



**NAMIBIA UNIVERSITY  
OF SCIENCE AND TECHNOLOGY**

**FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION**

**DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE**

<b>COURSE CODE:</b> BAC1100S	<b>COURSE NAME:</b> BUSINESS ACCOUNTING 1A
<b>SESSION:</b> JUNE 2023/ JULY 2023	<b>PAPER:</b> THEORY AND CALCULATIONS
<b>DURATION:</b> 2 HOURS	<b>MARKS:</b> 80
<b>SUPPLEMENTARY EXAMINATION QUESTION PAPER</b>	
<b>EXAMINER</b>	MRS Z. VAN DER WALT
<b>MODERATOR:</b>	MRS Y. ANDREW
<b>INSTRUCTIONS</b>	
<ol style="list-style-type: none"><li>1. Answer ALL the questions on the answer sheet at the back of the test pack</li><li>2. Read all the questions carefully before answering.</li><li>3. The paper consists of 55 questions.</li><li>4. The use of a non-programmable calculator is allowed.</li><li>5. All questions count for one mark unless otherwise indicated</li><li>6. There is only one correct option, the shading of more than one option will be marked as incorrect</li><li>7. Make sure to shade your student number correctly</li></ol>	

**THIS QUESTION PAPER CONSISTS OF 15 PAGES**

(Including this front page and the answer sheet at the back)

## Section A: Accounting Theory and equation (11 Marks)

1. **External users of financial accounting information include all of the following *except*?**
  - a. Lenders such as bankers
  - b. Governmental agencies such as NamRA
  - c. Employees of a business
  - d. Potential investors
2. **Financial accounting information....**
  - a. Should be incomplete in order to confuse competitors
  - b. Should be prepared differently by each company
  - c. Provides investors guarantees about the future
  - d. Summarizes what has already occurred
3. **Which of the following persons can be an owner of a close corporation?**
  - a. Silver Works (Pty) Ltd
  - b. Jack and Jill CC
  - c. Gold Rush Ltd
  - d. Mary Douglas
4. **Which of the following is *not* an example of a retailer?**
  - a. Electronics store
  - b. Grocery store
  - c. Car dealership
  - d. Computer manufacturer
5. **Which of the following is a fundamental characteristic of financial statements**
  - a. Relevance
  - b. Comparability
  - c. Timeliness
  - d. Verifiability
6. **The Concept "Timeliness" means**
  - a. To have information available to decision makers in time for them to be capable of influencing the decisions
  - b. To prepare the financial statements within a month after the financial year end.
  - c. Only items related to the financial year should be included in the financial statements.
  - d. Transactions and events should be recognized in the financial period in which they occur and not when cash or cash equivalents are received or paid.

**7. The Business Entity Concept states that:**

- a. When goods are sold on credit, the amount on the invoice is recorded in the books as income for that day, even though no money has been received yet.
- b. The business factory has a market value of N\$700 000, yet the accountant still has it listed in the books as N\$150 000, the price that it was bought for twenty years ago.
- c. In their storeroom, Nam Fudge Manufacturers have 40 000 plastic fudge containers that have been specifically molded as packaging for their fudge. These containers are valued at N\$12 000 in their books.
- d. Even though the owner pays her personal Telkom Telephone account with a Business EFT (cheque), she does not record this amount as an expense to the business

**8. The Historical Cost Concept means**

- a. When goods are sold on credit, the amount on the invoice is recorded in the books as income for that day, even though no money has been received yet.
- b. In order to make their financial statements more readable, some business round off their figures to the nearest dollar, as they feel that the cents are insignificant.
- c. The business factory has a market value of N\$700 000, yet the accountant still has it listed in the books as N\$150 000, the price that it was bought for twenty years ago.
- d. A client has undertaken to pay a N\$30 000 bonus to Karibib Builders (Pty) Ltd if the client is satisfied with the house, they are building for him. However, the accountant for Karibib builders (Pty) Ltd will not enter this amount in the book until it is received.

**9. A sole trader increased the business' number of motor vehicles by adding his own car to the fleet. Which elements of the accounting equation will change due to this transaction?**

- a. Assets only
- b. Capital only
- c. Assets and capital
- d. Assets and liabilities

**10. Which of the following accounts will be affected by a transaction where the company receives cash from a debtor?**

- a. Owner's equity and cash
- b. Owner's equity and debtors
- c. Debtors and cash
- d. None of the above

**11. Purchase of machinery for cash has the following effect on the accounting equation?**

- a. Increases total assets
- b. Decreases total assets
- c. Keeps total assets unchanged
- d. Increases assets and liabilities

**Section B: Source Documents and Journals (12 marks)**

**12. The document issued with a sale is \_\_\_\_\_**

- a. Recorded by the seller as a purchase invoice
- b. Recorded by the seller as a return
- c. Recorded by the seller as a sales invoice
- d. Not recorded by the seller

**13. A source document is:**

- a. The origin of the information that is recorded into the accounting books
- b. The origin of the information that is taken from the accounting books
- c. Not the origin of information that is recorded into the accounting books
- d. All of the above

**14. Who retains a duplicate invoice?**

- a. The business issuing the document
- b. The business receiving the document
- c. Usually both businesses involved in the transaction
- d. No option mention is correct

**15. The Sales Journal is also known as the?**

- a. Debtors Ledger
- b. Return Inward Book
- c. Sales Day Book
- d. General Journal

**16. The following transaction took place. Which source document was issued and in which journal is the transaction recorded? "Sold goods for cash". (2 marks)**

- a. Duplicate invoice and sales journal
- b. Original invoice and sales journal
- c. Duplicate invoice and cash book
- d. Original invoice and cash book

**17. A customer returns goods to your business, which source document is issued and in which journal do you record the transaction? (2 marks)**

- a. Credit note recorded in the sales return journal
- b. Debit note recorded in the return inward journal
- c. Invoice recorded in the sales return journal
- d. Cash receipt recorded in the cash book

**18. Johns' Bakery purchased ingredients on credit from Crown Ltd. Choose the correct statement:**

- a. Johns' Bakery will receive the original invoice from Crown Ltd.
- b. Crown Ltd will issue an invoice and keep the original copy.
- c. Crown Ltd will issue a cash receipt and keep the duplicate
- d. None of the options are correct

**19. In accounting, pieces of paper that prove that a transaction occurred are called?**

- a. Ledgers
- b. Journals
- c. Source Documents
- d. Balance Sheets

**20. Mary, the office administrator took cash to buy coffee and sugar for the employees. Which one of the following statements are correct (2 marks)**

- a. Mary issues a petty cash voucher and enter the transaction the cashbook
- b. Mary issues a petty cash voucher and enter the transaction in the petty cash journal
- c. Mary received a cash receipt and enter the transaction in the cashbook.
- d. Mary will not record the transaction, as it does not relate to the business.

### **Section C: Trial Balance (7 marks)**

**21. Which of the following errors in the journal entry will not be detected by trial balance:**

- a. The debit entry is overstated but the credit entry is correctly recorded
- b. The debit entry is correctly recorded but the credit entry is overstated
- c. Both the debit and credit entries are overstated by the same amount
- d. The debit entry is correctly recorded but the credit entry is understated

**22. Due to the following reasons, there can be a difference between the cashbook and bank statement:**

- a. Time differences
- b. Transactions
- c. Errors
- d. All of the above

**23. Which of the following is the correct sequence of the accounting cycle:**

- a. Journal > Trial balance > Ledger > Transaction
- b. Transaction > Journal > Ledger > Trial Balance
- c. Purchases > Journal > Ledger > Trial Balance
- d. None of the above

- 24. Which of the following is placed in the credit column of the trial balance:**
- Sales
  - Purchases
  - Rent Paid
  - Furniture
- 25. Which of the following is placed in the debit column of the trial balance:**
- Sales
  - Accrued expenses
  - Allowance for credit losses
  - Credit losses
- 26. What could be the possible description of a trial balance among the following?**
- Shows the entries in the balance sheet
  - Shows the totals/balances of all accounts
  - It is a special system
  - Showcases the financial position of a company
- 27. Which of the following is not a balance sheet account?**
- Furniture at cost
  - Accumulated depreciation: Furniture
  - Depreciation
  - Land and Buildings at cost

**Section D: Bank Reconciliation (5 marks)**

*The following questions assume that the bank reconciliation commences with the closing balance on the bank statement.*

- 28. Which of the following statements is incorrect?**
- A credit balance in the bank statement indicates more deposits than withdrawals
  - Bank charges increase a debit balance on the bank statement
  - A bank reconciliation is not part of the bank statement
  - A bank statement is prepared by the business
- 29. A payment made in respect of stationery was incorrectly entered in the bank account as N\$250, instead of N\$520. The error will be corrected as follows:**
- N\$270 will be recorded on the debit side of the bank account
  - N\$270 will be recorded on the credit side of the bank account
  - N\$270 will be recorded on the debit column of the bank reconciliation
  - N\$270 will be recorded on the credit column of the bank reconciliation
- 30. Bank Charges on the bank statement should be recorded as follows:**
- Debit the bank account
  - Credit the bank account
  - On the debit column of the bank reconciliation
  - On the credit column of the bank reconciliation

**31. A deposit that appears in the cashbook, but still not on the bank statement will be recorded as follows:**

- a. Debit the bank account
- b. Credit the bank account
- c. On the debit column of the bank reconciliation
- d. On the credit column of the bank reconciliation

**32. A payment received from a debtor appears on the bank statement but not in the cashbook. The following entry should be made:**

- a. Debit the bank account
- b. Credit the bank account
- c. On the debit column of the bank reconciliation
- d. On the credit column of the bank reconciliation

**Section E: Ratio Analysis (6 marks)**

**33. Which one of the following is not a mayor efficiency ratio?**

- a. Trade creditor payment period
- b. Non-Current Asset turnover ratio
- c. Trade debtor collection period
- d. Dividend Yield

**34. Which one of the following is not an example of gearing ratios?**

- a. Capital gearing ratio
- b. Cash flow ratio
- c. Creditors ratio
- d. Interest cover

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31/12/2022		
	31/12/2021	31/12/2022
Sales	195 016	275 855
Cost of sales	<u>162 383</u>	<u>230 822</u>
Gross margin	32 633	45 033
Income from investments	<u>827</u>	<u>897</u>
Gross Income	33 460	45 930
Less Expenses	16 939	18 375
Operating expenses	4 520	5 026
Selling expenses	3 862	4 216
Depreciation	8 557	9 133
Net Operating Income (EBIT)	16 521	27 555
Less: Interest	<u>2 290</u>	<u>3 900</u>
Net income before tax	14 231	23 655
Taxation	<u>6 057</u>	<u>9 462</u>
Net profit	8 174	14 193
<b>Additional Information</b>		
1. All sales and purchases are on credit.		
2. 365 days in a year		

*Question 35 and 36 relates to the above statement.*

**35. Which one of the following represents the gross margin percentage for 2021 (2 marks)**

- a. 16.32%
- b. 16.73%
- c. 16.65%
- d. None of the above

**36. Which one of the following represents the net margin percentage for 2022 (2 marks)**

- a. 5.15%
- b. 4.19%
- c. 7.29%
- d. None of the above

**Section F: The effect of VAT on the accounting records (12 marks)**

**37. Which one of the following statements do not relate to input VAT?**

- a. Input Vat is the tax paid on services and goods received.
- b. Input Vat is an asset as the vendor can claim the amount from NamRA
- c. Input Vat is levied on sales.
- d. Input Vat will be shown on the debit side of the general ledger account.

**38. Value Added Tax on the purchase of stationery, will have the following effect:**

- a. Give rise to an asset
- b. Give rise to a liability
- c. Recorded as an expense
- d. Recorded as an income

**39. Value Added Tax on sales will have the following effect:**

- a. Give rise to an asset
- b. Give rise to a liability
- c. Recorded as an expense
- d. Recorded as an income

**40. Value Added is not accounted for on which one of the following:**

- a. Sales to farmers
- b. Purchases from wholesalers
- c. Salaries and wages
- d. Motor vehicle oil

**41. Assuming VAT is inclusive, then VAT on an amount of N\$90,000 will be calculated as (2 marks)**

- a.  $N\$90,000 \times 15\%$
- b.  $N\$90,000 \times 15/115$
- c.  $N\$90,000 \times 115/15$
- d. None of the above is correct



- 42. Assuming the business sells goods for N\$8,050 and purchases for N\$3450. Calculate the VAT net effect. VAT is inclusive in this scenario (2 marks)**
- a. N\$600 liability
  - b. N\$600 income
  - c. N\$690 liability
  - d. N\$690 income
- 43. Assuming the business sells goods for N\$9,000 and purchases for N\$4,000. Calculate the VAT net effect. VAT is exclusive in this scenario (2 marks)**
- a. N\$750 expense
  - b. N\$750 liability
  - c. N\$522 asset
  - d. N\$522 expense
- 44. VAT on N\$10,000 interest paid to the bank will be calculated as**
- a.  $N\$10,000 \times 15\%$
  - b.  $N\$10,000 \times 15/115$
  - c.  $N\$10,000 \times 100/115$
  - d. None of the above
- 45. The VAT percentage on Mahangu is?**
- a. 10%
  - b. 12%
  - c. 15%
  - d. 0%

**Section G: Year-end adjustments and Financial Statements on the next page**

### Section G: Year-end adjustments and Financial Statements (17 Marks)

List of balances of ABC Traders as on 28th February 2023

Capital	250,000
Drawings	40,000
Land and Buildings at cost	220,000
Equipment at cost	90,000
Accumulated depreciation: Equipment	18,000
Inventory (1/3/ 2022)	50,000
Accounts Receivable	45,000
Allowance for credit losses	1,000
Accounts Payable	42,000
Bank	25,000
18% Mortgage bond on the land and buildings	120,000
Sales	367,000
Purchases	210,000
Salaries and wages	90,000
Telephone	1,280
Insurance	4,500
Stationery	720
Advertising	3,500
Rent Received	33,000
Credit losses	1,400

Notes:

- A debtor which owes N\$1,000 is insolvent and the account is written off.
- The allowance for credit losses should be adjusted to 3% of the total outstanding debt.
- The interest on the bond has not been accounted for. The bond was registered in 2009.
- The telephone account of N\$200 was paid in advance.
- Rent received for February 2023 is still outstanding.
- Depreciation on equipment is charged at 10% of cost. A residual value of N\$10,000 is applicable.
- Inventory as per inventory count on year end is presented as N\$40,000.

- 46. The telephone account for the year is (2 marks):**
- a. N\$1,080
  - b. N\$1,480
  - c. N\$1,280
  - d. None of the above
- 47. The following statement is correct regarding the equipment as at the end of the book year (3 marks)**
- a. The depreciation charge on equipment for 2023 is N\$8,000, the accumulated depreciation is N\$26,000 and the net book value is N\$56,000.
  - b. The depreciation charge on equipment for 2023 is N\$9,000, the accumulated depreciation is N\$27,000 and the net book value is N\$63,000
  - c. The depreciation charge on equipment for 2023 is N\$8,000, the accumulated depreciation is N\$26,000 and the net book value is N\$54,800
  - d. None of the above
- 48. The allowance for credit losses for 2023 should be (2 marks)**
- a. N\$1,350
  - b. N\$1,320
  - c. N\$320
  - d. N\$350
- 49. The accounts receivables in the Statement of Financial position will be presented as: (3 marks)**
- a. N\$44,000 less N\$1,320
  - b. N\$45,000 less N\$320
  - c. N\$42,600 less N\$1,320
  - d. N\$42,600 less N\$320
- 50. The total current liabilities will be shown as (2 marks)**
- a. N\$42,000
  - b. N\$63,600
  - c. N\$21,600
  - d. N\$63,800
- 51. The interest on the mortgage bond will result in the following effect:**
- a. N\$21600 expense and the same amount as an accrued expense
  - b. N\$21,600 income and the same amount as a prepaid expense
  - c. N\$21600 x 3 years expense and the same as an accrued expense
  - d. N\$21600 x 3 years expense and the same as a prepaid expense

52. The total amount shown as credit losses will be (3 marks):

- a. N\$2,720
- b. N\$1,400
- c. N\$320
- d. N\$2,400

**Section H: The General Ledger (10 Marks)**

53. The salaries and wages account is shown below. Carefully consider the year-end closing of the account and choose the correct option. You can assume that the amounts posted from the journals are correct (2 marks)

Option a Salaries and wages

Date	Details	Fol	Amount	Date	Details	Fol	Amount
31/3	Bank	CB1	50,000	31/3	Profit/Loss	GL	50,000

Option b Salaries and wages

Date	Details	Fol	Amount	Date	Details	Fol	Amount
31/3	Bank	CB1	50,000	31/3	Balance b/d	GL	50,000

Option c Salaries and wages

Date	Details	Fol	Amount	Date	Details	Fol	Amount
31/3	Balance b/d		50,000	31/3	Bank	CB	50,000

Option d Salaries and wages

Date	Details	Fol	Amount	Date	Details	Fol	Amount
31/3	Profit/loss	GL	50,000	31/3	Bank	CB	50,000

54. A Debtor's account is shown below. Which of the following options are correct? You can assume that the amounts posted from the journals are correct (4 marks)

Option a Debtors

Date	Details	Fol	Amount	Date	Details	Fol	Amount
31/3	Sales	SJ1	50,000	31/3	Sales Returns	SRJ1	10,000
	Balance b/d		10,000		Bank	CB	30,000
			<b>50,000</b>				<b>50,000</b>
				1/4	Balance c/o		10,000

## Option b

## Debtors

Date	Details	Fol	Amount	Date	Details	Fol	Amount
31/3	Sales Returns	SRJ1	10,000	31/3	Sales	SJ1	50,000
	Balance b/d		70,000		Bank	CB	30,000
			<b>80,000</b>				<b>80,000</b>
				1/4	Balance c/o		70,000

## Option c

## Debtors

Date	Details	Fol	Amount	Date	Details	Fol	Amount
31/3	Sales	SJ1	50,000	31/3	Sales Returns	SRJ1	10,000
					Bank	CB	30,000
					Balance b/d		10,000
			<b>50,000</b>				<b>50,000</b>
				1/4	Balance c/o		10,000

## Option d

## Debtors

Date	Details	Fol	Amount	Date	Details	Fol	Amount
31/3	Sales	SJ1	50,000	31/3	Sales Returns	SRJ1	10,000
					Bank	CB	30,000
					Balance b/d		10,000
			<b>50,000</b>				<b>50,000</b>
1/4	Balance c/o		10,000				

55. The following information relates to the cashbook:

Favourable balance on 1st May 2023 – N\$9000, Total payments – N\$15,000 and Total receipts – N\$20,000. The bank account will be presented as (4 marks):

## Option a

## Bank

	Details	Fol	Amount	Date	Details	Fol	Amount
1/5	Balance	b/d	9,000	31/5	Total payments	CB1	15,000
31/5	Total receipts	CB1	20,000		Balance c/d		35,000
			<b>50,000</b>				<b>50,000</b>
1/6	Balance c/o		35,000				

## Option b

## Bank

	Details	Fol	Amount	Date	Details	Fol	Amount
1/5	Balance	b/d	9,000	31/5	Total receipts	CB1	20,000
31/5	Total payments	CB1	15,000		Balance c/d		4,000
			<b>24,000</b>				<b>24,000</b>
1/6	Balance c/o		4,000				

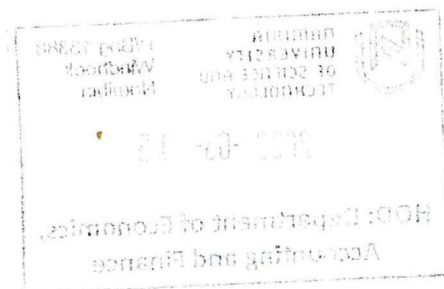
**Option c****Bank**

	Details	Fol	Amount	Date	Details	Fol	Amount
31/5	Total payments	CB1	15,000	1/5	Balance	b/d	9,000
	Balance	b/f	14,000		Total receipts	CB1	20,000
			<b>29,000</b>				<b>29,000</b>
				1/6	Balance	b/d	14,000

**Option d****Bank**

	Details	Fol	Amount	Date	Details	Fol	Amount
1/5	Balance	b/d	9,000	31/5	Total receipts	CB1	20,000
31/5	Total payments	CB1	15,000		Profit and Loss		4,000
			<b>24,000</b>				<b>24,000</b>

**END OF THE EXAMINATION PAPER**





Surname, Initials

Test No

Suppl. exam

Mode of Study

- 1 (A) (B) (C) (D) 20 (A) (B) (C) (D) 38 (A) (B) (C) (D) 47 (A) (B) (C) (D)
- 2 (A) (B) (C) (D) 21 (A) (B) (C) (D) 39 (A) (B) (C) (D) 48 (A) (B) (C) (D)
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- 5 (A) (B) (C) (D) 24 (A) (B) (C) (D) 42 (A) (B) (C) (D) 51 (A) (B) (C) (D)
- 6 (A) (B) (C) (D) 25 (A) (B) (C) (D) 43 (A) (B) (C) (D) 52 (A) (B) (C) (D)
- 7 (A) (B) (C) (D) 26 (A) (B) (C) (D) 44 (A) (B) (C) (D) 53 (A) (B) (C) (D)
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- 10 (A) (B) (C) (D) 29 (A) (B) (C) (D)
- 11 (A) (B) (C) (D) 30 (A) (B) (C) (D)
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- 14 (A) (B) (C) (D) 33 (A) (B) (C) (D)
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- 16 (A) (B) (C) (D) 35 (A) (B) (C) (D)
- 17 (A) (B) (C) (D) 36 (A) (B) (C) (D)
- 18 (A) (B) (C) (D) 37 (A) (B) (C) (D)
- 19 (A) (B) (C) (D)

Student No

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1	1	1	1	1	1	1	1	1	1
2	2	2	2	2	2	2	2	2	2
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4	4	4	4	4	4	4	4	4	4
5	5	5	5	5	5	5	5	5	5
6	6	6	6	6	6	6	6	6	6
7	7	7	7	7	7	7	7	7	7
8	8	8	8	8	8	8	8	8	8
9	9	9	9	9	9	9	9	9	9

Key

 A  B  C  D
