



IUM

GLOBAL HUB FOR MANAGEMENT SCIENCE
AND INFORMATION TECHNOLOGY

FACULTY OF BUSINESS ADMINISTRATION

FULL TIME AND PART TIME STUDENTS

FINANCIAL ACCOUNTING 2

SUBJECT CODE: FA260US

TOTAL MARKS 100

ASSIGNMENT 1

DUE DATE 15 MARCH 2021

**NB THIS ASSIGNMENT MUST BE DONE BY NOT MORE THEN THREE
PEOPLE IN THE GROUP. ANSWER ALL THE QUESTIONS AND SHOW
ALL OF YOUR WORKING**

ASSIGNMENT I
FINANCIAL ACCOUNTING I FA260US
QUESTION 1

The partnership of A. Ashipala, B. Mbangula and C. Tjatindindi are in partnership sharing profits and loss in the ratio 5:3:2. They own and run a business selling food, trading as Ovalombola ABC. The following trial balance has been extracted from their accounting records at 31 March 2018:

OVALOMBOLA ABC
TRIAL BALANCE AT 31 MARCH 2018

	Dr N\$	Cr N\$
Interest received		750
Capital account (at 1 April 2017)		
A Ashipala		80 000
B Mbangula		15 000
C Tjatindindi		5 000
Carriage inwards	4 000	
Carriage outwards	12 000	
Bank	4 900	
Current accounts (at 1 April 2017)		
A Ashipala	1 000	
B Mbangula	500	
C Tjatindindi	400	
Distributions		
A Ashipala	25 000	
B Mbangula	22 000	
C Tjatindindi	15 000	
Vehicle at cost	80 000	
Accumulated depreciation (at 1 April 2017)		20 000
Equipment at cost	100 000	
Accumulated depreciation (at 1 April 2017)		36 600
Office expenses	40 400	
Purchases	225 000	
Rent, rates and electricity	8 800	
Sales		409 030
Stock (at 1 April 2017)	30 000	
Accounts payable		16 500
Accounts receivable	14 300	
Allowance for doubtful debts (at 1 April 2017)		420
	583 300	583 300

Additional information

- 1 Inventory at 31 March 2018 cost N\$ 35 000.
- 2 Depreciation on the non-current assets is to be calculated as follows:
Motor vehicle is 25% per annum on the diminishing balance method and Plant and machinery 20% per annum on the straight line method. There were no purchases or sales of non-current assets during the year to 31 March 2018.
3. The future cash flows from the accounts receivable are considered to be N\$ 13 585.
4. At 31 March 2018, office expenses of N\$ 405 was payable, and rent amounting to N\$ 1 500 had been paid in advance.
5. Interest on distributions and the debit balance on each partner current account are to be charged as follows:

A Ashipala	N\$ 1 000
B Mbangula	N\$ 900
C Tjatindindi	N\$ 720

6. According to the partnership agreement, C.Tjitindindi is allowed a salary of N\$ 13 000 per annum. This amount was owing to C. Tjatindindi for the year 31 March 2018 and need be accounted for.
7. The partnership agreement also allows each partner interest on his/her capital account at a rate of 10% per annum. There were no movements on the respective partners' capital accounts during the year to 31 March 2018, and the interest had not been credited as at that date.

You are required to:

- A) Prepare the statement of profit or loss of Ovalombola ABC partnership for the year ended 31 March 2018 **(10 Marks)**
- B) Prepare the statement of changes in equity of Ovalombola ABC partnership the year ended 31 March 2018 **(10 Marks)**
- C) Prepare the current accounts of Ovalombola ABC partnership (in columnar format) for the from 1 April 2017 to 31 March 2018 **(10 Marks)**

[Total 30 Marks]

ASSIGNMENT I**FINANCIAL ACCOUNTING I FA260US****Questions 2**

JC Ltd is a successful industrial company with a financial year end of 30 September. JC Ltd is a listed company and also makes seats for motor car manufactures.

The following balances appeared in the books of JC Ltd for the period ended 30 September 2020

	Dr N\$	Cr N\$
Land & buildings	3 400 000	
Accumulated depreciation on Building		150 000
Plant and Equipment: cost	1 100 000	
Accumulated depreciation on Equipment & Plant		120 000
Trade inventories	810 000	
Trade receivables	536 000	
Ordinary share capital		2 600 000
Retained earning		942 000
Ordinary dividend	90 000	
Current tax payable: income	90 000	
Trade payables		425 000
12% debentures		1 425 000
Bank	662 724	
15% redeemable preference shares		250 000
Gross profit		1 801 724
Administrative expenses	400 000	
Distribution expenses	385 000	
Other operating expenses	240 000	
	7 788 724	7 788 724

Additional information

The following information is relevant for the preparation of the financial statements:

1. The land and building were acquired on 1 October 2018 for amount of N\$ 3 400 000 (N\$ 400 000 for the land and N\$ 3 000 000 for the building). The building is depreciated at 5 % per year on the straight line method.
2. The plant and equipment is depreciated on the sum of unit's method. The total estimated output of the plant and equipment is 20 million units. During the current period, a total of 1 750 000 units were produce. All of the plant and equipment was purchased on the same date during the previous financial year.

3. The ordinary share capital at 30 September 2020 consists of 2 000 000 shares. On incorporation, 1000 000 shares were issued to the incorporators for N\$ 1 each. On 1 July 2020, 1 000 000 shares were issued to the public at an issue price of N\$ 1.60 each. Share issue costs of N\$ 55 000 were incurred and paid and are included in the operating expenses on the trial balance.
4. On 1 October 2019 the company issued 10 000 debentures of N\$ 150 par value at a discount of 5%. The debentures are to be redeemed on 30 September 2024 at par. The interest rate is 12% per annum and is payable annually in arrears on 1 October each year.

The debenture discount is to be remunerated over the life of the debentures using the effective rate method. The effective interest rate is 13, 4367% and the accountant has correctly prepared the following paying back schedule:

Date	Effective interest	Actual interest	Debenture discount	NPV
01/10/2019			75 000	1 425 000
30/09/2020	191 474	180 000	(11 474)	1 436 474
30/09/2021	193 015	180 000	(13 015)	1 449 489
30/09/2022	194 764	180 000	(14 764)	1 464 253
30/09/2023	196 748	180 000	(16 748)	1 481 001
30/09/2026	198 999	180 000	(18 999)	1 500 000

5. The reference share capital at 30 September 2020 consists of 100 000 15% redeemable preference shares issued at N\$ 2, 50 each. The shares were placed privately at a large financial institution on 1 April 2020 for an amount of N\$ 250 000 and are subject to compulsory redemption by the company after a period of three years.
6. Company tax must still be accounted for at the correctly calculated amount of N\$ 118 200.
7. An extract from the minutes of a directors meeting on 30 September 2020 appears as follows:
 - a) Declare the preference dividend to all shareholders registered on 30 September 2020 to be paid on 15 October 2020. The preference shareholders are subject to 15 dividends tax.
 - b) Declaration of ordinary dividend :
 - 8 cents per share cash dividend to all shareholders registered on 30 September 2020, to be paid on 15 October 2020.
 - 4 cents per share capitalisation issue to all shareholders registered on 30 September 2020.

- The ordinary shareholders are subject to 15% dividend tax on the cash dividend but are not liable for dividends tax on the capitalisation issue.

You are required to:

- a) Prepare the statement of profit or loss of JC Ltd for the year ended 30 September 2020

(20Marks)

- b) Prepare the statement of change in equity of JC Ltd for the year ended 30 September 2020.

(10 Marks)

- c) Prepare the statement of financial position of JC Ltd as at 30 September 2020.

(20 Marks)

[Total 50 Marks]

ASSIGNMENT I**FINANCIAL ACCOUNTING I FA260US**

Ozondje Limited is furniture retailer of innovative accessories for home in Omaruru.

The post-closing entry trial balance for the year ended 30 September 2018 and the –closing entry trial balance for the year ended 30 September 2019 are shown below.

	2020	2019
Ozondje Limited Trial Balance at 30 September	Dr N\$	Cr N\$
Plant and equipment	350 000	300 000
Cost	550 000	400 000
Accumulated depreciation	(200 000)	(100 000)
Investments	150 000	-
Accounts receivable	180 000	160 000
Inventory	250 000	180 000
Investment income receivable	20 000	10 000
Bank	60 000	40 000
Loss on sale of investment	20 000	-
Interest expense	50 000	40 000
Taxation expense	100 000	70 000
Dividends declared	40 000	40 000
	1 220 000	840 000
Share capital	190 000	100 000
Long-term loan	400 000	300 000
Accounts payable	120 000	60 000
Dividends payable	20 000	40 000
Tax liability	30 000	10 000
Interest payable	10 000	40 000
Operating profit	290 000	190 000
Investment income	20 000	-
Retained earnings opening	140 000	100 000
	1 220 000	1 220 000

Additional information

1. Depreciation N\$ 120 000 on the plant and equipment was expensed during 2020.
2. Plant and equipment with a cost of N\$ 50 000 were sold during the year and a loss of N\$ 10 000 was incurred.
3. An investment acquired for N\$ 30 000 during the year was disposed of before the year end.
4. Long –term loans of N\$ 100 000 were repaid during the year.

You are required to:

Prepare a statement of cash flows for Ozondje Limited for the year ended 31 December 2020, using the indirect method.

(20 Marks)

[Total 20 Marks]

END OF ASSIGNMENT