



PAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY

FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION
DEPARTMENT OF ACCOUNTING, ECONOMICS AND FINANCE

QUALIFICATION : BACHELOR OF ACCOUNTING	
QUALIFICATION CODE: 07BOAC	LEVEL: 5
COURSE: FINANCIAL ACCOUNTING 102	COURSE CODE: FAC512S
DATE: NOVEMBER 2023	SESSION: THEORY AND APPLICATION
DURATION: 3 HOURS	MARKS: 100

FIRST OPPORTUNITY EXAMINATION	
FIRST EXAMINER:	Ms. H. Kangala, Ms. Y. Andrew, Mr. J Chikambi & Ms. M. Amakali
MODERATOR:	Mr. C. Mahindi

<p style="text-align: center;">INSTRUCTIONS</p> <ol style="list-style-type: none">1. This question paper is made up of FIVE (5) questions.2. Answer All the questions and in blue or black ink.3. You are advised to pay due attention to expression and presentation. Failure to do so will cost you marks.4. Start each question on a new page in your answer booklet and show all your workings.5. 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/financial calculator

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

QUESTION 1**22 Marks**

Flexi cc is a business that buys and sells fitness supplies. The following transactions took place during December 2022:

	N\$
Purchases of merchandise on credit	25 000
Purchases of merchandise for cash	28 000
Purchases of equipment on credit	17 500
Sales of merchandise on credit	78 500
Sales of merchandise for cash	25 500
Sales of equipment on credit	24 000
Returns inwards	500
Returns out wards	300
Settlement discount granted	450
Settlement discount received	800
Cash received from accounts receivable	54 000
Payment to accounts payable	79 000
Credit losses written off	250
Dishonoured payment originally received from a receivable	1 500
Settlement discount on dishonoured payment above	100
Journal debits	
- Accounts receivable ledger	200
- Accounts payable ledger	100
Journal credits	
- Accounts receivable ledger	180
- Accounts payable ledger	160
Reversal of credit balance in accounts receivable ledger to increase payments in accounts payable ledger	250

Additional information:

The accounts receivable control at 1 December 2022 contained the following balances:

Debit	N\$ 34 750
Credit	N\$ 50

The accounts payable control at 1 December 2022 contained the following balances:

Debit	N\$ 200
Credit	N\$ 31 800

On 31 December 2022 there was a credit balance of N\$ 500 in the accounts receivable ledger.

REQUIRED

- a) Prepare an accounts payable control account for December 2022. **(10)**
- b) Prepare an accounts receivable control account for December 2022. **(12)**

Question 2**15 Marks**

The bank ledger account of Etameko Ltd shows a favourable balance of N\$3 500 on 31 December 2022 while the bank statement shows a balance of N\$4 669.85 on the same date. You identified the following reconciling items:

1. A deposit of N\$1 600 made on 31 December 2022 is not shown in the bank statement.
2. The bank has erroneously debited a debit order for N\$1 000 drawn by Blue cc against the account of Etameko Ltd.
3. The following payments were made by the company during December 2022 but do not reflect in the bank statement:

Payment number:	N\$
637	2 086.00
638	319.50
639	830.00
640	203.15
641	458.50

4. The bank has collected N\$2 114 from an account receivable (AB Aldo). This transaction has not yet been recorded in the company's cash book.
5. A deposit of N\$1 500 was correctly recorded in the cash book but recorded as a credit of N\$150 in the bank statement.
6. The Bank credited N\$280.00 interest to the company's account.
7. Payment number 633 for N\$360 to JD Limited was recorded as N\$630 in the company's cash book.
8. Bank charges for March 2023 amount to N\$145.
9. A corrected payment for N\$52.00 (paid to A Wilson) only appears in the bank statement.

Required

- a) Prepare the adjusted bank account of Etameko Ltd to correct the balance in the bank account. **7 Marks**
- b) Prepare a bank reconciliation statement at 31 December 2022, starting with the balance per bank statement. **8 Marks**

Question 3**35 Marks**

Purple Ltd is a key supplier of medical equipment to hospitals and other health facilities. Purple Ltd was incorporated under the Companies Act of 2004 in 2019 and is a registered VAT vendor. All its suppliers are also registered VAT vendors. VAT is calculated at a standard rate of 15%.

The following trial balance was prepared by an inexperienced accountant, with information that was extracted from the computer records of Purple Ltd for the reporting period ended 31 March 2022.

	Note	Dr	Cr
Sales			12 505 000
Purchases		7 011 500	
Dividend income from subsidiary			500 000
Management fee from subsidiary			115 000
Interest income			280 000
Rental Income	1.		130 000
Salaries and benefits		1 700 000	
Finance costs		210 000	
Sales returns		15 000	
Purchases returns			1 500
Auditors' remuneration		780 000	
Other expenses		250 000	
Property, plant, and equipment	2.	9 351 000	
Accumulated depreciation (01 April 2021)	2.		5 480 000
Investment in subsidiary		4 230 000	
Trade receivables	3.	5 670 000	
Inventory at 01/04/2021		1 200 000	
Inventories at 31/03/2022	4.	2 578 000	
Cash and cash equivalents	5.	8 244 000	
Trade and other payables			2 535 000
Namibia Revenue Agency VAT outstanding		195 000	
Long term borrowings	6.		1 900 000
Share capital	7.		12 000 000
Retained earnings (01 April 2021)			3 214 000

The following transactions have not been recorded:

1. Rental Income
 - Rental income relates to extra storage space to a local carpenter for N\$10,000 per month.
2. Property, plant, and equipment
 - A plant with a carrying value of N\$2 800 000 was discovered to have a recoverable amount of N\$2 000 000 after an impairment test was carried out.
 - Total depreciation for the current reporting period was correctly calculated as N\$1 205 000 (plant N\$900 000 and vehicles N\$305 000).
 - A vehicle with a cost of N\$400 000 and accumulated depreciation of N\$145 000 (up to the date of the theft) was stolen during the year. The insurer paid a VAT inclusive amount of N\$368 000 on the claim.
 - Purple Ltd sold another vehicle with a carrying value of N\$325 000 to a secondhand car dealer for N\$345 000 (including VAT).
3. Trade receivables
 - Wheeler cc, a receivable was deemed insolvent. The Finance director of Purple Ltd authorized the action to write off the total balance of N\$75 785 owed by Wheeler cc as irrecoverable.
 - Furthermore, after a review of the remainder of the account receivables, an increase in allowance for doubtful debts by N\$200 000 was authorized.
4. Inventories
 - A review of the market on 31 March 2022 revealed that Product X, which has a cost value of N\$500 000, had a net realizable value of N\$380 000. The cost of this item was counted with the rest of inventory on stock-taking.
 - It was also discovered that inventory with a total cost of N\$85 000 was missing. Only a Dr to other expenses account was accounted for regarding this lost inventory.
5. Cash and cash equivalents
 - The bank statement for March 2022 was received on 1 April 2022 which reflected bank charges of N\$1 725 and interest income of N\$2 400 still had to be recorded.
6. Long term borrowings
 - The accountant of Purple Ltd prepared the following amortization table for a loan that was obtained from Greenish Bank during the year.

Date	Instalment N\$	Interest 8% N\$	Amortised cost N\$
01 April 2020			1 900 000
31 March 2021	475 867	152 000	1 576 133
31 March 2022	475 867	126 091	1 226 356
31 March 2023	475 867	98 108	848 597
31 March 2024	475 867	67 888	440 618
31 March 2025	475 867	35 249	0

The loan attracts interest at 8% per annum and is secured by a building with a carrying value of N\$2 100 000. The instalment due on 31 March 2022 has been paid on time. This finance cost is not included in the amount provided in the trial balance above.

7. Share capital

- The issued share capital comprises 100 000 ordinary shares issued at N\$120 each and 200 000 5% preference shares issued at N\$10 per share.
- On 1 October 2021, an additional 120 000 ordinary shares were issued at N\$125 each and were paid for on the same date. On the same date, an additional 100 000 5% preference shares were issued at N\$10 per share. Payment was received on the same day.
- A dividend of 50 cents per ordinary share was declared on 31 March 2022.

8. Income tax

Purple Ltd applies the Namibian income tax rate at 32%.

Required

- a) Present the statement of profit or loss for the reporting period ended 31 March 2022 using the function method in compliance with IFRS. **30 Marks**
- b) Calculate dividends per ordinary share. Show all your workings. **5 Marks**

Question 4**20 Marks**

Chapters and Novels in Africa (CNA) is a partnership between Chikambi and Nellie. They both love reading and decided to start CNA, a business that sells books and stationery to clients across Namibia.

The following draft balances in the records of CNA as at 31 October 2023:

Details	DEBIT	CREDIT
Property plant and equipment	1 200 000	
Inventories 31 October 2023	75 000	
Prepaid Income tax	25 000	
Trade receivables	100 000	
Trade payables		250 000
Bank overdraft		15 000
Drawings-Chikambi	150 000	
Drawings- Nellie	140 000	
Capital – Chikambi		500 000
Capital – Nellie		600 000
Current account – Chikambi		275 000
Current Account – Nellie	150 000	
Profit for the year (before appropriation)		200 000
	1 840 000	1 840 000

The partnership agreement of CNA made provision for the following:

- Capital will remain unchanged, namely: Chikambi N\$ 500 000
Nellie N\$ 600 000
- At the end of each year the partners are burdened with interest on drawings. The interest on drawings is calculated at 7% per annum.
- Each partner receives interest on his/her capital at 3% per annum.
- Chikambi and Nellie both receive salaries of N\$20 000 per annum, and Nellie will receive a bonus of 1.25% of the profit, after all interest and salaries have been taken into the account.
- The rest of the profit should be divided between the partners in the ratio 39:11

Required:

Prepare the statement of changes in equity of CNA for the year ended 31 October 2023 (20)

Note: Clearly show and your calculations. Round of all amounts to the nearest Namibian dollar.

Question 5

8 Marks

4.1. Provide explanations for the application of the following internal controls over cash receipts and payments. **2 Marks**

- a) Division of duties (1)
- b) Electronic payments controls (1)

4.2. Answer the following questions:

- i. Explain the qualitative characteristic of relevance. **2 Marks**
- ii. Explain the objective of general purpose of financial statements. **2 Marks**
- iii. Explain the accrual basis concept. **2 Marks**

END OF EXAMINATION