

Centre Number	Candidate Number	Candidate Name
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NAMIBIA SENIOR SECONDARY CERTIFICATE

ACCOUNTING ADVANCED SUBSIDIARY LEVEL

8244/1

PAPER 1

2 hours

Marks 100

2022

Additional Material: 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.

<i>For Examiner's Use</i>	
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This document consists of **15** printed pages and **1** blank page.



Republic of Namibia

MINISTRY OF EDUCATION, ARTS AND CULTURE

1 Boabab Furnishers' financial period ends 30 September.

Depreciation on equipment is charged at 20% per annum, using the reducing balance method (for each month of ownership). Depreciation is calculated from the date of purchase and in the year of disposal depreciation is calculated from the beginning of the year to the date of disposal.

On 1 October 2019 equipment was bought on credit from Super Stores for N\$180 000.

On 1 January 2020 Boabab Furnishers bought extra equipment which was paid by electronic fund transfer, N\$80 000.

On 1 January 2021 Boabab Furnishers bought additional equipment on credit from Mr Office, N\$60 000.

The owner contributed equipment on 31 March 2021 of N\$20 000 to Boabab Furnishers.

On 31 March 2022 Boabab Furnishers sold the equipment that was bought on 1 January 2020. This equipment was sold on credit to Charlie's Pawn Shop for N\$55 000.

REQUIRED

(a) (i) Draw up the equipment account for the two years ended 30 September 2021 and 2022. Balance the account and bring the balance down on 1 October 2022.

Equipment Account

[5]

(ii) Prepare the provision for depreciation on equipment account for the two years ended 30 September 2021 and 2022.

Provision for Depreciation on Equipment Account

[9]

(iii) Prepare the equipment disposal account.

Equipment Disposal Account

[4]

Boabab Furnishers appointed a new accountant. The accountant advised the owners to change the method of depreciation to the straight line method.

REQUIRED

(b) Explain when the straight line method of depreciation is best suited for non-current assets.

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[2]

Boabab Furnishers plans to buy a machine which will increase the production output. They have two options available namely Machine A and Machine B.

There is not sufficient cash in the business to buy the machine, therefore it was decided to take out a loan.

Machine A		Machine B	
Cost	N\$120 000	Cost	N\$150 000
Useful life	10 years	Useful life	12 years
Payback period	54 months	Payback period	60 months

REQUIRED

(c) Advise Boabab Furnishers on which machine to buy. Justify your answer.

Choice

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Justification

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[3]

On 30 September 2022 vehicles were valued at N\$250 000. On 1 October 2022 Boabab Furnishers wants to purchase a second hand delivery truck from Fast Cars.

Fast Cars provide the following quotation to the business

	N\$
Purchase price	150 000
Transport costs	12 000
Branding	7 800
Fuel for vehicle	1 300
Registration fees	750

(d) Evaluate and discuss how the purchase would affect Boabab Furnishers' financial statements.

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[28]

- 2 Dollar Ltd was registered with 100 000 ordinary shares of N\$2 each.

The following information were taken from the books of Dollar Ltd for the year ended 30 June 2022.

Dollar Ltd
Extract from the Income Statement for the year ended
30 June 2022

	N\$
Interest on debentures	7 800
Interest on overdraft	1 260
Depreciation	45 400
Net profit before tax	317 900

Statement of Financial Position of Dollar Ltd
for the two years ended 30 June 2021 and 30 June 2022

	2021		2022	
	N\$	N\$	N\$	N\$
Non-current assets		319 010		519 140
Land and Buildings	230 000		280 000	
Vehicles at book value	89 010		219 140	
Equipment at cost price			20 000	
		26 300		26 230
Current assets		26 300		26 230
Inventory	7 000		4 680	
Trade receivables	11 300		10 050	
Cash and cash equivalents	8 000		11 500	
TOTAL ASSETS		345 310		545 370
Equity		216 350		493 810
Ordinary share capital	150 000		200 000	
General reserve	40 000		150 000	
Retained earnings	26 350		143 810	
Non-current Liability				
10% Debentures		100 000		30 000
Current Liabilities		28 960		21 560
Trade payables	27 360		20 180	
Other payables	1 600		1 380	
TOTAL EQUITY AND LIABILITIES		345 310		545 370

Additional information

1. Tax charged and paid during the year was N\$45 440.
2. Total amount paid for dividends during the year was N\$45 000.
3. The equipment was bought on 30 June 2022.
4. During the year a vehicle with a cost price of N\$30 000 was sold for N\$10 000 cash. The accumulated depreciation on this vehicle was N\$22 000.
5. During 30 June 2022 the directors decided to pay back some of the debentures that was only due back in 2024.

REQUIRED

(a) Explain the purpose of a statement of cash flow.

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[2]

(b) Prepare a statement of changes in equity for Dollar Ltd for the year ended 30 June 2022.

Dollars Ltd
Statement of changes in equity for the year ended 30 June 2022

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(c) Briefly differentiate between a cash budget and a statement of cash flow.

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[2]

3 Moody Traders started their manufacturing business on 1 October 2019. The business manufactures and sells bicycles on a cash and credit basis. On 1 October 2021, Moody Traders had inventory of N\$380 000.

During the year ended 30 September 2022 Moody Traders sales was N\$650 000 and purchases N\$480 000.

Moody Traders operates with a gross margin of 25%.

REQUIRED

(a) Explain the meaning of

(i) *single entry*.

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[1]

(ii) *incomplete records*.

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[1]

(b) Prepare the trading section of the income statement to calculate the value of the closing inventory for the year ended 30 September 2022.

Moody Traders

Income Statement for the year ended 30 September 2022

[3]

(c) Define the following.

(i) *Gross margin*

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[1]

(ii) *Mark-up*

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[1]

Moody Traders prepared their financial statements for the year ended September 2022.

The owner wants to compare the business's performance with a partnership, M & G Foods, which trades with food on a cash basis since 2010.

The following ratios were calculated by both businesses as at 30 September 2022.

Ratio	Moody Traders	M & G Foods
Gross margin	25%	45%
Expenses to revenue	14,51%	8%
Rate of inventory turnover	1,29 times	50,45 times

REQUIRED

(d) Distinguish between profitability and efficiency ratios.

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[2]

(e) Analyse and comment on each of the ratios.

(i) Gross margin

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[1]

(ii) Expenses to revenue

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[1]

(iii) Rate of inventory turnover

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[1]

(f) State **four** reasons why Moody Traders should not compare his business's performance with M & G Foods.

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On 1 October 2022, after a physical calculation of the inventory, Moody Traders discover that the actual inventory's value was N\$355 500.

REQUIRED

(g) (i) State the amount of inventory that should be used to calculate profit.

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[1]

(ii) Give a reason for your choice.

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[2]

(iii) Calculate the correct gross profit.

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[21]

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Question 4 on page 14

4 The financial year of Zet Supermarket ends on 28 February 2022.

The following list of balances appear in the books of Zet Supermarket on the last day of the financial year.

	N\$
Capital (1 March 2021)	473 500
Drawings	43 950
Land and Buildings	380 000
Equipment	98 000
Vehicles	180 000
Provision for depreciation on Equipment	30 960
Provision for depreciation on Vehicles	55 000
Inventory at cost (28 February 2022)	73 200
Bank	25 936 (dr)
Trade receivables	13 270
Trade payables	30 902
Provision for doubtful debts	640
Fixed deposit: WP Bank (14%)	8 400
Mortgage bond: Pirates Bank (16%)	128 000

Additional information

- After investigating the inventory it was found that inventory had a net realisable value at 28 February 2022 of N\$70 380.
- During the year an amount of N\$15 360 had been already paid for interest on mortgage. Make provision for the outstanding amount.
- A debtor, A Lazy, has disappeared and his account of N\$1 270 must be written off as bad debts.

Provision for doubtful debts must be adjusted to 4% of the remaining trade receivables.
- Zet Supermarket sublet part of the building to Fast Couriers for N\$2 000 per month. The total amount received for rent was N\$26 000 which was banked during the year ending 28 February 2022. No year end adjustment had been made.
- During the year the owner took goods with a selling price of N\$1 500 and cash, N\$12 000 for his personal use. Zet Supermarket uses a mark-up of 50% in the business. These transactions were not recorded in the books of the business.
- Depreciation for the year 28 February 2022 had not yet been accounted for.
Equipment N\$16 350
Vehicles N\$23 500
- Draft profit for the year before adjustments amounted to N\$103 754.

REQUIRED

(a) Prepare a statement of corrected profit for the year for Zet Supermarket on 28 February 2022.

Zet Supermarket
Statement of corrected profit for the year on 28 February 2022

	Increase (+)	Decrease (-)	

[8]

The owner of Zet Supermarket was confused why the businesses' bank account and the profit for the year's figures was not the same amount.

REQUIRED

(b) Make use of the given information and advise the owner why these two figures differs.

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