



**NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY**

FACULTY OF MANAGEMENT SCIENCES

DEPARTMENT OF ACCOUNTING, ECONOMICS & FINANCE

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| QUALIFICATION: BACHELOR OF INFORMATICS | |
| QUALIFICATION CODE: 07BAIF | LEVEL: 5 |
| COURSE CODE: BAI620S | COURSE NAME: BUSINESS ACCOUNTING FOR INFORMATICS |
| SESSION: JANUARY 2020 | PAPER: PRACTICAL AND THEORY |
| DURATION: 3 HOURS | MARKS: 100 |

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|--|------------------------|
| SECOND OPPORTUNITY QUESTION PAPER | |
| EXAMINERS: | D Nkala and T Shindobo |
| MODERATOR: | D Kamocho |

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| INSTRUCTIONS |
| <ul style="list-style-type: none">• This examination paper is made up of four (4) questions.• Answer All the questions and in blue or black ink only.• Show all your workings.• Start each question on a new page in your answer booklet and show all your workings.• Questions relating to this paper 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 and any assumption made by the candidate should be clearly stated. |

PERMISSIBLE MATERIALS

Non-programmable calculator

THIS QUESTION PAPER CONSISTS OF 5 PAGES (Including this front page)

QUESTION 1**(33 MARKS)****Part A**

You are a Bachelor of Informatics students doing Financial Accounting 101 course, your cousin Tangeni wants to start a business and has asked you to assist him in understanding various concepts.

| | Column A | | Column B |
|---|--|----|-----------------------------------|
| A | A document that acknowledge the receipt of money | 1 | Trial Balance |
| B | Debt payable within 12 months | 2 | Accruals Concept |
| C | Show the net profit or net loss | 3 | Business Entity concept |
| D | Summary of account balances | 4 | Capital |
| E | A book of original (1 st) entry for credit sales | 5 | Current liabilities |
| F | Assets of a business is recorded at cost price | 6 | Invoice |
| G | Accountants should rather understate the profit and overstate expenses | 7 | Statement of comprehensive income |
| H | Type of organisation | 8 | Statement of financial position |
| I | Net worth or owner's equity | 9 | Sales Journal |
| J | Document prepared by the seller of goods on credit | 10 | Receipt |
| K | Transactions and events should be recognized in the financial period in which they occur | 11 | Historical Cost concept |
| L | Assets of a business are recorded here | 12 | Private Limited Company |
| M | Affairs of a business is treated separately from the private affairs of the owner | 13 | Prudence |

Required:

Match the description in Column A with the most appropriate terminology in Column B above. Only write down the number of the correct option. (Example A4) (13)

Part B

Michelle opened a shop on 1 March 2019 and during the first month in business, the following transactions occurred:

- 1 March Michelle electronically transferred N\$150 000 into the business bank account.
- 2 March She also transferred her personal computer equipment which has a second-hand value of N\$4 500 to the business.
- 3 March She electronically deposited N\$10 000 for February rent and N\$12 000 for March rent into rent agent's bank account.
- 6 March She purchased a furniture for N\$15 000 on credit from Sleepy-Suppliers.
- 15 March She bought some goods for resale for N\$50 000 from John supplier and she transferred the amount into John's account.
- 22 March Michelle sold goods to Vana-Veni for N\$65 000 on credit.
- 29 March Vana-Veni settled Michelle's account by paying N\$62 500 with debit card.
- 31 March Michelle settled her account with Sleepy-Suppliers by electronical fund transfer, and was allowed a settlement discount of 10%.

Required:

Enter the above transactions in Michelle's ledger accounts, balance off all the accounts and bring forward the balances as at 1 April 2019. (20)

QUESTION 2

(14 MARKS)

Part A

Norman Ltd.'s chief executive believes the company is holding excessive inventories and has asked for the management accountant to carry out an investigation.

Information on the two inventory items is given below:

| Inventory item | Purchase price per unit (N\$) | Administration cost per order | Demand units | Holding cost per year (% of purchase price) |
|----------------|-------------------------------|-------------------------------|----------------|---|
| N | 220 | 90 | 14000 per year | 15 |
| S | 30 | 25 | 3 000 per year | 9 |

The company's inventory ordering system is based on the economic order quantity (EOQ).

Required

- a) Determine the number of orders per year that the company will place for item N (4)
- b) Determine the annual holding cost of inventory item S (4)

Note: Round off your answers to the nearest decimal place

Part B

A national chain of tyre fitters stocks a popular tyre for which the following information is available. The company operates on 50 weeks a year and normally operates from Monday to Friday only.

| | |
|--------------------------|--------------------|
| Ordering Costs per order | N\$155.50 |
| Holding Cost per unit | 2.5 % of unit cost |
| Cost per tyre | N\$1 700 |
| Reorder quantity | 5 000 |
| Lead time | 8 to 13 days |
| Maximum usage | 148 tyres per day |
| Minimum usage | 85 tyres per day |
| Average usage | 160 tyres per day |

You are required to calculate:

- a) Reorder level (2)
- b) Maximum level of inventory (2)
- c) Minimum level of inventory (2)

QUESTION 3**(38 MARKS)**

The following trial balance has been extracted from the ledger of Vincent Trading at the end of the reporting period, 31 December 2018.

| | Debit | Credit |
|------------------------|-------------------|-------------------|
| | N\$ | N\$ |
| Land & buildings | 250,000.00 | |
| Investments (10%) | 120,000.00 | |
| Furniture @ 1 Jan 2018 | 40,000.00 | |
| Receivables | 20,000.00 | |
| Bank | 26,000.00 | |
| Capital | | 434,000.00 |
| Sales | | 330,000.00 |
| Purchases | 157,500.00 | |
| Sales returns | 8,000.00 | |
| Rent income | | 27,000.00 |
| Cleaning materials | 10,000.00 | |
| Wages & salaries | 96,000.00 | |
| Sundry expenses | 18,000.00 | |
| Interest income | | 9,000.00 |
| Insurance expense | 4,500.00 | |
| Inventories 01/01/2018 | 50,000.00 | |
| | 800,000.00 | 800,000.00 |

Additional information:

1. Interest income is interest received from the investment which was made on 1 January 2017.
2. Depreciation on furniture is accounted for at a rate of 10% on the diminishing (reducing) balance method.
3. Cleaning materials worth N\$3 000 were on hand on 31 December 2018.
4. Rent income, includes an amount prepaid for the first three months of 2019.
5. Wages and salaries include an amount of N\$2 000 which was lent to an employee. The amount will be repaid during January 2019.
6. An invoice for current insurance amounting to N\$500 was received on 2 January 2019 and has not been taken into account in the above balances.
7. Inventory on hand on 31 December 2018 amounted to N\$47 500.

Required:

- a) Prepare journal entries to take into account adjustments 1 to 6. Ignore narrations. (7)
- b) Prepare the statement of profit or loss and other comprehensive income of Vincent Trading for the year ended 31 December 2018. (14)
- c) Prepare a statement of financial position of Vincent Trading as at 31 December 2018. (17)

QUESTION 4**(15 MARKS)**

You are an investment banker. The following financial information has been presented to you as a prospective investment opportunity:

Extracts from the Trial Balance of **Financial Meltdown Ltd** at 28 February 2018:

| | N\$ 000 |
|--------------------------------|----------------|
| Revenue | 50 000 |
| Gross profit | 10 000 |
| Profit for the year | 4 000 |
| Credit purchases | 20 000 |
| Total assets | 5 000 |
| Total liabilities | 5 500 |
| Current assets | 1 625 |
| Inventories | 500 |
| Current liabilities | 1 800 |
| Average trade accounts payable | 2 700 |

The bank uses the following basis to make investment decisions for the sector this company operates in:

- a) Net profit percentage of at least 5%
- b) Solvency ratio of at least 1:1
- c) Acid test ratio of at least 1:1
- d) Supplier payment period of less than 60 days

You are required to:

Calculate the following ratios and comment on whether or not you would support an investment in Financial Meltdown Ltd based on each of the ratios individually.

| | |
|-------------------------|-----|
| Net profit percentage | (3) |
| Solvency ratio | (4) |
| Acid test ratio | (4) |
| Supplier payment period | (4) |

END OF QUESTION PAPER