



**PAMIBIA UNIVERSITY**  
OF SCIENCE AND TECHNOLOGY  
**FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION**

**DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE**

<b>QUALIFICATION CODE:</b> 07BHOM & 07BOTM	<b>LEVEL:</b> 6
<b>COURSE CODE:</b> IHA521S	<b>COURSE NAME:</b> INTRODUCTION TO HOSPITALITY AND TOURISM ACCOUNTING
<b>SESSION:</b> JUNE 2023	<b>PAPER:</b> THEORY AND CALCULATIONS
<b>DURATION:</b> 3 HOURS	<b>MARKS:</b> 100

<b>FIRST OPPORTUNITY EXAMINATION QUESTION PAPER</b>	
<b>EXAMINERS</b>	Sheehama, K.G.H.
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<b>INSTRUCTIONS</b>
<ul style="list-style-type: none"><li>• Answer ALL four (4) questions in blue or black ink only. <b>NO PENCIL.</b></li><li>• Start each question on a new page, number the answers correctly and clearly.</li><li>• Write clearly, and neatly showing all your workings/assumptions.</li><li>• Work with at least four (4) decimal places in all your calculations and only round off only final answers to two (2) decimal places.</li><li>• 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 made by the candidate should be clearly stated.</li></ul>

**PERMISSIBLE MATERIALS**

- Silent, non-programmable calculators

**THIS QUESTION PAPER CONSISTS OF \_8\_ PAGES (including this front page)**

**QUESTION 1**

**(40 MARKS)**

**Answer this question ON the Answer Sheet provided and write down the letter that, in your opinion, represents the correct answer:**

1. What term is used for day-to-day dealings that are recorded in the book of accounts of a business?
  - A. Business dealings
  - B. Bookkeeping
  - C. Business transactions
  - D. Accounting
2. Accounts receivables are increased by ..... and accounts payables are decreased by .....

  - A. Debits, Credits
  - B. Debits, Debits
  - C. Credits, Debits
  - D. Credits, Credits

3. When an owner contributes an asset into the business, it is called.....
  - A. Drawings
  - B. Income
  - C. Owner's equity
  - D. Sales
4. A company receives an order in April, posts the goods in May, and receives payment in June. In this case, under the realization principle, revenue is earned in which month?
  - A. April
  - B. May
  - C. June
  - D. None
5. Difference between sales and gross profit is called:
  - A. Net sales
  - B. Gross profit
  - C. Cost of goods sold
  - D. Net profit

6. A sum of expenses and net profit is called:
  - A. Net loss
  - B. Gross profit
  - C. Cost of goods sold
  - D. Gross loss
7. If total liabilities increased by N\$4 000, then
  - A. Assets must have decreased by N\$4 000.
  - B. Owner's equity must have decreased by N\$4 000.
  - C. Assets must have increased by N\$4 000 and owner's equity must have decreased by N\$4 000.
  - D. Assets and owner's equity each increased by N\$2 000.
8. If total assets increased by N\$5 000, then
  - A. Assets must have decreased by N\$5 000.
  - B. Owner's equity must have decreased by N\$5 000.
  - C. Assets must have increased by N\$5 000 and owner's equity must have decreased by N\$5 000.
  - D. Assets and owner's equity each increased by N\$2 500.
9. Which of the following statements is false?
  - A. to increase cash, debit the account
  - B. to increase revenue, credit the account
  - C. to decrease a liability, debit the account
  - D. to increase a liability, debit the account
10. Which of the following series of accounts all have debit balances?
  - A. building, cash, accrued salaries
  - B. building, salary expense, prepaid rent
  - C. building, depreciation expense, accrued rent
  - D. building, accumulated depreciation, cash
11. Which of the following series of accounts all have credit balances?
  - A. bank-overdraft, creditors, drawings
  - B. bank-overdraft, creditors, interest expense
  - C. capital, depreciation expense, sales
  - D. capital, accumulated depreciation, sales

12. State which one of the following errors would be discovered because of preparing a trial balance:
- A. The credit column of account has been overstated by N\$100.
  - B. Drawings of N\$200 has been entered in both drawings and bank account.
  - C. A transaction has been completely omitted from the books of account.
  - D. A transaction has been entered incorrectly in both accounts e.g. as N\$59 instead of as N\$95.
13. Which ratio measures an evaluation of a business' ability to pay its short term obligations?
- A. Current ratio
  - B. Gross profit ratio
  - C. Net profit ratio
  - D. Ability period ratio
14. Debit entries in the ledger accounts will:
- A. Increase both assets and liabilities.
  - B. Decrease both assets and liabilities.
  - C. Decrease assets and increase liabilities.
  - D. Increase assets and decrease liabilities
15. Net loss will result if:
- A. Operating expenses are less than gross profit.
  - B. Operating expenses are greater than gross profit.
  - C. Sales revenues are greater than cost of sales.
  - D. Operating expenses are greater than cost of goods sold.
16. NamDancer has a dancing school and sells dancing shoes to clients. He won an important dancing competition. NamDancer proposes to include his dancing skills and experience as current asset in the statement of financial position. You advised him that this is not allowed. Which of the following accounting rules apply?
- A. The rule periodicity rule
  - B. The realization rule
  - C. The quantitative rule
  - D. The prudence rule

17. A business agreed to write off an amount of N\$5 000 owed by accounts receivable as a bad debt. Which of the following entries in the final accounts should the business now perform?
- A. Charge the bad debt to statement of profit and loss account only
  - B. Reduce only the value of the accounts receivable balance to allow for the bad debt
  - C. Reduce the value of the accounts receivable balance AND charge the bad debt to the statement of profit and loss
  - D. Increase the value of the accounts receivable balance and add to the gross profit balance.
18. The following ratio measures how long on average a business takes to pay off its short-term obligations.
- A. Accounts receivables collection period
  - B. Accounts payables payment period
  - C. Quick ratio
  - D. Current ratio
19. Which one of the following accounting rules relates to the timing intervals of drafting financial statements.
- A. Prudence rule
  - B. Entity rule
  - C. Periodicity rule
  - D. Consistency rule
20. What do you divide cost of sales by to work out the inventory turnover?
- A. Total costs
  - B. Total revenues
  - C. Average inventory
  - D. Average debtors



**QUESTION 2****(15 MARKS)**

You are presented with the following summarized accounts:

**Kapana Trading business, statement of profit or loss account for the year to 31 May 2022:**

Sales (all credit)		500 000
Less: Cost of sales		350 000
Opening inventory	45 000	
Credit purchases	400 000	
Closing inventory	(95 000)	
Gross profit		150 000
Administrative expenses		30 000
Selling and advertising expenses		25 000
Net profit		95 000
<b>Kapana Trading business statement of financial position as at 31 May 2022</b>		
Current assets:		<b>315 000</b>
Inventory	95 000	
Accounts receivables	220 000	
Non-current assets (net book value)		650 000
Total assets		<b>965 000</b>
Current liabilities (accounts payables)		300 000
Capital		570 000
Net profit		95 000
Total Liabilities and capital		<b>965 000</b>

You are required to calculate the following accounting ratios (state the formulae)

- a) Gross profit ratio (3)
- b) Current ratio (3)
- c) Acid test ratio (3)
- d) Stock turnover ratio (3)
- e) Accounts receivables collection period (3)

**QUESTION 3****(25 MARKS)**

Tura-Babe, a sole trader, opened a shop on 1 August 2022 and during the first month in business, the following transactions occurred:

2022

- 1 August Tura-Babe deposited N\$500 000 in the entity's bank account as capital.
- 1 August Paid rent per EFT for the premises used for business activities, N\$20 000.
- 6 August A new furniture to the value of N\$50 000 was purchased and paid per EFT.
- 8 August Purchased merchandise for N\$100 000 from X-Shopfitters on credit.
- 15 August Tura-babe returned N\$20 000 of the goods to X-Shopfitters.
- 20 August Sold goods on credit to J Roux for N\$40 000.
- 25 August Amount owed by J Roux was received.
- 27 August Settled amount owing to X-Shopfitters per EFT, and a discount of 15% was allowed.
- 30 August Paid N\$5 000 per EFT from private bank account into her friend bank account.
- 31 August Tura-Babe paid N\$15 000 from the business' bank account into her personal bank account per EFT.

**REQUIRED:**

- a) Enter the above transactions in appropriate Tura-Babe's ledger or 'T' accounts and balance off all the ledger accounts. (20)
- b) Prepare a trial balance as at 31 August 2022. (5)

**QUESTION 4****(20 MARKS)**

Malakia Shivute, a sole trader, has been in the business for some years. The following is the trial balance of her wholesale clothing business as at 30 June 2022.

	Debit (N\$)	Credit (N\$)
Inventory (stock) as at 1 July 2021	40 000	
Sales		700 000
Purchases	480 000	
Carriage inwards	10 000	
Carriage outwards	4 000	
Returns inwards	2 000	
Discount allowed	1 000	
Discount received		8 000
Wages and salaries	94 000	
Office expenses	54 000	
Drawings	24 600	
Bad debts	2 000	
Equipment at cost	80 000	
Depreciation at 1 July 2021 - Equipment		24 000
Vehicle at cost	48 000	
Depreciation at 1 July 2021- Vehicle		8 000
Capital		170 000
Bank	9 400	
Accounts receivables	120 000	
Accounts payables		55 000
Provision for bad and doubtful debts at 1st July 2021		4 000
	<b>969 000</b>	<b>969 000</b>

Additional information:

- Inventory (stock) held in the business at 30 June 2022 is valued at N\$52 000.
- At 30 June 2022 Ms Malaika owes N\$3 000 for electricity used but not yet billed to her.
- At 30 June 2022 Ms Malaika wishes to maintain the provision for doubtful debts equal to 5% of outstanding accounts receivables balance.
- Salaries of N\$4 000 included in the wages and salaries of N\$94 000 is prepaid salaries July 2022.
- Depreciations are to be charged for the year on the vehicle at rate of 20% on reduced balance and on the equipment at rate of 10 % on cost.

**You are required to:** Prepare Malakia Shivute's statement profit or loss account for the year ended 30 June 2022.

**END OF EXAMINATION QUESTION PAPER**