



**NAMIBIA 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: JANUARY 2024	SESSION: THEORY AND APPLICATION
DURATION: 3 HOURS	MARKS: 100

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

INSTRUCTIONS
<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 10 PAGES (Excluding this front page)

Question 1

20 Marks

Multiple Choice Questions

Write down the number of the question with your correct letter option on your answer booklet. e.g., 1. A. Each question will carry 1 mark, unless indicated otherwise.

1. When the cashbook has a debit balance, the bank reconciliation statement includes:
 - A. Add Unpresented cheques
 - B. Add Direct receipts like dividends, interest, and credit transfer
 - C. Less Direct debits like bank charges, standing order and lodgments not yet credited by bank
 - D. All of the above

2. The definition of financial instruments is contained in:
 - A. IAS 9
 - B. IAS 16
 - C. IFRS 16
 - D. IFRS 9

3. No person can become a member of a corporation without the consent of:
 - A. The majority of vote of the members
 - B. The minority vote of the members.
 - C. The vote of the member holding the greatest percentage members interest in the CC.
 - D. All the votes of the members

4. Contra entry between Accounts receivables and Accounts payables N\$10 000. Indicate the correct treatment of the above information in both the Accounts Payable and Accounts Receivable control Account.
 - A. DR Accounts Receivable Control Account – N\$10 000; DR Accounts Payable Control Account N\$10 000.
 - B. DR Accounts Payable Control Account N\$10 000; DR Accounts Receivable Control Account – N\$10 000.
 - C. No entry to be made, as this is a contra entry that does not affect the Accounts Payable and Accounts Receivable Control Account.

- D. DR Accounts Payable Control Account - N\$10 000; CR Accounts Receivable Control Account – N\$10 000.
5. Which of the following will not appear in the Trade Receivables Control Account?
- A. Amounts received from credit customer.
 - B. Bad debts written off.
 - C. Credit Sales.
 - D. Cash sales.
6. Select the incorrect option:
- A. The total membership interest of a Close Corporation must always equate to 100%
 - B. The members' contributions need not be in the same proportion as members' percentage interest.
 - C. A close corporation may hold shares in a company.
 - D. A Close Corporation may not hold shares in a company.
7. A and B are partners. Their profit-sharing ratio is 3:2. Salary payable to A and B is N\$ 2,000 and N\$ 3,000 respectively. The firm's net profit during a year is N\$ 4,000. Calculate the amount of net profit shared by A and B, respectively. **(2)**
- A. N\$ 2 000 and N\$ 2 000.
 - B. N\$ 2 400 and N\$ 1 600.
 - C. - N\$ 600 and - N\$ 400
 - D. N\$ 1 600 and N\$ 2 400.
 - E. None of the above.
8. Which of these errors would be detected by the trial balance?
- A. Error on a purchase invoice.
 - B. Purchases from T Morgan entered in C Morgan's account.
 - C. Carriage outwards debited to sales account.
 - D. Overcast of total on sales account.
9. Which of the following will not appear in the Purchase Ledger Control Account?
- A. Returns outwards.
 - B. Amounts paid to trade creditors.
 - C. Credit purchases.
 - D. Discount allowed.

10. Mr. Frankie Fredricks lodged deposited cash of N\$25 000 to his personal bank account. This was lodged to the business bank account in error by the bank. Assume that the Supplementary Cash book balance is N\$7 300 (positive). Indicate how this error will be rectified as part of the reconciliation process: **(2)**
- A. CR the Adjusted Cash Book with the N\$25 000.
 - B. Deduct the N\$25 000 from the Adjusted Cash Book balance in the Bank reconciliation Statement.
 - C. DR the Supplementary Cash Book with N\$50 000.
 - D. Add the N\$25 000 from the Adjusted Cash book balance in the Bank reconciliation statement.
 - E. None of the above
11. Select the correct option.
- A. One minimum partner of a Partnership.
 - B. The partners of a Partnership are not entitled, in terms of the Act, to participate in running the business.
 - C. A Partnership is not a legal person.
 - D. A Partnership offers limited liability to its partners.
12. The information for preparing a Control account is obtained from:
- A. The Ledger.
 - B. The Cash Book.
 - C. The trial balance.
 - D. The General Journal.
 - E. None of the above
13. The following are components of the definition of a financial asset: Select the incorrect option:
- A. Cash.
 - B. Contractual right to receive cash.
 - C. Contractual obligation to deliver cash.
 - D. To exchange financial assets or financial liabilities.
14. In case of fixed capital, interest on partner's capital is credited to:
- A. Partner's capital account.
 - B. Profit and loss appropriation account.
 - C. Partner's current account.
 - D. None of the above.

15. Which of the following is not part of the process when a partial purchase of goods is returned and is partially de-recognised:
- Identify defects.
 - Inspect and compare the goods to the initial order.
 - Preparation of an internal credit note by the purchasing entity to accompany the goods to be returned.
 - Preparation of an internal debit note by the purchasing entity to accompany the goods to be returned.
16. A sales return of N\$4,120 has been credited to the sales returns account as N\$1,420, the corresponding entry in the customer's account was correctly treated: **(2)**
- Debit Sales Returns with N\$4 120 and Credit the Suspense Account with N\$1 420.
 - Debit the Sales Returns Account with N\$1 420, Credit the Suspense Account with N\$4 120.
 - Debit Sales Returns with N\$5 540 and Credit the Suspense Account with N\$5 540.
 - None of the above.
17. Ms. Michelle Mclean introduced an amount of N\$85 000 from her own private resources into her business (Mclean Trading). Mclean Trading is a VAT Vendor. You may assume that the VAT period is still open. The temporary accountant recorded the following journal entry below: **(2)**

	DR	CR
Bank (SFP)	85 000	
Capital (SCE)		73 913
VAT OUTPUT (SFP)		11 087

Process the correcting journal entry (if any).

- DR Input VAT - N\$11 087; CR Suspense – N\$11 087.
- DR Bank – N\$85 000; CR Capital – N\$85 000.
- DR VAT Output – N\$11 087; CR Capital- N\$ 11 087.
- DR Output VAT – N\$11 087; DR Input VAT- N\$11 087; CR Suspense – N\$22 174.
- None of the above

Question 2**15 Marks**

Fresh-take CC supplies wedding décor services as well as décor items to its client base. On 31 May 2023, the trial balance of Fresh-take CC failed to agree. A number of errors have been detected by the accounting officer of the close corporation. Below are further details on the errors detected.

1. The owner's daughter worked for the business during the school holidays. Her salary of N\$1 500 was recorded as drawings. It was correctly treated in the bank account.
2. An amount of N\$800 paid for advertisements, was not posted to the ledger account, but correctly posted to the bank account.
3. Credit losses of R120 written off against a receivable's account were not recorded.
4. Purchases of R600 were posted twice to the purchases account.
5. Total cash receipts of N\$81 360 according to the cash receipts journal was recorded as N\$81 630 on the debit side of the bank account.
6. The accounts payable journal was overstated by R500.
7. Goods sold on credit for N\$340 were recorded as N\$430 on the debit side of the accounts payable journal.

REQUIRED

Prepare the general journal entries to correct the errors in the accounting records of Fresh-take CC for the year-ended 31 May 2023. Narrations are not required.

15 Marks

Question 3**12 Marks**

The following information was obtained after comparing the cash book of Elegance (Pty) Ltd with their bank statements as at 30 September 2023.

1. The cash book had a credit balance of N\$780 on 1 September 2023.
2. The bank statement reflected an unfavourable balance of N\$690 as at 30 September 2023.
3. The bank debited the company's account with a cheque drawn by VWX (Pty) Ltd by mistake, N\$240.
4. A deposit of N\$87, which was paid directly into the company's bank account by a receivable Z Buys, has not been recorded in the company's books.
5. Payment no. 303 (N\$330) and 304 (N\$450), issued on 14 and 15 September have not been recorded by the bank.
6. A deposit of N\$400 recorded in the cash receipts journal does not appear on the bank statement.
7. Bank charges of R32 and interest charges of N\$17 appear on the bank statement, but have not been recorded in the books of Elegance (Pty) Ltd.
8. No entry has been made in the company's records relating to a bounced deposit, referenced by the bank as "refer to drawer". The deposit amounted to N\$88 and was received from S van Wyk in settlement of his account.

REQUIRED

- (a) Update the bank account balance in the books of Elegance (Pty) Ltd. **6 Marks**
- (b) Prepare a bank reconciliation statement as at 30 September 2023. Start with the balance as per the bank account (cash book). **6 Marks**

Question 4**(28 MARKS)**

The following information was extracted from the books of **Golden Close Corporation** for the year ended 31 July 2023.

	Note	N\$
Profit before tax		1 200 000
Income tax expense	2	?
Profit for the year		?
Revaluation surplus	3	?
Retained earnings 1 August 2022		2 000 000
Revaluation reserve 1 August 2022		500 000
Members contribution	3	?
Distributions to members	4	?

Additional information and notes:

1. The reported profit before tax needs to be adjusted with the following:
 - Outstanding revenue of N\$20 000 incurred in March 2023 has not been recorded.
 - Rental income of N\$5 000 for the month of August 2023 has been recorded as other income.
 - Insurance expenses is paid at a rate of N\$1 200 per month. On 01 August 2022, at the beginning of the year, Golden cc paid a total of N\$16,800 towards insurance expenses. This full amount was recognised as an expense.
 - The accountant incorrectly debited N\$10 000 to A Sackarias, an accounts receivable. The correct accounts receivable for the transaction is AD Zakarias.
 - Stationaries of N\$2 500 were only delivered on the last day of the financial year, the invoice was therefore not recorded.
2. The income tax expense is calculated using the current corporation tax rate applicable in Namibia.
3. An independent valuator has been contracted to revalue the building and concluded that the fair value of the building as at 31 July 2023 amounts to N\$ 1 500 000. At the end of last financial year on 31 July 2022, the same building had a fair value of N\$1 000 000 after revaluation.
4. The initial membership contributions were as follows:

Mark	N\$250 000
Asser	N\$330 000
Peter	N\$120 000

In 2023, Asser contributed a second-hand Mercedes Benz A class model to the Close Corporation (CC) as part of his members contribution and it has been registered in the name of the CC on 31 July 2023. Asser bought in the Mercedes Benz in 2020, at a cost price of N\$478 000. The market value of the Mercedes on the day it was registered in the CC's name amounted to N\$250 000. Ignore depreciation.

5. The percentage interest of the members at the beginning of the period on 01 August 2022 were as follows:

Mark	40%
Asser	22.5%
Peter	37.5%

6. Mark resigns from *Golden CC* on 30 June 2023 and sells his interest to the Close Corporation for N\$300 000. Mark's membership interest is split between Asser and Peter in relation to their existing membership interest prior to Mark's resignation.

Note: Ignore Value Added Tax (VAT).

7. The members approved a distribution of N\$400 000 on 31 July 2023 for the 2023 financial year. The profit will be distributed according to the members' interest allocation as at 31 July 2023.

REQUIRED:

- a) Adjust the *Statement of profit or loss and other comprehensive income* for *Golden CC* for the reporting period ended 31 July 2023. Start your answer with the profit before tax. **10 Marks**
- b) Calculate the *new percentage of members' interest* after Marks's resignation on 31 July 2023. **3 Marks**
- c) Prepare *GoldenCC's Statement of changes in net investment* of members for the reporting period ended 31 July 2023. **15 Marks**

Question 5**25 Marks**

The following information appears in the books of Jukskei Recreational Club as at 31 December 2023:

	N\$
Furniture at cost 31/12/2022	5 000
Accumulated depreciation on furniture 31/12/2022	1 000
Additions to furniture 1/7/2023	500
Crockery valuation at cost 31/12/2022	2 000
Restaurant inventories at cost 31/12/2022	800
Bar inventories at cost 31/12/2022	2500
Restaurant sales for the year	7 000
Bar sales for the year	15 000
Billiard room receipts for the year	500
Membership fees received (Note 4)	1 070
Entrance fee received (Note 5)	2 400
Interest on Investment received	300
Purchases:	
Restaurant	5 000
Bar	8 000
Rental of premises (expense)	4 000
Wages and salaries	7 000
Replacement of crockery	500
Water and electricity	1 200
Cash on hand 31/12/2023	100
Cash in bank 31/12/2023	1 320
Investment: Fixed deposit at 10% p.a with XY Building Society	3 000
Creditors for purchases	700
Accumulated fund 31/12/2022	13 000
Membership fees receivable for 2022	50

Additional information:

1. Assume that each of the above account balance has is a normal balance for that element.
2. Depreciation on furniture must be provided for at 10% per annum using the straight-line method.
3. Crockery was valued at R1 800 on 31 December 2023.
4. Inventories on hand at 31 December 2023, at cost price:

Bar	N\$2 700
Restaurant	N\$ 500

5. An extract from the members' register shows the following:

Year	Number of members	Membership fees received (at N\$10 per member)
2022	100	950
2023	110	30 (for 2022)
		1 000 (for 2023)
		<u>40 (for 2024)</u>
		<u>1 070</u>

The management decided to terminate the membership of the two members who have not yet paid their fees for 2022, and to write off the fees as irrecoverable.

6. Twelve new members were admitted to the club during 2023 at an entrance fee of N\$200 per member. It is club policy to transfer the entrance fee directly to the accumulated fund.

REQUIRED

Prepare the Statement of Income and Expenditure of the Jukskei Recreational Club for the year ended 31 December 2023. **25 Marks**

END OF EXAMINATION