



ΠΑΜΙΒΙΑ
UNIVERSITY
OF SCIENCE AND
TECHNOLOGY

HP-GSB
HAROLD PUPKEWITZ
Graduate School of Business

FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION

HAROLD PUPKEWITZ GRADUATE SCHOOL OF BUSINESS

QUALIFICATION: DIPLOMA IN BUSINESS PROCESS MANAGEMENT	
QUALIFICATION CODE: 06DBPM	LEVEL: 6
COURSE CODE: BAC611C	COURSE NAME: BUSINESS ACCOUNTING 2A
SESSION: NOVEMBER 2023	PAPER: PAPER 1
DURATION: 3 HOURS	MARKS: 100

FIRST OPPORTUNITY EXAMINATION QUESTION PAPER

EXAMINER	Lameck Odada
MODERATOR	Gerhardt Sheehama

INSTRUCTIONS

1. This question paper is made up of four (4) questions.
2. Answer **ALL** the questions in blue or black ink only. **NO** pencil
3. Start each question on a new page in your answer booklet and **show all workings**.
4. Work with four (4) decimal places in all your calculations and only round off only final answers to two (2) decimal places unless otherwise stated.
5. Questions relating to this examination 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.

PERMISSIBLE MATERIALS

Silent, non-programmable calculators

THIS QUESTION PAPER CONSISTS OF 7 PAGES (excluding this front page)

QUESTION 1**[20 MARKS]**

For questions, 1.1 – 1.10, write the answer only (the correct letter chosen) in your answer sheet/answer book and not on the question paper.

- 1.1 The statement of cash flow clarifies cash flows according to
- a) Operating and Non-operating Flows
 - b) Inflow and Outflow
 - c) Investing and Non-operating Flows
 - d) Operating, Investing, and Financing Activities
- 1.2 Cash flow example from a financing activity is
- a) Payment of Dividends
 - b) Receipt of Dividend on Investment
 - c) Cash Received from Customers
 - d) Purchase of Fixed Asset
- 1.3 Cash flow example from an investing activity is
- a) Issue of Debenture
 - b) Repayment of Long-term Loan
 - c) Purchase of Raw Materials for Cash
 - d) Sale of Investment by Non-Financial Enterprise
- 1.4 Cash flow example from an operating activity is
- a) Purchase of Own Debenture
 - b) Sale of Fixed Assets
 - c) Interest Paid on Term-deposits by a Bank
 - d) Issue of Equity Share Capital
- 1.5 A soundly developed conceptual framework of concepts and objectives should
- a) increase financial statement users' understanding of and confidence in financial reporting.
 - b) enhance comparability among companies' financial statements.
 - c) allow new and emerging practical problems to be more quickly solved.
 - d) all the above
- 1.6 The underlying theme of the conceptual framework is
- a) decision usefulness.
 - b) understandability.

- c) reliability.
 - d) comparability.
- 1.7 Which of the following is not among the ingredients of the fundamental quality of faithful representation?
- a) freedom from error.
 - b) neutrality.
 - c) materiality.
 - d) completeness.
- 1.8 Enhancing qualities of accounting information include:
- a) comparability and verifiability.
 - b) relevance and consistency.
 - c) comparability and materiality.
 - d) relevance and faithful representation.
- 1.9 Enhancing qualities of accounting information include all the following except:
- a) comparability.
 - b) understandability.
 - c) neutrality.
 - d) timeliness.
- 1.10 An ingredient of relevance is:
- a) freedom from error.
 - b) neutrality.
 - c) comparability.
 - d) materiality.

QUESTION 2**[25 MARKS]**

The following information was extracted from the books of the IWATA Entity for the year ended 31 January 2023. During the year the following transactions took place (VAT included where applicable):

	N\$
Sales (Credit)	575 000
Sales (Cash)	5 500
Returns inwards (all on credit)	37 100
Credit purchases	471 035
Returns outwards (50% credit, 50% cash)	40 300
Cash payments made by receivables	492 600
Cash paid to payables	444 205
Discounts received	11 800
Discounts allowed	9 850
Interest charged on overdue accounts by payables	2 735
Dishonoured cheque (included in cash receipts above)	1 085
Bad debts	12 430
Irrecoverable debts recovered (original write-off included in bad debts above)	1 710
Contra entry between receivables and payables	4 875
Refunds from payables	1 095
Refund to receivables	1 665

Prior year balances were as follows:

	Debit (N\$)	Credit (N\$)
Payables balances	2 075	81 225
Receivables balances	71 380	5 600

The following additional information as at 31 January 2023 is available:

- The total debit balance in the payables ledger is N\$1 660.
- The total credit balance in the receivable ledger is N\$4 550.

REQUIRED:	MARKS
Prepare the <u>payables</u> control account <u>and receivables</u> control account for DRAB Entity, for the year ended 31 January 2023.	25

QUESTION 3**[30 MARKS]**

Financial analysis is the process of examining a company's performance in the context of its industry and economic environment in order to arrive at a decision or recommendation. Often, the decisions and recommendations addressed by financial analysts pertain to providing capital to companies—specifically, whether to invest in the company's debt or equity securities and at what price. An investor in debt securities is concerned about the company's ability to pay interest and to repay the principal lent. An investor in equity securities is an owner with a residual interest in the company and is concerned about the company's ability to pay dividends and the likelihood that its share price will increase.

Overall, a central focus of financial analysis is evaluating the company's ability to earn a return on its capital that is at least equal to the cost of that capital, to profitably grow its operations, and to generate enough cash to meet obligations and pursue opportunities.

Below are the financial statements of Shoprite Ltd for the year ended 31 December 2022.

Statement of financial position as at 31 December 2022

ASSETS	2022	2021
Non-current assets	9 450 000	8 640 000
Property, plant, and equipment	9 450 000	8 640 000
Investments	-	-
Current assets	36 045 000	29 632 500
Inventories	20 925 000	14 850 000
Receivables	12 150 000	9 990 000
Cash assets	2 970 000	4 792 500
TOTAL ASSETS	45 495 000	38 272 500
EQUITY AND LIABILITIES		
Share capital and reserves	16 335 000	15 120 000
Share capital	7 000 000	7 000 000
Other reserves	-250 000	-250 000
Retained earnings	9 585 000	8 370 000
Redeemable -preference shares	2 700 000	2 700 000
Non-current liabilities		
Long term borrowings	7 425 000	7 425 000
Current liabilities	19 035 000	13 027 500
Trade and other payables	4 860 000	4 320 000
Short term borrowings	14 175 000	8 707 500
TOTAL EQUITY AND LIABILITIES	45 495 000	38 272 500

Statement of profit or loss for the year ended 31 December 2022

	2022	2021
Sales revenue (100% credit sales)	85 320 000	74 250 000
Cost of sales	63 990 000	54 945 000
Gross profit	21 330 000	19 305 000
Operating expenses	12 636 000	11 070 000
Depreciation	810 000	675 000
Profit before interest and tax	7 884 000	7 560 000
Finance costs	2 430 000	1 485 000
Profit before tax	5 454 000	6 075 000
Income tax expense	2 430 000	2 160 000
Profit from continuing operations	3 024 000	3 915 000
loss on discontinued operations	1 080 000	-
Profit for the year	1 944 000	3 915 000

Statement of changes in equity for the year ended 31 December 2022

	2022 (N\$)	2021 (N\$)
Balance on 31 December	8 370 000	5 184 000
Comprehensive income for the year	1 944 000	3 915 000
	10 314 000	9 099 000
Dividends-preference shares	-324 000	-324 000
Dividends-ordinary shares	-405 000	-405 000
Balance on 31 December	9 585 000	8 370 000

REQUIREMENT: Assume a 365-day year, compute the following ratios for 2021 and 2022		MARKS
a)	Current ratio	4
b)	Quick/Acid test ratio	4
c)	Debtors' collection period	4
d)	Creditors settlement period	4
e)	Debt ratio	4
f)	Identify and briefly describe any five (5) limitations of ratio analysis	10

QUESTION 4**[25 MARKS]**

Reid and Benson are in partnership as lecturers and tutors. Interest is to be allowed on capital and on the opening balances on the current accounts at a rate of 5% per annum and Reid is to be given a salary of N\$18 000 per annum. Interest is to be charged on drawings at 5% per annum and the profits and losses are to be shared by Reid 60% and Benson 40%.

The following trial balance was extracted from the books of the partnership at 31 December 2022.

	N\$	N\$
Capital account- Benson		50 000
Capital account- Reid		75 000
Current account- Benson		4 000
Current account- Reid		5 000
Drawings- Reid	17 000	
Drawings- Benson	20 000	
Sales- goods and services		541 750
Purchases of textbooks for distribution	291 830	
Returns inwards and outwards	800	330
Carriage inwards	3 150	
Staff salaries	141 150	
Rent	2 500	
Insurance-general	1 000	
Insurance- Public indemnity	1 500	
Compensation paid due to Benson's error	10 000	
General expenses	9 500	
Bad debts written-off	1 150	
Fixtures and fittings-cost	74 000	
Fixtures and fittings-depreciation		12 000
Accounts receivable and accounts payable	137 500	23 400
Cash	400	
Total	711 480	711 480

Additional information

- An allowance for doubtful debts is to be created of N\$1 500
- Insurances paid in advance at 31 December 2021 were general N\$50; professional indemnity N\$100.
- Fixtures and fittings are to be depreciated at 10% on cost.
- Interest on drawings: Benson N\$550, Reid N\$1 050.
- Inventory of books at 31 December 2022 was N\$1 500.

REQUIREMENT:		MARKS
a)	Prepare the partnership statement of profit and loss	14
b)	Prepare the partnership profit and loss appropriation account at 31 December 2022	11

END OF EXAMINATION QUESTION PAPER