



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

DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE

QUALIFICATION : BACHELOR OF ACCOUNTING	
QUALIFICATION CODE: 07BOAC	LEVEL: 5
COURSE: FINANCIAL ACCOUNTING 101	COURSE CODE: FAC511S
DATE: NOVEMBER 2023	SESSION: THEORY & CALCULATIONS
DURATION: 3 HOURS	MARKS: 100

SECOND OPPORTUNITY QUESTION PAPER	
EXAMINER (S):	Mr G Jansen, Mr P Mbangula, and Mrs. E! Garas
MODERATOR:	Ms G Kafula

INSTRUCTIONS TO CANDIDATES

1. This paper consists of 9 pages (excluding cover page).
2. Answer all the questions **and in black or blue ink only**.
3. Round off all amounts to the nearest Namibian Dollar.
4. The marks shown against the requirement(s) for every question should be regarded as an indication of the expected length and depth of your answer.

QUESTION 1

(60 MARKS)

MULTIPLE CHOICE QUESTIONS

Each question will carry 2 marks. Write down the number of the question with your correct answer on your answer sheet, e.g.

1. C.

1. If the current cost measurement basis is used, assets are measured at

- (a) Replacement cost
- (b) The amount which could be obtained by selling them
- (c) The amount paid to acquire them
- (d) Present value

2. Which of the following characteristics are not fundamental qualitative characteristic according to the IASB conceptual framework of financial reporting?

- (a) Relevance
- (b) Reliability
- (c) Faithful representation

3. Which of the below is not a likely an advantage of the global harmonization of accounting standards?

- (a) Greater comparability between firms
- (b) Greater ease of preparing consolidated financial statements
- (c) Greater comparability with legal systems
- (d) Easier for large international accounting firms

4. Which description does not define information that is relevant to users of financial information?

- (a) Information that is free from error, bias and is a faithful representation of events
- (b) Information that has been prudently prepared
- (c) Information that is comparable from one period to the next
- (d) Information that influences the decision of users

5. Which of the following explains the value that relevant information contains?

- (a) Confirmatory value
- (b) Instructive value
- (c) Fair value
- (d) Approximate value

6. The fundamental qualitative characteristics of financial information are

- (a) Relevance and comparability
- (b) Relevance and faithful representation
- (c) Faithful representation and comparability
- (d) Verifiability and understandability

7. A receivables ledger control account had a closing balance of N\$8,500. It contained an error with a debit for the purchase ledger of N\$400, but this had been entered in the receivables control account.

The correct balance on the control account should be:

- a) N\$7,700 debit
- b) N\$8,400 debit
- c) N\$8,100 debit
- d) N\$8,900 debit

8. Ebandulo CC, a VAT registered vendor sells air conditioners. The following information relates to their inventory for the financial year-ended on 28 February 2020:

Inventory at 01 March 2019 – 100 air conditioners; Purchases for the year – 250 air conditioners; Sales for the year – 300 Air conditioners; Sales returned – 5 air conditioners. In December 2019, their delivery truck was in an accident which damaged some inventory items. 3 air conditioners that were damaged from the accident could not be recovered from insurance. Due to cheaper prices at Cactus air conditions, Ebandulo CC' management decided to submit an order for 50 air conditioners on March 10th, 2020.

Given information above, what is their closing inventory (units) at financial year end?

- a) 50 air conditioners
- b) 100 air conditioners
- c) 102 air conditioners
- d) 52 air conditioners

9. Kafoi's Nursery uses a perpetual inventory system. They recently sold snake plants at a total sales value of N\$5,000. They base their gross profit on a mark-up of 10%. Which accounts caused an effect the debit side of their books at recognition of this transaction?

- a) Bank and Cost of goods sold
- b) Bank
- c) Purchases and cost of goods sold
- d) Bank and inventory

10. The following transactions relate to the sugar inventory of Hambelela Sweets Ltd for the Month of January 2020. The company uses the First in first out method of valuing inventory.

01/01/2020: Opening inventory	- 20 units at N\$22.00
05/01/2020: Purchases	- 20 units at N\$25.00
06/01/2020: Sales	- 30 units

The selling price for 1 packet of sugar is N\$26.00, but the company allows a 5% discount for payments within 1 week from purchase.

Given the information above, what is the total cost value of closing inventory?

- a) N\$247
- b) N\$250
- c) N\$220
- d) N\$235

11. Kamunu Trading, a company with a 31 December year end had the following balances of property, plant and equipment at 1 January 2019: Use the information below to answer questions 11 to 13.

Asset Item	Cost price	Accumulated depreciation	Depreciation policy
	N\$	N\$	
Plant	1 500 000	380 000	15% p.a straight line
Machinery	800 000	240 000	10% reducing balance
Fixtures and fittings	1 240 000	248 000	5% p.a straight line

The following transactions occurred during the year:

1 May 2019

A new machine was purchased costing N\$ 126 500 and was paid by electronic funds transfer (EFT), its residual value is expected to be N\$15 000. The same depreciation policy for machinery applies.

30 June 2019

Fixtures and fittings costing N\$300 000 and a carrying amount of N\$210 000 at January 2019 were sold for N\$250 000

1 November 2019

The following costs paid by bank transfer where applicable, were incurred in respect of an extension to the plant owned by Kamunu Trading:

	N\$
Materials	35 200
Labour	22 000
General administration	32 000
Cost of borrowing funds to finance extension	55 000

Calculate the cost of Plant at initial recognition according to IAS 16.

- a) 1,500,000
- b) 1,712,500
- c) 1,612,200
- d) 1,555,000

12. Calculate the Fixture and Fittings Accumulated Depreciation balance as at the end of December 2019.

- a) 248,000
- b) 97,500
- c) 255,000
- d) 205,000

13. Calculate the Machinery Accumulated Depreciation balance as at the end of December 2019.

- a) 304,333
- b) 240,000
- c) 300,333
- d) 250,000

14. Ernesto Trading CC depreciates Machinery (bought in Question 1 above) using Units of Production Method. Total Production Capacity was estimated at 150 000 units on acquisition date. During the Current Financial Year ended 31st December 2019, only 16 895 units were produced. The depreciation recognizable is:

- a) N\$ 43 912
- b) N\$ 50 499
- c) N\$ 42 083
- d) N\$ 45 836

15. Heinz, Owner of a residential property, decided to get into the hospitality business and turn a subsection of his property into Rest-a-While AirBnB, accommodating guests. His total annual receipts amount to N\$ 137 250 on average. His rate is N\$ 2 200 per night excluding VAT. (VAT @ 15%). Latest guest, Mr John Simms resided at Rest-a-While for 7 nights and was billed accordingly. According to the VAT ACT of 2000, the VAT consequences of this transaction are:

- a) None, because the business is carried out on a residential property and residential accommodation is an exempt supply.
- b) None, because the business is carried out on a residential property and residential accommodation is a zero-rated supply.
- c) None, because he is not allowed to register as a VAT vendor as his Taxable Supplies are less than the prescribed amount in one year's period.
- d) None, because he is not allowed to register as a VAT vendor as his Taxable Supplies are more than the prescribed amount in one year's period.

16. A Hybrid Production Plant was purchased for N\$ 5 203 750 (VAT incl.). The accumulated depreciation is N\$ 875 000 as at 1st July 2015 in the books of Sandsia (Pty) Ltd, a VAT registered entity. Depreciation is charged using the straight line method over 25 years, with a residual value of N\$ 150 000. On 1st July 2015 a component part of the plant was sold, due to slow down in production activity. The component being sold made up 12% of the Hybrid plant and was sold for N\$ 575 000 (VAT incl.). Which of the following is correct?

- a) Carrying Value derecognised of component sold in Fixed Asset Account on date of sale is N\$ 438 000 (VAT incl.) and profit made on disposal is N\$ 137 000.
- b) Carrying Value of derecognised component on disposal date is N\$ 420 000 (VAT excl.) and profit made on disposal is N\$ 80 000.
- c) Carrying Value derecognised of component sold in Fixed Asset Account on date of sale is N\$ 519 450 (VAT incl.) and profit made on disposal is N\$ 55 550.
- d) Carrying Value derecognised of sold component in Fixed Asset Account on date of sale is N\$ 438 000 (VAT excl.) and profit on disposal is N\$ 62 000.

17. Posting the cash book transactions in bookkeeping means:

- (a) Entering amounts from the cash book into ledger account
- (b) Making the first entry of double entry transaction
- (c) Entering items in a cash book
- (d) Something other than the above

18. Sales Invoices are first entered in which book of first entry:

- (a) The Cash Book
- (b) The Sales journal
- (c) The Purchases Journal
- (d) The Sales Account

19. A is a document issued by a commercial bank to its customers, showing all the transactions that have taken place on the customer's account during a particular period.

- (a) Credit Note
- (b) Mortgage Letter
- (c) Bank Statement
- (d) Invoice

20. Given a purchase invoice showing 5 items of N\$ 80 each, less trade discount of 25 % and cash discount of 5 %, if paid within the credit period, your cheques would be made out for:

- (a) N\$ 280
- (b) N\$ 260
- (c) N\$300
- (d) N\$ 285

21. Namib Mills Pty Ltd is a registered VAT vendor specialising in selling maize meal and related products to the general public. Namib Mills Pty Ltd makes use of the perpetual inventory system to account for inventory. During the month of May 2019, the following transactions took place. Assume a standard VAT rate of 15% applies.

- On 01 May 2019, the company purchased a delivery vehicle costing N\$150,000 including VAT from FP Transporters on credit.
- On 05 May 2019, sold maize meal to PicnPay for N\$862,500 including VAT on credit
- On 06 May 2019, paid N\$50,000 of the amount owed to FP Transporters.
- On 10 May 2019, purchased Corn from Corny Shop for N\$300,000 excluding VAT and paid by Electronic Fund Transfers (EFT).
- On 15 May 2019, PicnPay returned maize meal to the value of N\$50,000 including VAT.

Using the above information, calculate the amount of VAT due to/from the Receiver for the period.

- a) N\$105 326 VAT Receivable from Receiver
- b) N\$100 109 VAT Payable to Receiver
- c) N\$98 804 VAT Receivable from Receiver
- d) N\$15,000 VAT Payable to Receiver

22. The Loaf Bakery owns a stove that cost N\$20,000 when they bought it on January 1st, 2016. The stove is expected to run a total of 30,000 batches in its lifetime and it has a residual value of N\$5,000. As at December 2018, accumulated depreciation on the stove was N\$ 10,000. The owner decided to sell the stove on July 31st 2019 for N\$6,000. The stove ran a total of 5,000 batches between January and July 2019. What is the Gain or (Loss) made at disposal?

- a) 2,500
- b) (1,500)
- c) 3,500
- d) (4,000)

23. How often should a VAT return be submitted to the receiver of revenue?

- a) On the 25th of every Month
- b) Every three Months
- c) Every two months
- d) Every five Months

24. Kafoi's Nursery uses a perpetual inventory system. They recently sold snake plants at a total sales value of N\$5,000. They base their gross profit on a mark-up of 10%. Calculate cost of goods sold.

- a) N\$4,500
- b) N\$5,500
- c) N\$5,000
- d) N\$4,545

25. What does step 4 of the IFRS 15 revenue recognition process entail?

- a) Assigning transaction price to performance obligation
- b) Deducting VAT from selling price
- c) Determining the performance obligation
- d) Determining the transaction price

26. Which type of inventory is presented in the statement of financial position?

- a) Cost of sales
- b) Closing inventory
- c) Opening inventory
- d) Whichever is lower between cost and Net realizable value

27. On 1st of March 2019, Ernesto Trading CC, a non-registered VAT Vendor, having considered it's 15-year output outlook, decided to buy an additional Machinery to the value of N\$ 366 000 (excl VAT) for business use, in hope of getting production to desired levels. Installation and Supervisor training costs in order to get production going were N\$ 27 450 and N\$ 13 500 inclusive of VAT, respectively. The Carrying amount of the Machinery in the Ernesto Trading CC's books is: (2 marks)

- a) N\$ 406 950
- b) N\$ 393 450
- c) N\$ 389 870
- d) N\$ 448 350

28. Zero Rated Supplies are

- a) goods or services on which VAT of 15% is claimable as Output VAT, but on which VAT of 0% is payable to receiver as Input VAT.
- b) goods or services on which VAT of 0% is claimable as Output VAT, but on which VAT of 15% is payable to Receiver as Input VAT
- c) a and b above
- d) goods or services on which VAT of 15% is claimable as Input VAT, but on which VAT of 0% is payable to Receiver as Output VAT.

29. The following is not an example of Zero-rated Supply

- a) Supply of residential accommodation
- b) Top Score Maize Meal Porridge
- c) Supply of business as a going concern
- d) Supply of electricity to residential accounts

30. Which of the following is correct?

- a) Output Vat is a VAT on the sales of merchandise.
- b) Output VAT is an expense paid to the Receiver.
- c) Output VAT is a liability claimable from the Receiver.
- d) Output VAT is a VAT on the purchase of merchandise.

QUESTION 2

(25 MARKS)

Thomas Enterprises has been successfully conducting business as a retailer for a number of years.

The following list of account balances appear in the records of Thomas Enterprises on 31 December 2022, the current reporting date:

	Debit	Credit
Delivery vehicles (at cost price)	480 000	
Other current assets	64 000	
Other income		180 000
Current portion of long-term loans		150 000
Retained earnings – balance 01/01/2022		2 620 000
Fuel and maintenance	420 000	
Finance costs	279 000	

Buildings (at cost price)	1 750 000	
Land (at cost price)	650 000	
Trade- and other payables		965 000
Trade receivables	1 200 000	
Trademarks purchased (at cost price)	1 450 000	
Capital		4 000 000
Cash and cash equivalents	980 000	
Short term loans		250 000
Cost of sales	1 900 000	
Long term loans		1 200 000
Machinery (at cost price)	850 000	
Furniture and equipment (at cost price)	375 000	
Drawings	600 000	
Salaries and wages	967 000	
Fixed term deposit - expires 30 September 2023	800 000	
Sales		4 750 000
Inventories (at cost price)	898 000	
Water, electricity and property rates	452 000	
	14 115 000	14 115 000

Additional information:

On 30 June 2022 the owner increased his capital investment in Thomas Enterprises from N\$3 000 000 to N\$4 000 000.

REQUIRED:

Present the statement of profit or loss, and the statement of financial position of Thomas Enterprises for the reporting period ended 31 December 2022. (25)

QUESTION 3**(15 MARKS)**

Wolf Ltd purchased a machine on 1 January 2022. The following details are applicable:

	Note	N\$
Purchase price		87 719
Delivery costs		3 000
Installation costs		6 000
General administrative costs	1	1 000
Costs of testing	2	5 000
Pre-production costs	3	2 000
Initial operating losses	4	<u>10 000</u>
		<u>114 719</u>

ADDITIONAL INFORMATION:

1. The administrative costs are of a general and indirect nature.
2. The costs of testing comprise costs incurred to produce samples while testing whether the machine is functioning properly. Samples were sold at net proceeds of N\$500.
3. The pre-production costs were necessary to bring the machine to the condition necessary to be able to operate in the manner intended by management.
4. The initial operating losses are attributable to the initial production of small quantities.
5. The asset was ready for use on 3 January 2022 and immediately put into use.
6. The machine will be depreciated using the straight-line method over eight (8) years, taking into account a residual value of N\$7 000.
7. Ignore VAT.

REQUIRED:

- a. Calculate the cost at which the asset will be recognised. (10)
- b. Calculate the carrying amount of the asset on 31 December 2015. (5)

END OF EXAMINATION PAPER