



**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: JULY 2022	PAPER: THEORY & CALCULATIONS
DURATION: 3 Hours	MARKS: 100

SECOND OPPORTUNITY EXAMINATION	
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 branch of accounting?
 - A. Auditing.
 - B. Cost Accounting.
 - C. Human Resource Accounting.
 - D. Management Accounting.

2. The fundamental qualitative characteristics of useful financial information are:
 - A. Relevance and reliability.
 - B. Relevance, reliability and comparability.
 - C. Relevance and faithful representation.
 - D. Comparability, relevance and faithful representation.

3. All of these are common features of business entities, EXCEPT
 - A. Profitability.
 - B. Goals.
 - C. Social Limitations.
 - D. Controlled Performance.

4. A sole-trader is a person who _____?
 - A. Sets up the safest form of business entities.
 - B. Has exclusive responsibility towards the owner.
 - C. Is legally liable for any debts of the business.
 - D. Forms a business with another single person.

5. The right to receive money in the future is called?
 - A. Account payable.
 - B. Liability.
 - C. Account receivable.
 - D. Revenue.

6. Accounting provides which of the following information?
 - A. Qualitative information.
 - B. Quantitative information.
 - C. Financial information.
 - D. All of the above.

7. Which does not form part of the general definition of accounting?
 - A. Provides information.
 - B. Useful in decision making.

- C. Processes transactions of financial character.
- D. Primarily concerned with historical data.

ANSWER QUESTIONS 8 – 11 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.
8. In which book of original entry should Easy Pots record the transaction of 05/03/2022?
- A. Cash book journal.
 - B. Sales journal.
 - C. General journal.
 - D. Purchases journal.
9. In which book of original entry should Easy Pots record the transaction of 08/03/2022?
- A. Cashbook journal.
 - B. Petty cashbook.
 - C. Sales journal.
 - D. General journal.
10. Which of the following represent the effects of the transaction on 10/03/2022 on the accounting equation? Use the equation: $A = OE + L$.
- A. Asset; -2 000 = Equity; -2 000 + Liability; nil.
 - B. Asset; -2 000 = Equity; nil + Liability; -2 000.
 - C. Asset; +2 000 = Equity; +2 000 + Liability; nil.
 - D. Asset; +2 000 = Equity; nil + Liability; nil.
Asset; -2 000.
 - E. Asset; +2 000 = Equity; nil + Liability; -2 000.
 - F. Asset; +2 000 = Equity; nil + Liability; nil.

Asset; +2000.

11. How does the transaction on 15/03/2022 affect Easy Pots' accounting equation? Use the equation: $A = OE + L$.
- A. Asset; -200 = Equity; -200 + Liability; nil.
 - B. Asset; nil = Equity; -200 + Liability; nil.
Equity; +200.
 - C. Asset; +200 = Equity; -200 + Liability; nil.
 - D. Asset; nil = Equity; -200 + Liability; nil.
Equity; -200.
12. You are the accountant of CompuTec CC. A cash sale to Solly amounted to N\$13 800 (including VAT at 15%). How will you record the transaction in the accounting records of CompuTec CC?
- A. DR Sales 13 800; CR Cash 13 800.
 - B. DR Cash 12 000; CR Output VAT 1 800; CR Sales 12 000.
 - C. DR Cash 12 000; CR Input VAT 1800; Sales 12 000.
 - D. DR Cash 13 800; CR Sales 13 800.
13. Which one of the following is an example of an exempt supply?
- A. Fuel.
 - B. Residential Electricity and water.
 - C. Fresh milk.
 - D. International transport.
14. Speedy Ltd is a registered VAT vendor. Speedy Ltd's total sales of goods and services amounted to N\$57 500 (including VAT at 15%) for the two-month VAT period ending 30 April 2022. Speedy Ltd has the following expenses including VAT at 15% (where applicable) for the same period: Bank charges N\$2 300; Fuel costs N\$5 750; Printing and stationery N\$3 450; Salaries and wages N\$18 400; and Rent N\$25 300. Calculate Speedy Ltd's Net VAT payable to or refundable from Namibia Revenue Agency for its two-month VAT period ending 30 April 2022.
- A. Payable N\$300.
 - B. Payable N\$3 450.
 - C. Refundable N\$950.
 - D. Payable N\$3 968.
15. Wear&T CC purchased machinery on 02 January 2018 for N\$97 750 (including VAT at 15%). The machine was installed and readily available for use on the 31 May 2018. At the time of purchase, the useful life of the machine was 5 years, with a residual value of N\$5 000 at the end of December 2022. The machine was disposed on 31 March 2022. When should Wear&T de-recognize this machine?
- A. 02 January 2018.
 - B. 31 March 2022.
 - C. 31 March 2018.
 - D. 31 December 2022.

16. Which of the following will not form part of the initial cost of an item of property, plant and equipment?
- A. Refundable taxes.
 - B. Import duties.
 - C. Costs of bringing the asset to its intended location.
 - D. Installation costs.
17. Which of the following items does not form part of a set of financial statements?
- A. Trial Balance.
 - B. Statement of profit or loss and other comprehensive income.
 - C. Statement of financial position.
 - D. Statement of cash flows.
18. Which of the following items is classified as a non-current asset?
- A. Long- term Investments.
 - B. Cash and Bank.
 - C. Accrued Income.
 - D. Prepaid expense.
19. Liverpool FC, has a 31 December financial year-end, the entity receives rental income of N\$4 000 per month, as at 31 December 2021 the rental income account reflected a credit balance of N\$44,000 on the Trial Balance. What adjustment would you make to correct the rental income balance on the post-adjustment trial balance?
- A. Dr - Accrued income N\$4 000; Cr - Rental income N\$4 000.
 - B. Dr - Bank N\$4 000; Cr - Rental income N\$4 000.
 - C. Dr - Bank N\$4 000; Cr - Rental Expense N\$4 000.
 - D. Dr - Rental income N\$4 000; Cr - Accrued income N\$4 000.
20. Sales Invoices are first entered in which book of first entry:
- A. The Sales journal.
 - B. The Cash Book.
 - C. The Purchases Journal.
 - D. The Sales Account.
21. What is the guiding accounting principle in revenue recognition?
- A. Net realizable value.
 - B. Prudence concept.
 - C. Accrual basis.
 - D. Perpetual inventory system.
22. Which of the following is not a step in recognizing revenue from contracts?
- A. Identify performance obligations in the contract.
 - B. Recognize revenue after satisfaction of performance obligation.
 - C. Identify the customer in the contract.
 - D. Determine the transaction price.

23. Which from the following steps in revenue recognition determines measurement?
- A. Step 1.
 - B. Step 2.
 - C. Step 3.
 - D. Step 5.
24. Which is not required to recognize a contract in accordance with IFRS 15?
- A. Each party's rights regarding the goods/services transferred can be identified.
 - B. Identifiable payment terms.
 - C. Contract should be in writing.
 - D. Expectation of a change in the entity's future cash flow.
25. Which of the following does not determine the cost of inventory?
- A. Non-refundable import duties.
 - B. Delivery cost.
 - C. Inventory storage cost.
 - D. Inventory design fees.
26. What does step 4 of the IFRS 15 revenue recognition process entail?
- A. Deducting VAT from selling price.
 - B. Determining the performance obligation.
 - C. Assigning transaction price to performance obligation.
 - D. Determining the transaction price.
27. Which type of inventory is presented in the statement of financial position?
- A. Cost of sales.
 - B. Opening inventory.
 - C. Whichever is lower between cost and Net realizable value.
 - D. Closing inventory.
28. Refurbishing costs are revenue in nature and should be capitalised to the asset? Indicate whether this statement is **True** or **False**?
29. Land is a depreciable asset. Indicate whether this statement is **True** or **False**?
30. Accrued expenses are expenses paid in current period, which relate to the current period. Indicate whether this statement is **True** or **False**?
31. The total assets of Brown Limited amounts to N\$300 000. Because of the current state of the economy, the entity is heavily dependent on debt, which caused its total equity to be three quarters ($\frac{3}{4}$) of total liabilities.

Calculate the value of Brown's total owner's equity rounded off to the nearest whole number.
(2 marks)

- A. N\$128 571.
- B. N\$171 429.
- C. N\$225 000.
- D. N\$75 000.

32. Brown Limited has the following liabilities and equities: Bank overdraft N\$4 500, income received in advance N\$1 200, Payables N\$5 000, Capital contribution N\$6 000, Net Loss N\$2 000 and Drawings N\$700.

Calculate the value of assets? (2 marks)

- A. N\$14 000.
- B. N\$19 400.
- C. N\$18 000.
- D. N\$16 800.
- E. N\$12 800.

33. Brown Limited has the following accounts: Inventory N\$3 000, accrued income N\$1 500, income received in advance N\$1 200, Furniture N\$5 000, accrued expenses N\$1 000, Payables N\$5 000, Receivables N\$6 000 and Loan: Nedbank N\$2 000.

What is the capital amount? (2 marks)

- A. N\$6 300.
- B. N\$35 400.
- C. N\$13 300.
- D. N\$5 700.

34. Wear&T CC (registered VAT vendor) purchased machinery on 02 January 2018 for N\$97 750 (including VAT at 15%). The machine was installed and readily available for use on 31 March 2018, at the financial year end. At the time of purchase, the useful life of the machine was 5 years, with a residual value of N\$5 000. The machine was disposed on 31 March 2022. What will the accumulated depreciation of the machine be on the date of disposal? (2 marks)

- A. N\$64 000.
- B. N\$68 000.
- C. N\$72 250.

35. At the beginning of January 2021 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 straight line method depreciation. The financial period of Nation Building Entity ends on 31 December each year. Ignore VAT.

In the statement of financial position as at 31 December 2022 the carrying amount of the brick making machine will be recorded as. (2 marks)

- A. N\$ 72 000.
- B. N\$ 64 000.
- C. N\$ 55 000.
- D. N\$ 62 000.

36. Below find a pre-adjusting trial balance of RUSKRA Entity until 31 March 2022. The accountant asked for your assistance with the preparation of the financial statements of RUSKRA Entity for the reporting period ended 31 March 2022:

	DR	CR
	N\$	N\$
Sales		2 724 000
Purchases	1 872 000	
Freight in	12 000	
Returns Inwards	50 000	
Return outwards		15 000
Credit losses/ Bad debts	37 450	
Rent expense	74 450	
Stationery	120 000	
Employee Benefit expenses	245 000	
Water and electricity	58 300	
Depreciation	46 000	
Inventory (1 April 2018)	200 000	

ADDITIONAL INFORMATION:

1. On 3 October 2021 Receivable Shoprite's debt was written off as irrecoverable. (This write-off has already been appropriately recognised.) On 31 March 2022 the liquidator of Receivable Shoprite's insolvent estate deposited an amount of N\$19 200 directly into RUSKRA's bank account by means of an EFT. This amount is RUSKRA's portion of a liquidation distribution made to Receivable Shoprite's payables.
2. An inventory count of Trading Inventory on hand on 31 March 2022 determined that the cost of Trading Inventory on hand amounted to N\$15 000.
3. An inventory count of stationery on hand on 31 March 2022 determined that the cost of stationery on hand amounted to N\$13 000.
4. The water and electricity account for March 2022 to the amount of N\$5 300 was received on 10 April 2022 from Payable City of Windhoek and is payable before 20 April 2022.
5. The March 2022 payroll still needs to be accounted for. The following amounts were extracted from the payroll for March 2022:
 - Gross salaries: N\$84 000
 - Net salaries: N\$52 000

Calculate the gross profit figure for RUSKRA Entity. (5 marks)

- A. N\$2 054 000.
- B. N\$620 000.
- C. N\$852 000.
- D. N\$252 000.

37. Delax (Pty) Ltd made sales of N\$90 000, goods returned to suppliers of N\$5 500 and goods returned by customers worth N\$6 000. Calculate the net sales. Ignore VAT (3 marks)

Select the correct option:

- A. N\$84 500.
- B. N\$84 000.
- C. N\$90 000.
- D. N\$95 000.

38. Zeta Ltd has the following balances for the year end 28 February 2022. Opening balances as at 1 March 2021 were as follow:

Account name	N\$
Long term loan	25 000
Capital contribution	120 000
Accumulated income/retained income	60 000
Drawings	30 000

Net profit for the period ended 28 February 2022 amounted to N\$55 600

Calculate the total equity from the balances below: (3 marks)

- A. Total equity N\$230 600.
- B. Total equity N\$205 600.
- C. Total equity N\$265 600.

39. Given a purchase invoice showing 5 items of N\$ 80 each, less trade discount of 25 % and cash discount of 5 %, if paid within the credit period, calculate what your payment would be? (3 marks)

- A. N\$ 285.
- B. N\$ 280.
- C. N\$ 260.
- D. N\$300.

40. Easy Baskets Ltd sells custom made baskets at 25% mark-up. They have product B1 which cost N\$1,500 per unit. They currently have 100 units of product B1 on hand.

Calculate the selling price per unit of product B1? (3 marks)

- A. N\$1 875.
- B. N\$500.
- C. N\$375.
- D. N\$2 000.

41. Easy Baskets Ltd sells custom made baskets. They have product B2 with a cost/unit of N\$2,000. In the past 2 months they sold this product at a selling price of N\$2,500. However, they received an order to sell the remaining 150 units in stock for N\$3,000 next month. For every sales transaction, the company incurs total sales and transport cost of N\$800. At which total value should Easy Baskets carry product B2 in their books today? (3 marks)

- A. N\$300 000.
- B. N\$375 000.
- C. N\$330 000.
- D. N\$255 000.

QUESTION 2

(40 marks)

National Entity's current reporting date is 31 December 2021. On 31 December 2021, the following balances appeared in the accounting records of National Entity: The entity makes use of a perpetual inventory system.

	Additional information	DEBIT	CREDIT
Cost of sales		4 140 000	
Salaries		1 730 000	
Water and electricity	2	328 000	
Office supplies – expense	3	402 000	
Insurance expense	4	39 000	
Credit losses		52 000	
Rent expense	6	440 000	
Bank charges		48 200	
Depreciation – machinery	8	0	
Depreciation – furniture and equipment	7	76 000	
Interest-expense on supplier's loan	8	0	
Sales			9 100 000
Interest-income on favourable bank balance			10 500
Land		720 000	

Machinery at cost price	8	900 000	
Accumulated depreciation – machinery	8		0
Furniture and equipment at cost price		950 000	
Accumulated depreciation – furniture and equipment	7		266 000
Receivables (A to I) – total of individual balances		852 000	
Receivable J	5	24 000	
Trade inventories	1	829 000	
Bank		802 000	
Office supplies on hand on 31 Dec 2019	3	32 000	
Insurance expense prepaid on 31 Dec 2019	4	17 800	
Capital			1 500 000
Retained earnings – balance on 1 Jan 2021			810 000
Drawings		560 000	
Trade payables (K to P) – total of individual balances			355 500
Payable City of Windhoek	2		0
Supplier's loan	8		900 000
		12 942 000	12 942 000

ADDITIONAL INFORMATION:

The following transactions and events **still have to be recognised** in the records of National Entity:

1. The perpetual inventory system indicates that the following two events in respect of trade inventories still have to be recognised:
 - 1.1 Obsolete and damaged inventory items with a cost of N\$22 000 on 31 December 2021 have to be written off. The write-off has already been authorised by the owner.
 - 1.2 During December 2021, the owner took inventories with a cost price of N\$8 000 for personal use.

2. The statement for water and electricity for December 2021, which reflects an amount due of N\$26 500 in respect of the water- and electricity usage for December 2021, was received on 8 January 2022 from City of Windhoek and still has to be recognised.
3. Office supplies on hand on 31 December 2021 amounts to N\$42 000 and still has to be recognised. The necessary journal entry in respect of office supplies on hand on 31 December 2020 also still has to be recognised.
4. Insurance premiums are paid annually on 1 July. The annual insurance premium, which was paid on 1 July 2021, amounted to N\$39 000. The full premium was debited against the insurance expense for 2021. The insurance premium prepaid on 31 December 2021 still has to be recognised. The necessary journal entry in respect of the insurance expense prepaid on 31 December 2020 also still has to be recognised.
5. After numerous fruitless attempts over a period of eight months, Receivable J could not be located. It was consequently decided to write-off the amount due by Receivable J as irrecoverable. The write-off has already been authorised by the owner and still has to be recognised.
6. Due to an oversight, the lease payment for December 2021 to the amount of N\$40 000 was paid only on 16 January 2022. The necessary journal entry still has to be recognised.
7. The depreciation expense on furniture and equipment for 2021 was calculated and recognised as N\$76 000. The amount should however be N\$95 000. The necessary adjustment still has to be recognised.
8. On 2 January 2021, National Entity utilised a supplier's loan for the purchase of a machine. The written loan agreement with the supplier *inter alia* stipulates that the interest rate is 10% per year and that the interest and the primary debt is repayable in one amount on 31 December 2022. At the end of each year, the interest is added to the primary debt. The interest schedule is as follows:

Date	Detail	Interest at 10% per year	Amortised cost of the loan
2 Jan 2021	Primary debt		900 000
31 Dec 2021	Interest	90 000	990 000
31 Dec 2022	Interest	99 000	1 089 000
		189 000	

The applicable interest-expense for 2021 still has to be recognised.

On 2 January 2021, the machine was received and put into service. The estimated useful life of the machine is 6 years. The depreciation expense for 2021 still has to be recognised in accordance with the straight-line method.

REQUIRED:

- a) Prepare the statement of profit or loss and other comprehensive income of National Entity for the reporting period ended 31 December 2021. (22)
- b) Prepare the statement of financial position of National Entity for the reporting period as at 31 December 2021. (18)

Note: VAT must not be accounted for.

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

END OF SECOND OPPORTUNITY EXAMINATION

