Centre Number	Candidate Number	Candidate Name

NAMIBIA SENIOR SECONDARY CERTIFICATE

ACCOUNTING ADVANCED SUBSIDIARY LEVEL 8244/2

PAPER 2 — 2 hours

Marks 100 — **2022**

Additional Materials: Non-programmable calculator

INSTRUCTIONS AND INFORMATION TO CANDIDATES

- Candidates answer on the Question Paper in the spaces provided.
- Write your Centre Number, Candidate Number and Name in the spaces at the top of this page and on all separate answer sheets used.
- Write in dark blue or black pen.
- You may use a soft pencil for any rough work, diagrams or graphs.
- Do not use correction fluid.
- Do not write in the margin *For Examiner's Use*.
- You may use blank pages for calculations/when answers are crossed out and corrected.
- Answer **all** questions.
- The number of marks is given in brackets [ ] at the end of each question or part question.
- You may use a non-programmable calculator.
- Where layouts are to be completed, you may not need all the lines for your answer.
- The businesses mentioned in this question paper are entirely fictitious.

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1	
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Total	

Marker	
Checker	

This document consists of **20** printed pages and **4** blank pages.

Republic of Namibia

MINISTRY OF EDUCATION, ARTS AND CULTURE

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1 Jell and Bean are partners trading as Jellybean Traders.

The partnership agreement states the following

- Interest on drawings at 10% p.a.
- Interest on capital at 12% p.a.
- Partnership salaries: Jell, N$2 000 per month.
  Bean, N$18 000 per annum.
- Profits and losses are shared equally.

(a) State in each of the following cases the treatment if there was no partnership agreement.

(i) Interest on capital

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(ii) Profits and loss

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(iii) Interest on loan

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The following balances were extracted from the books of Jellybean Traders for the financial year ended on 30 June 2022.

	N$
Capital: Jell	260 000
Bean	240 000
Drawings: Jell	24 000
Bean	17 000
Current account: Jell (dr.)	9 425
Bean (cr.)	2 880
Profit for the year	80 000

Additional information

1. On 30 September 2021, Bean provided N$200 000 to the partnership at a rate of 8% per annum. The interest on loan was recorded in the books of account, but not yet paid by 30 June 2022.
2. The following additional capital was contributed by the partners
   - 1 October 2021, Jell contributed N$60 000.
   - 28 February 2022, Bean contributed N$40 000.

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REQUIRED

(b) Explain the importance of an appropriation account in a partnership.

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(c) Prepare an extract of the statement of financial position on 30 June 2022 to show the current accounts of Jellybean Traders.

Show workings for the share of profit or loss.

Workings

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Jellybean Traders
Extract of Statement of Financial Position at 30 June 2022

[11]

For Examiner's Use

Jellybean Traders had a bank overdraft of N$34 000 on 30 June 2022.

The financial manager suggested the partnership either takes out a bank loan at 13% annual interest or that Bean increases his loan to the partnership to cover the bank overdraft.

REQUIRED

(d) Advise Jelly and Bean on the best option for the partnership.

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After evaluation of both options, Jellybean Traders decided to admit Marsh as a new partner on 1 July 2022.

Goodwill was valued at N$36 000. A goodwill account should not be maintained in the books of the partnership.

Marsh agreed to contribute equipment of N$100 000 and deposit N$172 000 into the bank account of the partnership.

Jell, Bean and Marsh will share profits equally.

Under the agreement of the new partnership all partners are to have equal capital of N$260 000. Jell and Bean are to adjust their capital on 1 July 2022 by either investing more or withdrawing some capital.

REQUIRED

(e) State what is meant by the term *goodwill*.

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(f) Prepare the capital accounts of Jell, Bean and Marsh on 1 July 2022 in columnar format. Bring down the balances on 2 July 2022.

Capital Accounts

	Jell N$	Bean N$	Marsh N$		Jell N$	Bean N$	Marsh N$

[7]

[27]

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Question 2 on page 8

2 Omdel Ltd was registered as a company with authorised capital of 2 000 000 ordinary shares at a nominal value of N$3 and 400 000 6% preference shares at N$5.

The following balances appeared in the books of Omdel Ltd on 1 August 2021.

	N$
Ordinary share capital	4 500 000
6% preference share capital	1 750 000
Share premium	1 500 000
Retained earnings	650 000
10% Debentures	200 000

Other information

On 2 August 2021 the following transactions took place.

The remaining shares were issued and paid in full as follows

ordinary shares at a premium of N$2
preference shares at nominal value

REQUIRED

(a) Explain the difference between authorised and issued share capital.

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(b) Record the entries in the general journal for 2 August 2021. Narrations may be omitted.

Omdel Ltd
General Journal – August 2021

	Debit	Credit
	N$	N$

[4]

Additional funds for expansion to the buildings were needed and 200 000 10% debentures were issued and taken up in full.

REQUIRED

(c) State the account to be debited and the account to be credited for the issue of debentures.

Account to be debited ....

Account to be credited: .... [2]

(d) One of the directors suggests that share premium should be used to pay the dividends of the shareholders so that they can use the retained earnings to expand the buildings.

Advise him on this suggestion.

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(e) Mark is a low-risk investor who wants to invest N$100 000 in Omdel Ltd. Advise him on the best form of investment in which he will receive a yearly return on his investment.

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During the year Omdel Ltd paid an interim dividend of N$150 000 on ordinary shares. At the end of the financial year on 31 July 2022, a final dividend of 10c per ordinary share was declared and paid.

REQUIRED

(f) Calculate the total amount that Omdel Ltd would spent on dividends for the financial year ended 31 July 2022.

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[24]

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Question 3 on page 14

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3 Big Screen buys television decoders on credit basis and sells it to the general public. Their financial year ends on 31 August 2022.

The following information is available in the records of Big Screen for the year ended 31 August 2022.

Inventory of decoders on 1 September 2021: 40 television decoders at a cost price of N$1 000.

Purchases:	October 2021	200 decoders @ N$1 100
	January 2022	300 decoders @ N$1 500
Sales:	November 2021	230 decoders @ N$2 500
	July 2022	280 decoders @ N$2 800

REQUIRED

(a) Calculate the closing inventory of Big Screen for the year ended 31 August 2022 using the AVCO method.

AVCO

Date	Received	Issued	No. of inventory	Average cost	Closing inventory

[6]

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Big Screen was unsure which inventory valuation method to use and therefore also calculated inventory according to the FIFO method. Based on the FIFO method the inventory was valued at N$45 000.

REQUIRED

(b) Based on the above scenario, state and explain which of the two valuation methods are the best to use by referring to the applicable accounting principle.

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In order to increase their profits, Big Screen decided to look into other offers made by suppliers using the financial information provided.

The following offers were received from various suppliers.

Offer 1 – NK TVs
NK TVs give Big Screen 4% trade discount for buying on cash basis only and being in the same trade.

Offer 2 – Max TVs
Max TVs allows cash discount of 10% if paid within 30 days.

Offer 3 – Reiny TVs
If 200 or more television decoders are bought in the same month it result in 5% trade discount. Carriage inwards of N$370 per purchase must be paid by Big Screen.

Offer 4 – Boom TVs
If 200 or more television decoders are bought in the same month it result in 2,5% trade discount. Boom TVs informed Big Screen that there will be a 5% price increase.

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REQUIRED

(c) The profit for the year had been N$245 000.

What would the effect have been on the profit if any of the offers had been in place at the start of the year and had been taken up by the business. Offer 1 has been done as an example.

Example

Account effected in income statement	Purchases account	
Calculations	220 000 – 8 800	= 211 200
	450 000 – 18 000	= <u>432 000</u>
		<u>643 200</u>
	670 000 – 643 200	= 26 800
	Purchases decrease with N$26 800.	
Revised profit for the year	N$245 000 + 26 800 = N$271 800	

(i) Offer 2 – Max TVs

Account effected in income statement ....

Calculations..

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Revised profit for the year ....

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(ii) Offer 3 – Reiny TVs

Account effected in income statement ....

Calculations..

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Revised profit for the year ....

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(iii) Offer 4 – Boom TVs

Account effected in income statement ....

Calculations..

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Revised profit for the year ....

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(d) State **one** advantage and **one** disadvantage of FIFO and AVCO respectively.

FIFO ....

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AVCO ....

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[26]

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Question 4 on page 20

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4 The following information relates to the budgeted activities of the production department of Manswi Manufacturers for the year ended 30 September 2022.

Raw materials used	N$42 000
Direct wages	N$50 000
Production overheads	N$82 000
Labour hours worked	28 000
Hours of machine operation	18 000
Units produced	10 000

REQUIRED

(a) Differentiate between

(i) absorption costing and marginal costing in terms of production of inventory.

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(ii) over and under-absorption of overheads.

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(b) Calculate overhead absorption rates using the following bases, correct to **two** decimal places. Clearly state each formula.

(i) Unit cost rate

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(ii) Direct labour hour rate

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(iii) Machine hour rate

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An order received during August 2021, was as follows

Units ordered	90
Raw material used	N$230
Direct wages	N$180
Labour hours	170
Machine hours	110

REQUIRED

(c) Calculate the total production cost which may be charged to the job by using the different methods in **(b)**.

	Unit cost	Labour hours	Machine hours
Raw material			
Direct wages			
Prime cost			
Factory overheads			
Total cost			

[7]

On 1 October 2022 the following actual figures for the year ended September 2022 were obtained for the production department of Manswi Manufacturers.

	Actual
Overheads	N$84 000
Direct wages	N$51 400
Direct materials	N$39 000
Direct labour hours	27 925
Machine hours	17 210
Unit produced	12 000

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Manswi Manufacturers decided to use the labour hour rate for their absorption.

REQUIRED

(d) Analyse and comment on the absorption of overheads for September by making use of the budgeted figures and actual figures of Manswi Manufacturers.

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[23]

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