a 2% discount on full payments done within 7 days after delivery. Both Royal Bakery and Golden events are registered for VAT. Golden Events paid the 20% deposit for the order on August 15th and the remaining amount on December 14th after delivery.

Select the appropriate journal entries in the books of Royal Bakery Ltd on August 15.

Debit	Credit
A. Golden Events.	Revenue.
B. Discount Allowed.	Golden Events.
C. Bank.	Revenue.
D. Bank.	Golden Events.

28. A closing off journal entry is a transaction that allows all income and expenses to be netted off to zero. Indicate whether this statement is **True** or **False**?

29. The following account balances belong to Digital CC for the month of March 2022. Digital CC is a VAT registered vendor. Where VAT is applicable, all amounts are VAT inclusive. VAT is charged at 15%.

	N\$
Sales	12,650
Purchases	27,500
Carriage outwards	2,300
Capital contribution	20,700
Credit losses	600
Salaries	2,750
Total	66,500

Calculate Digital CC's total output VAT for March 2022? (3 marks)

- A. N\$1 875.
- B. N\$1 650.
- C. N\$4 350.
- D. N\$2 700.

30. Volcano CC acquired their equipment at a total cost of N\$56 000, 2 years ago. Accumulated depreciation of the equipment at the end of the prior year amounted to N\$25 000. Depreciation is calculated at 10%, using the diminishing balance method. How much is the accumulated depreciation at the end of the current year? (2 marks)

- A. N\$27 900.
- B. N\$28 100.
- C. N\$40 824.
- D. N\$15 176.

31. T and C (registered VAT vendor) sold a delivery vehicle for N\$28 750 (including VAT at 15%) on 28 February 2022. The vehicle cost N\$85 000 (excluding VAT) at acquisition. Accumulated depreciation on the date of disposal was N\$65 000. Calculate the profit or loss on the disposal of the vehicle? (2 marks)

- A. Cr Profit on disposal; N\$8,750.
- B. Cr Profit on disposal; N\$5,000.
- C. Dr Loss on disposal; N\$5,000.
- D. Dr Loss on Disposal N\$8,750.

32. Stark Ltd purchased a machine at its financial year-end on 31 December 2019 for N\$460 000 (including VAT at 15%). The machine is depreciated at 15% on the straight-line method and was sold on 30 April 2022. How much was the carrying value of the machine at the date of disposal? (2 marks)

- A. N\$280 000.
- B. N\$260 000.
- C. N\$299 000.
- D. N\$368 000.

ANSWER QUESTIONS 33 and 34 USING THE BELOW INFORMATION

A Production Plant was purchased for N\$5 203 750 (including VAT at 15%). Accumulated depreciation is N\$ 875 000 as at 1 July 2021 in the books of Hybrid (Pty) Ltd, a VAT registered entity. Depreciation charged using straight line method over 25 years, with Residual Value of N\$ 150 000. On 1 July 2021 a component part of the plant was sold, due to slow down in production activity. The component being sold made up 12% of the production plant and was sold for N\$ 575 000 (including VAT at 15%).

33. Calculate the carrying amount of the disposed component on 1 July 2021. (2 marks)

- A. Carrying Value derecognised component on the disposal date is N\$ 438 000 (VAT incl.) and profit made on disposal is N\$ 137 000.
- B. Carrying Value derecognised component on the disposal date is N\$ 438 000 (VAT excl.).
- C. Carrying Value of derecognised component on disposal date is N\$ 420 000 (VAT excl.) and profit made on disposal is N\$ 80 000.
- D. Carrying Value of derecognised component on the disposal date is N\$ 519 450 (VAT incl.) and profit made on disposal is N\$ 55 550.

34. Calculate the profit or loss on disposal of the disposed component on 1 July 2021. (3 marks)

- A. Carrying Value derecognised component on the disposal date is N\$ 438 000 (VAT incl.) and profit made on disposal is N\$ 137 000.
- B. Profit on disposal is N\$ 62 000.
- C. Carrying Value of derecognised component on disposal date is N\$ 420 000 (VAT excl.) and profit made on disposal is N\$ 80 000.
- D. Carrying Value of derecognised component on the disposal date is N\$ 519 450 (VAT incl.) and profit made on disposal is N\$ 55 550.

35. At the beginning of January 2022 the manager of Nation Building Entity bought a brick making machine costing N\$80 000.00 for business purposes. Depreciation is to be charged for the year on the machine at the rate of 10% on cost, using the straight-line method. The financial period of Nation Building Entity ends on 31 December each year.
Calculate the depreciation for the year ended 31 December 2022? (2 marks)
- A. N\$667.
B. N\$8 800.
C. N\$8 000.
D. N\$10 000.

36. In the year 2021 Santos Entity has sold goods worth N\$50 000 on credit to six loyal customers. Unfortunately, a customer who owed the business 15% of the total goods sold, recorded as a trade receivable was declared insolvent on 31 August 2021 and it was agreed that the amount should be written off as bad debt.
Calculate the total amount of credit losses to be written off in the statement of profit or loss and other comprehensive income for the year ended December 2021? (2 marks)
- A. N\$750.
B. N\$6 500.
C. N\$7 500.
D. N\$8 500.

37. Balton Ltd has the following balances for the year end 31 December 2021. Calculate the total current assets from the balances below: (4 Marks)

Account name	N\$
Motor vehicle (Cost price N\$40 000)	38 800
Equipment	8 290
Inventory	9 500
Accounts receivables	6 200
Investment in associate	40 000
Bank (favourable)	4 100
Accounts payables	10 550
Prepaid expenses	1 500
VAT control account (credit balance)	1 250

- A. Total current assets N\$87 090.
B. Total current assets N\$12 050.
C. Total current assets N\$21 300.
D. Total current assets N\$15 700.
38. Chelsea FC, has a 30 June 2022 financial year, the entity purchased a machinery for N\$200,000 on 31 January 2022. The entity depreciates the machinery using a straight-line method at 20% per annum. Calculate the depreciation charge on the motor vehicle for the year ending 30 June 2022? (2 marks)
- A. N\$20 000.
B. N\$25 000.

- C. N\$16 667.
- D. N\$16 500.

39. James Entity, a VAT registered vendor sells air conditioners. The following information relate to their inventory for the financial year-ended on 28 February 2022:

Inventory on 01 March 2021– 100 air conditioners; Purchases for the year – 250 air conditioners; Sales for the year – 300 Air conditioners; Sales returned – 5 air conditioners. In December 2021, their delivery truck was in an accident which damaged some inventory items. 3 air conditioners that were damaged from the accident could not be recovered from insurance. Due to cheaper prices at Licka air conditions, James Entity's management decided to submit an order for 50 air conditioners on March 10th, 2022.

Given information above, what is their closing inventory (units) at financial year end? (2 marks)

- A. 50 air conditioners.
- B. 52 air conditioners.
- C. 100 air conditioners.
- D. 102 air conditioners.

40. The following transactions relate to the sugar inventory of Namib Mills Entity for the Month of January 2022. The company uses the First in first out method of valuing inventory.

01/01/2022: Opening inventory - 20 units at N\$22.00

05/01/2022: Purchases - 20 units at N\$25.00

06/01/2022: Sales - 30 units

The selling price for 1 packet of sugar is N\$26.00, but the company allows a 5% discount for payments within 1 week from purchase.

Given the information above, what is the total cost value of closing inventory? (3 marks)

- A. N\$247.
- B. N\$250.
- C. N\$220.
- D. N\$235.

41. On August 15th 2021, Royal Bakery Ltd received an order for 2 over-the-top cakes from Golden Events, at N\$5,000 (Incl. VAT) each. The cakes are needed for an event on December 14th. Royal Bakery requires a 20% deposit before they start working on an order. The company also gives a 2% discount on full payments done within 7 days after delivery. Both Royal Bakery and Golden events are registered for VAT. Golden Events paid the 20% deposit for the order on August 15th and the remaining amount on December 14 after delivery.

Using the above information, what is the contract transaction price? (3 marks)

- A. N\$ 9 800.
- B. N\$ 8 522.
- C. N\$ 8 696.
- D. N\$ 6 817.

QUESTION 2**(40 Marks)**

Wine Gums entity is a sole trader business. Mr Winnie is the sole owner and Wine Gums Entity is a general trader of various retail goods. You are provided with the following pre-adjustment trial balance.

Wine Gums entity		
Pre-adjustment trial balance as at 31 May 2022		
	Debit	Credit
	N\$	N\$
Capital		192,375.17
Motor vehicles at cost	245,000.00	
Accumulated depreciation: Motor vehicles		147,000.00
Computer equipment at cost	63,900.00	
Accumulated depreciation: Computer equipment		23,004.00
Land and buildings (Carrying amount at 31 May 2022)	752,000.00	
Mortgage bond at 10% per annum: Bank Windhoek Namibia		556,000.00
Fixed deposit at 15% per annum: Sanlam	77,000.00	
Bank	26,930.00	
Inventory at 1 June 2021	274,886.00	
Accounts receivable	98,545.00	
Accounts payable		67,899.00
VAT	39,000.00	
Sales		3,334,986.00
Interest on fixed deposit		6,737.50
Rent income		137,200.00
Purchases	1,658,775.00	
Bank charges	61,098.00	
Credit losses	12,355.00	
Interest expense	50,966.67	

Insurance	47,250.00	
Stationery	10,190.00	
Repairs and maintenance	68,659.00	
Salaries and wages	954,979.00	
Subscriptions	23,668.00	
	4,465,201.67	4,465,201.67

Additional information:

1. Inventory at 31 May 2022 amounted to N\$178 550.
2. Insurance includes an amount of N\$18 900 which was paid for a six-month period from 1 March 2022.
3. The rental agreement stipulates a monthly rental fee of N\$9 800 per month from 1 June 2020 to 31 May 2022.
4. Subscription fees to the Journal of Accountancy have only been paid for a period of 10 months.
5. The interest on the fixed deposit is paid at a rate of 15% per annum.
6. The interest expense is the interest on the mortgage bond.
7. Mr Snappy, a receivable has gone bankrupt and is unable to pay his outstanding debt of N\$3 888. The owner has decided to write this amount off as irrecoverable debt.
8. The allowance for credit losses must be provided for at 7.5% of net accounts receivable.
9. Depreciation on buildings has correctly been accounted for. Depreciation for the year still needs to be provided for on Computer equipment and motor vehicles. Computer equipment is depreciated at 10% p.a. on the reducing balance method, and motor vehicles at 20% p.a. on cost.

REQUIRED:

- a) Prepare the statement of profit or loss and other comprehensive income for Wine Gums Entity for the year ended 31 May 2022. (22)
- b) Prepare the statement of financial position for Wine Gums Entity as at 31 May 2022. (18)

NB! Round off all amounts to the nearest N\$ and show all workings!

**END OF FIRST OPPORTUNITY
EXAMINATION**