



**NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY**

FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION

DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE

QUALIFICATION: BACHELOR OF MARKETING/BACHELOR OF LOGISTICS AND SUPPLY CHAIN MANAGEMENT	
QUALIFICATION CODE: 07MARB/ 07BLSC	LEVEL: 5
COURSE CODE: FAC 511S	COURSE NAME: FINANCIAL ACCOUNTING 101
DATE: NOVEMBER 2024	PAPER: THEORY AND CALCULATIONS
DURATION: 3 HOURS	MARKS: 100

FIRST OPPORTUNITY EXAMINATION PAPER	
EXAMINER(S)	DUMISANI R. MUZIRA
MODERATOR:	CALISTUS MAHINDI

INSTRUCTIONS
<ol style="list-style-type: none">1. Capture your full name, student number and assessment number on the first page2. Answer ALL the questions and manage your time properly.3. Number each page correctly4. Write clearly and neatly.5. Do not write in pencil and do not use tip-ex, as this will not be marked.6. The names of people and businesses used throughout this assessment do not reflect the reality and may be purely coincidental.7. SHOW ALL WORKINGS!

THIS QUESTION PAPER CONSISTS OF 4 PAGES (including this front page)

Question One:**(30 Marks)**

The following are ledger balances of J. Mac as at 30 June 2024 after his first year of trading

	N\$'000'
Equipment rental	940
Insurance	1,804
Lighting and heating expenses	1,990
Motor expenses	2,350
Salaries and wages	48,580
Sales	382,420
Purchases	245,950
Sundry expenses	624
Lorry	19,400
Trade payables	23,408
Trade receivables	44,516
Fixtures	4,600
Buildings	174,000
Cash at bank	11,346
Drawings	44,000
Capital	194,272

Note: Inventory at 30 June 2024 was N\$29,304,000.

Required:

- Prepare a trial balance as at 30 June 2024 before the inventory adjustment (10)
- Prepare a statement of Profit or Loss and Other Comprehensive Income for the year ending 30 June 2024. (7)
- Prepare a Statement of Financial Position as at 30 June 2024. (10)
- State the purpose of the trial balance (3)

Question Two:**(20 marks)**

You have been provided with the following transactions of David, a sole trader, for the month of June 2024. The entity uses the periodic inventory system to account for inventory.

- a) June 1, The owner invested N\$700,000 cash into the business
- b) June 2, Bought goods on credit from J. Bonds N\$300,000
- c) June 5, Sold goods on credit to B. Kurr N\$65,000
- d) June 15, Purchased office furniture for N\$20,000 cash
- e) June 25, B. Kurr made a bank transfer of N\$25,000 as part payment of his account.
- f) June 28, A bank transfer of N\$50,000 was made to pay J. Bonds
- g) June 30 The owner took N\$30,000 cash for personal use.
- h) June 30, Bought note pads for cash N\$3,000

Required:

Journalise the above transactions in the general journal of David for the month of June 2024: **2.5 marks each.**

Question Three:**(25 marks)**

The following errors were made by Rubby's bookkeeper.

- i. A cash payment of N\$20,000 for purchases has been omitted from the books.
- ii. A sale of N\$10,000 to Jone has been posted to Jonny.
- iii. Repairs to vehicles amounting to N\$30,000 has been posted to vehicles account.
- iv. A purchase of N\$21,000 from Lee Limited has been entered in the purchases journal and posted to the ledger as N\$20,100
- v. A payment of N\$70,000 to a creditor, Marry, should be debited to Marry's account and credited to the cash account, but the entries are reversed.

Required:

- a) Identify the error made by the bookkeeper in each of the transactions above. **(5)**
- b) Prepare journal entries to correct the errors. (Journal narrations are required) **(15)**
- c) Explain to the bookkeeper how errors that affect the trial balance are to be dealt with **(5)**

Question 4:**(25 marks)****Part A**

State which classification (*capital expenditure or revenue expenditure*) is applicable for the business of T. Butcher, a food merchant. **(6)**

- a) Repairs to meat slicer
- b) Installing extra toilet
- c) Wages for shop assistant
- d) Carriage on returns outwards
- e) Fire insurance premium
- f) Fitting partitions in shop.

Part B

The following information pertains to Bee Company:

- Cash balance per bank, July 31, \$7 263
- July bank service charge not recorded by the depositor \$15
- Cash balance per books, July 31, \$7 190
- Deposits in transit, July 31, \$1 700
- Note for \$1 000, collected for Bee in July by the bank, plus interest \$36 less fee \$20. The collection has not been recorded by Bee, and no interest has been accrued.
- Outstanding payments, July 31, \$772

Required:

- a. Prepare the adjusting entries at July 31 on the books of Bee company. **(8)**
- b. Prepare a bank reconciliation at July 31, 2024 **(6)**
- c. Explain five steps that can be employed in managing receivables **(5)**

The End



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SCHOOL OF COMMERCE AND MANAGEMENT SCIENCES

DEPARTMENT OF ECONOMICS, ACCOUNTING, AND FINANCE

QUALIFICATION: BACHELOR OF ACCOUNTING	
QUALIFICATION CODE: 07BOAG	LEVEL: 7
COURSE CODE: MFN710S	COURSE NAME: MANAGERIAL FINANCE 320
SESSION: NOVEMBER 2024	PAPER: THEORY AND CALCULATIONS
DURATION: 3 HOURS	MARKS: 100

FIRST OPPORTUNITY EXAMINATION QUESTION PAPER	
EXAMINERS	Lameck Odada, Dr Moses Nyakuwanika and Laban Nashinwe
MODERATOR	Alfred Makosa

INSTRUCTIONS	
<ol style="list-style-type: none">1. This examination question paper consists of FOUR (4) questions2. Answer ALL the questions in blue or black ink only. NO PENCIL.3. Start each question on a new page and number the answers correctly and clearly.4. Write clearly and neatly, showing all your workings/assumptions.5. Work with at least four (4) decimal places in all your calculations and round off only final answers to two (2) decimal places.6. Questions relating to this examination may be raised in the initial 30 minutes after the start of the examination. Thereafter, candidates must use their initiative to deal with any perceived errors or ambiguities, and any assumptions the candidate makes should be clearly stated.	

PERMISSIBLE MATERIALS

1. Silent, non-programmable calculators

THIS QUESTION PAPER CONSISTS OF 6 PAGES (including this front page)

QUESTION 1**[29 MARKS]**

The Königstein Capital Group (KCG) was established in 2009 as an independent unlisted investment manager focusing on the Namibian market's private equity and venture capital fund management. Their investment objective is to provide investors with superior and sustainable returns from a diversified portfolio of investments. By maintaining a good corporate governance structure that includes a balance of blue-sky thinking, risk management, and active participation in the strategic decision-making of portfolio investments, KCG can ensure that its investments deliver according to their potential.

KCG has allocated N\$5 billion for capital expansion in the forthcoming year. The management of KCG believes that the company must spread its risk by investing in projects with different risk profiles and has identified two possible investments (projects A and B). The capital available to KCG is sufficient to invest in only one of the projects. The following information has been made available:

Economic growth (annual average)	Probability of occurrence	Estimated return %		
		Project A	Project B	Existing investments
Zero	0.3	14	8	6
3%	0.4	10	6	12
6%	0.3	8	22	16
Book value		N\$5 million	N\$5 million	N\$10 million
Market value		N\$5 million	N\$5 million	N\$15 million

As the accountant, the management of KCG has requested that you determine which of the two projects should be accepted using the portfolio theory to select.

REQUIRED		MARKS
a)	Calculate the standard deviation of both projects and the existing investments	9
b)	Which of the two projects would you advise KCG to select? Motivate your answer with appropriate calculations.	3
c)	Determine the portfolio's expected return if KCG forms a portfolio of project A and the existing investments. Should KCG invest in this portfolio?	4
d)	Determine the covariance of Project A and existing investments	3
e)	Determine the portfolio's standard deviation if KCG forms a portfolio of project A and the existing investments. Should KCG invest in this portfolio?	6
f)	Differentiate systematic risk from unsystematic risk giving an example of each	4

QUESTION 2**[10 MARKS]**

Corporate governance aims to safeguard the interests of shareholders and stakeholders while ensuring the long-term viability of enterprises. The agency theory and the agency problem that results from it are at the forefront of the theories that help to shape corporate governance. The agency theory primarily focuses on the distinction between the interests of the company's shareholders (principals) and the board of directors (agents).

The Chief Executive Officer (CEO), who is chosen by the board of directors, and senior management of the business could find themselves in similar circumstances. In this situation, top managers chosen by the board of directors serve as both the principals and the agents. The agency hypothesis contends that because the principals and the agents have different interests, this causes the agents to take actions that are at odds with the principals' objectives. In businesses, this condition leads to agency issues. The agency problem, which results from conflicts of interest between the principal and the agent, can have a variety of causes.

REQUIRED	MARKS
Identify and discuss any five (5) causes of the agency problem	10

QUESTION 3**[31 MARKS]**

When Verimark (VRK) opened its doors for the first time in 1977, it was with a staff of 2 people, a capital base of R5 000, and a dream of building a company that would bring the best innovations to the Southern African consumers. Currently, they employ around 1 200 people, and the VRK brand has become one of the most recognised and trusted brands in Southern Africa and in many other parts of the world. VRK is today ranked as the largest buyer of television airtime and specialises in continuous and aggressive marketing of their innovative products. VRK currently offers a VRK card to customers, which enables consumers to purchase VRK products on credit. VRK does not currently offer any early settlement discounts. You have also been provided with the following extracts from the VRK Integrated report as of 29 February 2024:

	Note	2024	2023
		R	R
Trade Receivables	2	61,969,784	64,072,399
Inventory	1	65,580,906	79,531,209
Trade payables		25,270,622	33,326,469
Bank Overdraft		9,929,334	13,284,957

Revenue	3	430,798,744	415,373,764
Cost of Sales		(257,862,994)	(246,502,223)
Gross Profit		172,935,750	168,871,541
Operating profit before finance income and finance expense		17,829,811	18,108,223
Finance income		1,785,130	2,376,303
Finance expenses		(6,467,307)	(3,480,089)
Profit for the year from continuing operations		9,265,281	11,994,013

Note 1	2024	2023
	R	R
Merchandise	66,620,149	75,335,866
Merchandise in transit	2,966,753	8,350,022
Impairment of inventory	(4,005,996)	(4,154,679)
Inventory	65,580,906	79,531,209

Note 2	2024	2023
	R	R
Trade receivables	62,611,923	64,176,924
Impairment (bad debts)	(642,139)	(104,525)
Trade and other receivables	61,969,784	64,072,399

The impairment allowance has been raised against trade receivables that are considered to be impaired due to uncollectable amounts and credit claims.

Credit risk

The VRK's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The VRK's most significant customer, a domestic retailer, accounts for R50,681,081 (2023: R51,199,656) of the trade receivables carrying amount on 29 February 2023. Even though VRK has significant credit risk exposure to this client, it was noted that this retailer has a great attitude towards paying their debts and currently always settles their accounts within the credit terms as stipulated. Normal trading terms are 50 days, but not always adhered to. Credit clients are not required to provide collateral for products purchased on credit. VRK has policies to ensure that sales of products are made to customers with an appropriate credit history. An established credit policy exists under which each new customer is analysed individually for creditworthiness before the VRK's standard payment and delivery terms, and conditions are offered. The VRK's review of creditworthiness includes external ratings when available and, in some cases, bank references.

Note 3

27% of sales relate to cash sales, while the remaining 73% use the VRK card. VRK does not offer any early settlement discounts currently.

Future growth strategy

VRK is considering opening a branch in Namibia. VRK plans to actively start marketing the VRK card program to Namibian customers to break into the Namibian market. To remain competitive in this market, they are pondering credit terms in line with the other related credit providers:

- 5% early settlement discounts if accounts are settled within 7 days (corresponding to the cooling off period for online purchase agreements). 20% of credit sales are expected to be paid within 7 days.
- 30 days credit if not taking the discount.
- It is expected that bad debts will increase to 5% of trade receivables.
- It is expected that credit sales will increase by 10% should the VRK card be marketed more actively, whereas cash sales will remain unaffected.
- Gross profit percentages will remain constant.
- Money market investments in Namibia currently offer 6% interest per annum. It is expected that the increase in credit sales and a quicker debt collection period will result in a positive cash balance in the future.

Another alternative for VRK to gain competitive advantage in the Namibian market, is to consider factoring the company receivables with a banking institution. VRK hopes the debt collection will improve by factoring their debtors' books.

Assumptions

- Assume all credit payments are received at the end of each month.
- Round all values to 2 decimals.
- Assume that there are 365 days in a calendar year.
- Round up all the days' calculations to the nearest full day.

REQUIRED		MARKS
a)	Explain the five (5) factors that credit managers should consider when assessing a potential customer's creditworthiness.	10
b)	Calculate and comment on the cash flow conversion cycle of VRK by assessing the following ratios for 2023 and 2024: <ul style="list-style-type: none">• Debtors Days• Inventory Days• Creditors Days• Cash conversion cycle	4 4 4 4
c)	Identify any five (5) advantages of factoring a debtor's book to a financial institution from the perspective of VRK.	5

QUESTION 4**[30 MARKS]**

Baker Hughes Company (BHC) undertook a project involving the construction of a seawater desalination plant near Swakopmund. The project was completed on 01 January 2024 for N\$10 000 000. The directors of BHC believe their multi-million-dollar project shall be able to supply all the water to be consumed at some 40km into the desert. After 5 years, the company must dismantle the equipment and restore the environment. Management of BHC has established that the cost of dismantling and restoring the environment was N\$4 000 000 on 1 January 2024. BHC would want to evaluate several investment opportunities and understand the overall risk of their assets as perceived by the market. Accordingly, the directors have set out to calculate the company's weighted average cost of capital (WACC).

Equity, bonds and preference shares currently finance the assets of the company. The details are as follows:

Debt: BHC issued 10 000 bonds that are currently outstanding with a 6% annual coupon rate. The bonds mature in eight years and have a N\$1 000 face value. These bonds are currently trading in the market for N\$1 100.

Preference shares: BHC also has in issue 3% Preference shares with a par value of N\$100 each amounting to 100 000 shares. These preference shares are perpetual shares that are not redeemable at any time. The preference shares are currently selling for N\$30 per share in the market.

Equity: BHC has 500 000 shares currently selling for N\$25 each in the market. The shares have a beta of 1.5. The risk-free rate is 4%, and the expected market return is 12%. Recently, the company paid a dividend of N\$2.32 per share, and management expects the growth in dividends to be 6% per share forever. The corporate tax rate is 20%.

REQUIRED		MARKS
a)	Describe the weighted average cost of capital (WACC) in your own words.	5
b)	Determine the market value and estimate the BHC pre-tax and after-tax cost of debt.	6
c)	Calculate the BHC cost of preference shares.	3
d)	Determine the BHC cost of equity using both the Dividend Growth Model (DGM) and the Capital Asset Pricing Model (CAPM)	7
e)	Calculate the Weighted Average Cost of Capital of BHC to the nearest whole number. <i>Use the least cost of equity capital</i>	4
f)	Describe investment and financing decisions and explain whether these decisions should be considered separately or together.	5

END OF EXAMINATION QUESTION PAPER