



**NAMIBIA UNIVERSITY  
OF SCIENCE AND TECHNOLOGY**

**FACULTY OF MANAGEMENT SCIENCES**

**DEPARTMENT OF ACCOUNTING, ECONOMICS AND FINANCE**

<b>QUALIFICATION:</b> BACHELOR OF ACCOUNTING	
<b>QUALIFICATION CODE:</b> 07BOAC	<b>LEVEL:</b> 5
<b>COURSE CODE:</b> FAC512S	<b>COURSE NAME:</b> FINANCIAL ACCOUNTING 102
<b>SESSION:</b> JANUARY 2020	<b>PAPER:</b> THEORY AND APPLICATION
<b>DURATION:</b> 3 HOURS	<b>MARKS:</b> 100

<b>SECOND OPPORTUNITY EXAMINATION QUESTION PAPER</b>	
<b>EXAMINER(S)</b>	Mr. K Tjondu, Ms. L George and Ms. G Mwenyo
<b>MODERATOR:</b>	Ms. J van Wyk

<p style="text-align: center;"><b>INSTRUCTIONS</b></p> <ol style="list-style-type: none"><li>1. This question paper is made up of five (5) questions.</li><li>2. Answer <b>ALL</b> the questions and in blue or black ink.</li><li>3. Start each question on a new page in your answer booklet.</li><li>4. 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 &amp; any assumption made by the candidate should be clearly stated.</li></ol>
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**THIS QUESTION PAPER CONSISTS OF 9 PAGES** (Including this front page)

**QUESTION 1****(25 marks)**

Lasertec Ltd is a company incorporated under the Companies Act of 2004 in 2012. They specialize in the manufacture of Laser Technology goods.

Below is a summary of balances from their Trial Balance as at 31 March 2019. The Trial balance was prepared by an inexperienced accountant and some balances have been credited or debited in error.

	Debit	Credit
Sales		5,650,000.00
Purchases	1,200,000.00	
Dividend income from subsidiary	266000	
Management fee from subsidiary	176000	
Interest income	146000	
Rent paid	750,000.00	
Salaries and wages	1,150,000.00	
Insurance	359,000.00	
Electricity	414,000.00	
General administration costs	111,000.00	
Bad debts	83,000.00	
Finance costs	79,000.00	
Inventories (01/04/2018)	858,000.00	
Bank	699,500.00	
5% Debentures		3,000,000.00
Land at cost	3,530,000.00	
Vehicles	1,125,000.00	
Furniture and Fittings	960,000.00	
Accumulated depreciation : Vehciles	478,000.00	
Accumulated depreciation : Furniture and Fittings	398,000.00	
Trade receivables	533,000.00	
Trade payables		312,000.00
Allowance for bad debts		29,000.00
Retained Earnings (01/04/2018)		4,324,500

**Additional information:**

- Depreciation is calculated as follows:
  - 20% per annum on vehicles on straight line basis
  - 10% on furniture and fittings
- During the year they sold a vehicle worth for N\$195 000. The vehicle originally cost N\$ 350 000, three years ago. The accountant has processed this entry incorrectly by only taking crediting Vehicles at cost and Bank (with the amount received) and debiting Accumulated depreciation on vehicles.
- A stock count on 31 March 2019 showed the value of stock on hand amounted to N\$ 918 000.

4. Costs between head office and the distribution center are split as follows:
- Office rental is split 60% distribution center and 40% head office.
  - Salaries of head office staff amount to N\$795 800
  - Insurance is apportioned 30% distribution center and 70% head office
  - Electricity is apportioned equally between the two departments
  - All other expenses relate to head office

The allowance for bad debts must be increased by N\$55 000

5. The income tax expense for the year ended 31 March 2019 is N\$507 000. This expense has not yet been recorded.
6. To purchase a new laser machine, they took out a loan from ZED Bank Ltd in 2017. The annual instalments on the loan amount to N\$ 450 000 and they paid N\$185 000 in interest during the year. This has not been taken account in preparation of the trial balance. The accountant did not take the finance costs for this instalment into account when preparing the trial balance.

**Required:**

- a) Prepare a statement of profit or loss for the period ended 31 March 2019. Show all workings clearly. (22 marks)

Fireballs Limited is a company incorporated under the Companies Act of 2004 since 2017. The directors would like to declare an ordinary dividend for this financial year. Below are balances as they appear on the Statement of Financial Position as at 31 March 2019.

	N\$
Non-current assets	321000
Current assets*	115000
Total assets	436000
Equity	98000
Non-current liabilities	79500
Current liabilities	258500
Total equity and liabilities	436000

**Required:**

- b) Confirm whether the directors can proceed with the dividend declaration. (3 marks)

## QUESTION 2

(25 marks)

### PART A: Suspense and errors, control accounts

The trial balance of Paloma Limited, a company involved in the manufacturing sector, had a balance in a suspense account of N\$15 991 at its year-end of 31 December 2018.

The main shareholder and bookkeeper, Mrs. Victoria, has identified the following issues:

1. The balance of N\$871 on the telephone expense account has been omitted from the trial balance.
2. The total of the purchases daybook has been carried forward as N\$5,126 whereas the correct amount was N\$5,621. The correct amount has been posted to the relevant trade payable.
3. Capital introduced by Mrs. Victoria of N\$3,500 had been entered correctly to the bank but had been debited to Sales.
4. Additions to Property, Plant & Equipment purchased and paid for on the 1 September 2018 had been expensed to the repairs and maintenance account amounting to N\$12,000 (excluding VAT). Victoria Limited's depreciation policy is to depreciate on a proportionate basis from the date of acquisition and at the rate of 5% per annum.
5. A VAT credit of N\$1,200 on motor expenses had been incorrectly claimed.
6. An unaccounted statement for municipality rates amounting to N\$610 had been discovered in the waste basket.
7. Discount received of N\$463 in December 2018 had been for as a discount allowed.
8. A rent expense of N\$2,450 paid during the year was recorded by debiting the rates account. Victoria Limited is showing a profit of N\$41,825 before accounting for the above issues.

### Required:

- a) Prepare general journal entries for Victoria Limited to record and correct relevant transactions from the above information for the financial statements for the year-ending 31 December 2018.

(21 marks)

**PART B****(4 marks)**

LG Hair and Beauty, a registered VAT vendor situated in Windhoek, is an upmarket hair salon and beauty salon. They also sell high end hair products. All suppliers of LG Hair and Beauty are registered VAT vendors.

LG Hair and Beauty makes use of a perpetual inventory system. A VAT rate of 15% is applicable.

Organics Ltd is a major supplier of LG Hair and Beauty. The normal credit terms of Organics are 30 days. The terms of the supply of Organics are to offer settlement discount of 10% to those customers who pay their debt within a period of 10 days from the date of the invoice. LG Hair and Beauty has a history of taking advantage of the settlement discount.

On 1 October 2018 the purchase manager of Luca's Fashion Boutique placed an order with My Republic to buy merchandise which consisted of all the latest fashion styles and trends. The merchandise together with an invoice was delivered to the premises of Luca's Fashion Boutique on the 18 October 2018. The invoice amount of N\$ 1 140 000 is payable on or before 18 November 2018.

Rose, the accountant of LG Hair and Beauty, studied accounting many years ago and has no knowledge of discounts or the recording thereof.

Rose processed the following journal on 18 November 2018:

2018		Dr	Cr
18 November	Trading inventory (SFP)	991 304	
	Vat Input (SFP)	148 696	
	Payable (SFP)		1 140 000
	<i>Recognise trading inventory and payable</i>		

**Required:**

Assist the accountant Rose, by providing explanations as to whether she has processed the entry correctly as it relates to:

- (i) trading inventory; (1 mark)
- (ii) settlement discounts and (2 marks)
- (iii) trade payable should be accounted for, at initial recognition. (1 mark)

**QUESTION 3**

**(25 marks)**

Martin Shaanika is a sole trader with a small business. He is a registered VAT vendor. Below is an extract from the records of Martin Shaanika:

1. Bank Reconciliation on 30 September 2019

	N\$	N\$
Balance as per cash book		88,580.00
Add: Outstanding cheques:		
131	780.00	
159	1,050.00	
178	2,340.00	
		<u>4,170.00</u>
		92,750.00
Less: Deposit not credited		<u>(15,000.00)</u>
Balance as per bank statement		77,750.00

2. Bank Statement

Bank of Africa Limited  
Bank Statement of Martin Shaanika

Date	Transaction details	Debit (N\$)	Credit (N\$)	Balance (N\$)
30-Sept	Opening balance		77,750.00	77,750.00
1-Oct	Deposit-Jason		15,000.00	92,750.00
3-Oct	Cheque-159	1,050.00		91,700.00
5-Oct	Cheque-131	870.00		90,830.00
5-Oct	Cheque-201	2,500.00		88,330.00
7-Oct	Deposit-Ismael		12,340.00	100,670.00
8-Oct	Cheque-202	4,180.00		96,490.00
8-Oct	Cheque-204	1,800.00		94,690.00
12-Oct	Cheque-203	3,460.00		91,230.00
13-Oct	Deposit-Romanus		13,860.00	105,090.00
18-Oct	Debit Orders	1,050.00		104,040.00
19-Oct	Cheque-205	14,800.00		89,240.00
20-Oct	Deposit-Peter		12,750.00	101,990.00
23-Oct	Cheque-206	50,000.00		51,990.00
25-Oct	Cheque-207	25,600.00		26,390.00
27-Oct	Cheque-209	12,750.00		13,640.00
27-Oct	Credit Memorandum		49,500.00	63,140.00

3. Extract from Cash Book for 31 October 2019

Date	Details	Amount(N\$)	Date	Details	Amount(N\$)
6-Oct	Deposit-Ismael	12,340.00	3-Oct	Cheque-201	2,500.00

14-Oct	Deposit-Alex	16,380.00	6-Oct	Cheque-202	4,180.00
18-Oct	Deposit-Peter	12,750.00	7-Oct	Cheque-203	3,460.00
31-Oct	Deposit-Felicia	5,850.00	10-Oct	Cheque-204	5,800.00
			15-Oct	Cheque-205	14,800.00
			20-Oct	Cheque-206	50,000.00
			22-Oct	Cheque-207	25,600.00
			25-Oct	Cheque-208	5,100.00
			26-Oct	Cheque-209	2,750.00
		<b>47,320.00</b>			<b>114,190.00</b>

#### Additional Information

- The following vouchers were included in the bank statement:
  - Debit Orders-Insurance: N\$1,050.00
  - Credit Memorandum-Deposit by a receivable: N\$49,500.00
- The following cheques were included in the bank statement:

Cheque no	Amount (N\$)
131	780.00
159	1,050.00
201	2,500.00
202	4,180.00
203	3,460.00
204	1,800.00
205	14,800.00
206	50,000.00
207	25,600.00
209	12,750.00

- According to the duplicate deposit slip, N\$13,860.00 was deposited by Alex on 14 October 2019
- Cheque no 131 of N\$780.00 was drawn to pay rent
- The debit order of N\$1,050.00 was for insurance
- Cheque no 209 of N\$2,750.00 was drawn to pay salaries
- Cheque no 204 was drawn for N\$1,800.00 in favour of a payable, T Ashipala

#### Required:

1. Prepare the supplementary Cash Book for October 2019. (12 Marks)
2. Prepare a bank reconciliation statement for 31 October 2019. (7 Marks)
3. Explain any three internal controls over cash. (6 Marks)

**QUESTION 4****(25 marks)**

The committee of the Rundu Netbal club presents you with the following information of the club's activities during the year ended 31 December 2018

Receipts and Payments Account of Rundu Netbal Club for year ended 31 December 2018

Receipts	Amount (N\$)	Payments	Amount(N\$)
Bank Current Account	20,520.00	Bar Purchases	693,000.00
Interest from 4% Investments	27,000.00	Sundry Expenses	432,000.00
Bar Sales	1,332,000.00	Repayment of N\$540,000.00 loan on 30/9/2018 with 15 months interest	611,280.00
Catering Receipts	228,600.00	Equipment	144,000.00
Subscriptions	1,512,000.00	Catering Costs	284,400.00
Annual Sponsorship	135,000.00	Prize Bonds	79,200.00
Sale of Equipment (Cost N\$72,000)	45,000.00	Coaching lessons	63,000.00
		Travel expenses	180,000.00
		Balance bank 31/12/2018	813,240.00
	<b>3,300,120.00</b>		<b>3,300,120.00</b>

The following information and instruction are to be taken into account:

- i) Bar Inventory on 31/12/2018 was N\$239,400
- ii) Included among assets and liabilities of the Rundu Netbal club on 1/1/2018 were the following:
  - Clubhouse and court -N\$4,500,000.00
  - Equipment- 1,350,000
  - Bar Inventory 1/1/2018-N\$270,000.00
  - Wages Prepaid-N\$7,200.00
  - Subscription due-N\$9,000.00
  - Debtors N\$5,400 (2017: N\$23,040)
  - Creditors N\$154,800 (2017: N\$151,200)
- iii) Subscriptions include:
  - Subscription for 2019 amounting to N\$5,400.00
  - Levy for 2018 of N\$1,800 each on 200 members
  - Levy of N\$1,800 on 8 members for 2017
- iv) Investment interest due on 31/12/2018 was N\$9,000
- v) Equipment to be depreciated at the rate of 25% on cost and Clubhouse and courts to be depreciated by 2% of cost.



**Required:**

- a) Prepare a statement of profit or loss for the year ended 31 December 2018. The club is not registered for VAT purpose. (19 marks)

**PART B**

- b) Stella and Cristella are sisters who have been in the hospitality industry for 5 years. They are considering opening up a company, they want to know the difference between a Partnership and a Close Corporation. In a tabular form, list the differences between a Close Corporation and a Partnership. (6 marks)

**END OF EXAMINATION**

