



**NAMIBIA UNIVERSITY  
OF SCIENCE AND TECHNOLOGY**

**FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION**

**DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE**

<b>QUALIFICATION : BACHELOR OF ACCOUNTING AND BACHELOR OF LOGISTICS AND SUPPLY CHAIN MANAGEMENT</b>	
<b>QUALIFICATION CODE: 07BGAC AND 07BLSC</b>	<b>LEVEL: 5</b>
<b>COURSE: FINANCIAL ACCOUNTING 101</b>	<b>COURSE CODE: FAC511S</b>
<b>SESSION: JUNE 2024</b>	<b>PAPER: THEORY &amp; CALCULATIONS</b>
<b>DURATION: 3 Hours</b>	<b>MARKS: 100</b>

<b>FIRST OPPORTUNITY EXAMINATION QUESTION PAPER</b>	
<b>EXAMINERS:</b>	Ms. H Kangala, Mr. H Namwandi, J Chikambi, Ms Y. Odio & Mr P Mbangula,
<b>MODERATOR:</b>	Mr C Mahindi

<b>INSTRUCTIONS TO CANDIDATES</b>	
1.	Answer all questions in <b>blue</b> or <b>black</b> 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).

**This Question paper is made up of 5 Pages (Excluding the front page)**

**Question 1****54 Marks**

Higo Enterprises had the following information at the end of the reporting period of 31 December 2022.

<b>Details</b>	<b>Debit N\$</b>	<b>Credit N\$</b>
Land	1,000,000	
Buildings	3,000,000	
Motor Vehicles (at cost)	740,000	
Machinery (at cost)	2,000,000	
Accumulated depreciation - Motor Vehicles		240,000
Accumulated depreciation - Machinery		500,000
Accounts Receivables	1,450,000	
Accounts Payables		630,000
Drawings	524,500	
Capital		4,540,000
Cash and cash equivalents	349,000	
Sales		9,760,000
Loan at X Bank		120,000
Rental Income		18,000
Advertising	300,000	
Stationery	20,000	
Carriage inwards	204,000	
Investment at Capri Bank	450,000	
Credit Losses	1,300	
Donations	500	
Rental expenses	8,000	
Interest expenses	13,200	
Salaries and Wages	1,048,000	
Sales Return	68,000	
Purchases Returns		50,000
Purchases	4,067,500	
Insurance	60,000	
Inventory (01/01/2022)	586,000	
Commission Received		32,000
	<b>15,890,000</b>	<b>15,890,000</b>

### Additional Information

1. Included in sales is N\$32,000 in respect of a deposit paid by a client. The goods have not yet been delivered.
2. The rental income relates to a sublet storeroom in the building for N\$3,000 a month.
3. The Assistant Accountant received the telephone bill of N\$4,000 for the year on 30 December 2022.
4. Higo Enterprises pays monthly rent of N\$1,000 for equipment.
5. Higo Enterprises opened a 5% investment account with Capri Bank on 31 August 2022.
6. Physical stock count on 31 December 2022 revealed the following on hand:
  - Inventory N\$400,000
  - Stationery N\$10,000
7. M Mbata, an accounts receivable with a balance of N\$20,000 was declared as insolvent.
8. The long-term loan of 10% was obtained on 01 October 2021.
9. The allowance for doubtful debts needs to be adjusted to 1% of outstanding receivables. Higo Enterprises did not allow for doubtful debts in the past.
10. The business recorded 10 months' worth of commission received. Commission for the last 2 months of the year is still outstanding.
11. Motor Vehicles are depreciated using the diminishing balance method, at a rate of 20%. Higo does not depreciate Land and Buildings.
12. The company sold one vehicle, for N\$10,000 on 31 December 2022. The sold vehicle cost Higo Enterprises N\$53,100 (included in total cost of Motor Vehicles) and had an accumulated depreciation amount of N\$37,400 (included total accumulated depreciation Motor Vehicles) at the beginning of the year on 01 January 2022.
13. Machinery is depreciated at 15% using the straight-line method. Higo Enterprises anticipate a scrap value of N\$100,000 for machinery at the end of useful life.

IGNORE VAT

### Required:

- a) Prepare adjusting journal entries for the year ended 31 December 2022 to incorporate all the adjustments above. Ignore narrations. **35 Marks**
- b) Prepare the statement of profit or loss for the year ended 31 December 2022. **15 Marks**
- c) Prepare an Asset disposal account for the sold vehicle. **4 Marks**

**Question 2****12 Marks**

The following information was extracted from the books of JT Ltd for the year ended 31 July 2022.

1. As at 01/06/2021, the following balances were observed in the books of JT Ltd:
  - Favourable account receivables: N\$122,000
  - Favourable account payables: N\$50,000
  - Unfavourable account receivables: N\$4,000
  - Unfavourable accounts payables N\$500
2. Total sales for the period (50% relating to cash sales) amounted to N\$2,000,000.
3. Returns Inwards (10% relating to credit transactions) N\$5,000.
4. Returns outwards (20% relating to credit transactions) N\$3,000.
5. JT received a total of N\$1,000,000 for payments from credit customers.
6. JT had a total of N\$150,000 of payments to credit suppliers.
7. Total discount allowed N\$16,000.
8. Total discount received N\$25,000.
9. Interest charged to credit customers on overdue accounts N\$1,250.
10. Bounced (dishonored) payments from customers N\$15,000.
11. Accounts written off as credit losses N\$18,000.
12. Total balance for credit losses recovered N\$20,000.
13. Contra entry between receivables and payables amounted to N\$14,000 for the period.
14. Refunds made to receivables N\$500.
15. Refunds from suppliers N\$300.

**REQUIRED:**

Prepare the accounts receivables control account for JT Ltd for the year ended 31 July 2022.

**12 Marks**

**Question 3****16 Marks**

Brown CC is a local business with annual taxable supplies of about N\$ 1,030 500 in the previous financial year. At the beginning of the current financial year, Brown CC became a registered VAT vendor. The following transactions were recorded for the month of April, for the tax period ended 30 April 2024. The applicable VAT rate is 15%. All amounts include VAT, unless stated otherwise. Brown CC uses a perpetual inventory system.

1 April: Bought goods for resale N\$127,650 (excl VAT) via EFT.

7 April: Bought a delivery Vehicle from VM Motors for N\$283,500 on credit.

10 April: Some of the goods bought on April 1st, valued at N\$57 000 (excl VAT) were defective and were returned to the supplier.

12 April: Sold Goods for N\$77,650 to ABC Traders on credit. Cost price of the units sold is N\$60,000.

19 April: ABC Traders returned goods to the value of N\$ 17,650 bought on 12 April back to Brown CC (cost price N\$10,000).

30 April: Bought cakes, cookies, cool drinks, and snacks as refreshments for the customary office practice of celebrating best employee of the month. A total amount of N\$3,470 cash was paid to Pick 'n Pay by Brown CC.

**REQUIRED:**

(a) What type of VAT registration does Brown CC qualify for? Give a reason for your answer. **2 Marks**

(b) Prepare the VAT Control Ledger account for the above transactions. Show all your workings. For any transactions where VAT is not applicable, provide a reason why in your workings. **14 Marks**

**Question 4****18 Marks**

a) Answer the following questions:

- i. On 30 January 2024, the owner of DJ Traders transferred N\$15,000 to Jake Wholesalers to settle their debts of N\$10,000. The extra N\$5,000 is paid for inventory that DJ is planning to purchase later in February.

Use the definition of elements to explain why the N\$5,000 paid in advance does not qualify to be recognized as an expense in that period but as an asset. **3 Marks**

- ii. Discuss the difference between cash basis accounting and the accrual basis of accounting. **3 Marks**

- iii. Using the definitions of the appropriate elements, discuss why income received in advance should be recognized as a liability and not an asset. **4 marks**

b) Explain the following features of general-purpose financial statements:

- i. Materiality **2 Marks**
- ii. Comparability **2 Marks**
- iii. Prudence concept **2 Marks**
- iv. Going concern **2 Marks**

**END OF FIRST OPPORTUNITY EXAMINATION**