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| **810/1**  **PRINCIPLES OF ACCOUNTS**  **Paper 1**  **Jul/Aug 2016**  **2 ½ hours** |



**MUKONO EXAMINATIONS COUNCIL**

**Uganda Certificate of Education**

**PRINCIPLES OF ACCOUNTS**

Paper 1

**2 hours 30 minutes**

**INSTRUCTIONS TO CANDIDATES**

* *This paper consists of* ***two*** *sections;* ***A*** *and* ***B****.*
* *Answer* ***all*** *questions in Section* ***A*** *and any* ***four*** *questions from Section* ***B****.*
* *Answers to* ***all*** *questions must be written in the answer booklet provided.*
* *All questions in Section* ***B*** *carry equal marks.*
* *You may loss marks for untidy work.*

**SECTION A (20 MARKS)**

1. Determine working capital from the following:

|  |  |
| --- | --- |
|  | **Shs** |
| Stock of goods  Bank overdrafts  Creditors  Prepaid rent  Debtors | 120,000  65,000  48,000  28,000  68,000 |

A Shs11,000 B Shs329,000

C Shs103,000 D Shs208,000

2. Mr. Okoboi was given 5% trade discount and 2% cash discount within one month, on goods catalogued at Shs600,000. Given that he takes advantage and pays in time, the total discount will be

A Shs41,400. B Shs558,600.

C Shs42,000. D Shs600,000.

3. ………………….. is the system where the petty cashier always starts the new period with same amount of money as he/she started the last.

A Re-imbursement B Disbursement

C Replenishment D Imprest

4. When salaries are outstanding at the end of an accounting period, the salaries account will show a

A zero balance. B debit balance.

C credit balance. D normal balance.

5. In absence of a partnership deed, all the following provisions will apply except

A a loan by a partner to the firm is entitled to interest at the rate of 5% per annum.

B only active partners are entitled to salary.

C no partner is entitled to interest on capital subscribed by him.

D partners shall share profits and losses equally.

6. Given the closing capital of Shs808,500, net profit of Shs189,500 and drawing of Shs26,000, what was the opening capital?

A Shs972,000 B Shs645,000

C Shs1,024,000 D Shs593,000

7. Which of the following statements is true when provision for bad and doubtful debts is decreased?

A Debit Profit and Loss Account. B Credit Trading Account.

C Debit Trading Account. D Credit Profit and Loss Account.

8. Which of the following information is not required when preparing Sales Ledger Control Account?

(i) Opening customers’ balances.

(ii) Cash sales.

(iii) Discounts received.

(iv) Credit notes issued.

(v) Payments by debtors.

A (i) and (iv) B (i) and (v)

C (iv) and (v) D (ii) and (iii)

9. Suppliers’ accounts are found in

A bought ledger. B general ledger.

C private ledger. D nominal ledger.

10. Which document would be sent to a customer when the supplier discovers that some of the goods sent to the buyer where not included in the invoice?

A An invoice. B Debit note.

C Statement of Accounts. D Credit note.

11. Find the odd man out

A prepaid rent expense.

B. bank overdraft.

C subscriptions received in advance.

D. outstanding salaries expense.

12. Which of the following is true when a given expenditure is capitalized? It will be shown

A as a balance sheet item.

B in the profit and loss account.

C both in the profit and loss account and balance sheet.

D in the trading account.

13. The accounting entries for opening stock are

A debit Stock Account and credit Trading Account.

B debit Stock Account and credit Profit and Loss Account.

C debit Trading Account and credit Stock Account.

D debit Profit and Loss Account and credit Stock Account.

14. …………… is a statement showing all balances extracted from the ledger.

A A balance sheet B A statement of affairs

C A trial balance D A statement of account

15. Which of the following transactions is not recorded in the journal proper?

A Sale of second-hand furniture on credit for Shs1,250,000.

B Purchase on credit 10 computers worth Shs45,000,000 for resale.

C Purchase of a typewriter for shs460,000 for typing business letters.

D Goods sold to Musisi for shs800,000, debited to Mubiru’s personal account.

16. The correct double entry for discount allowed is

A debit cash book and credit debtor’s account.

B debit debtor’s account and credit cash book.

C debit discount allowed account and credit the debtor’s account.

D debit debtor’s account and credit discount allowed account.

17. Given sales Shs 1,840,000, opening stock Shs146,000, closing stock Shs124,000,

Purchases 728,000, carriage inwards Shs48,000, returns inwards Shs30,000. What is the cost of sales?

A Shs768,000 B Shs732,000

C Shs828,000 D Shs798,000

18. Musinguzi’s garage had loose tools worth Shs808,000 at the beginning of the year. Additional tools worth Shs1,950,000 were purchased during the year. At the end of the year the tools were valued at Shs2,272,000. Depreciation for the year amounted to

A Shs1,540,000. B Shs486,000.

C Shs5,030,000. D Shs4,222,000.

19. Muwonge sells goods at 20% above cost price. His stock on 31st December, 2014 and 31st December, 2015 were Shs3,000,000 and Shs2,400,000 respectively. The cost of sales for the year 2015 are Shs21,600,000. Calculate his sales.

A Shs21,000,000 B Shs24,000,000

C Shs21,600,000 D Shs25,920,000

20. A contra entry in accounting means that

A double entry is completed within the same book.

B cash is banked before it is paid out.

C the proprietor has paid his capital in cash.

D sales have been paid by cash.

**SECTION B (80 MARKS)**

21. (a) Define the following terms as used in bank reconciliation:

(i) Un-presented cheques, ***(02 marks)***

(ii) Un-credited cheques, ***(02 marks)***

(iii) Standing order. ***(02 marks)***

(b) On 31st December 2015, the Cash Book of **SOKI INVESTMENTS LIMITED** showed a balance of Shs2,806,600 as cash at Bank, but the Bank Statement at the same date indicated a different position all together.

You are to prepare a statement to reconcile the position and show the balance in the Bank’s books, given that the following factors are responsible for the difference in the two balance figures:-

* Cheques for Shs280,000, Shs310,000 and Shs485,000 had not been presented for payment.
* Cheques totaling Shs876,000 paid into the account had not yet been cleared.
* Entries in Bank Statement not recorded in the Cash Book:
  + Payments under standing orders Shs188,000.
  + Interest on bank deposit account shs64,100.
  + Bank charges shs101,700.
  + Cheques paid in, returned R/D shs120,000. ***(14 marks)***

22. Zamunuga and Musene are in partnership sharing profits and losses in the ratio:

Zamunuga 2/3 and Musene 3/5. The following Trial Balance was extracted as at 31st December, 2014.

|  |  |  |
| --- | --- | --- |
|  | Dr (Shs) | Cr (Shs) |
| Freehold land  Fixtures and fittings at cost  Prov. for depreciation of fixtures & fittings  Capital accounts: Zamunuga  Musene  Current accounts: Zamunuga  Musene  Bank overdraft  Creditors  Stock  Debtors  Zamunuga’s loan account  Rent  Printing and stationery  Drawings: Zamunuga  Musene  Gross profit | 2,000,000  1,200,000  806,000  380,000  854,000  107,000  400,000  200,000 | 300,000  1,200,000  1,800,000  49,000  16,000  166,000  244,000  500,000  1,672,000 |
|  | **5,947,000** | **5,947,000** |

*Additional information:*

1. Prepaid rent was Shs142,000.
2. Provide for doubtful debts at 10% of debtors.
3. Depreciate fixtures and fittings by 20% on book value.
4. Interest of 5% on partner’s loan.
5. Musene is entitled to a salary of Shs40,000 p.a.
6. Partners are charged 5% interest on drawings.
7. Partners are entitled to 5% interest of capital.

**Required: Prepare:**

1. Profit and Loss Appropriation Account. ***(06 marks)***
2. Partners’ current accounts. ***(07 marks)***
3. Balance sheet. ***(07 marks)***

23. The following is the Receipts and Payments Account of Mukono Youth Social Club in

respect of the year ended 31st December, 2012.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Receipts** | **Shs** | **Shs** | **Payments** | **Shs** | **Shs** |
| Balance at 1st Jan  Subscriptions:-  For 2011  For 2012  For 2013  Membership fees | 312,000  2,876,000  184,000 | 492,000  3,372,000  527,000 | Rent  Lighting& heating  Paper and printing  Envelopes  Postages  Refreshments  Salaries  General Expenses  New Furniture  Balance at 31st Dec |  | 520,000  238,000  963,000  69,000  96,000  387,000  1,241,000  96,000  150,000  631,000 |
|  |  | **4,391,000** |  |  | **4,391,000** |

You are given the following information:-

|  |  |  |
| --- | --- | --- |
|  | **31st Dec, 2011**  **(Shs)** | **31st Dec, 2012**  **(Shs)** |
| Paper and printing charges outstanding  Rent paid in advance  Owing to the club for membership fees  Stock of envelopes | 105,000  40,000 | 226,000  48,000  24,000 |

(i)

(ii) Subscriptions for 2012 received during 2011 amounted to Shs159,000.

(iii) The furniture and equipment of the club, which cost Shs2,600,000, appeared in the Balance Sheet at 31st December, 2011, at a valuation of Shs1,040,000, depreciation is provided at 10%, of cost.

**Required:**

1. Determine the Accumulated Fund at 1st January, 2012. ***(3½ marks)***
2. Prepare an Income and Expenditure Account for the year 2012. ***(12 marks)***
3. Prepare a Balance Sheet as on 31st December, 2012. ***(4½ marks)***

24. (a) Give two uses of a Suspense Account. ***(02 marks)***

(b) The trial balance of Mazziba Enterprises, extracted as at 31st December, 2013 failed to agree. The net profit calculated on the basis of the figures in the trial balance was Shs7,400,000 and the difference on the trial balance was shown in the balance sheet in a Suspense Account.

Subsequent investigations disclosed the following errors:

* The purchases journal was undercast by Shs200,000.
* A credit balance of Shs49,000 on the account of Musoke, a creditor, had been omitted from the trial balance.
* A payment of Shs90,000 for repairs to motor vans had been correctly entered in the cash book but had been debited to the account of Motor Vans in the ledger.
* Goods valued at Shs120,000 (selling price) returned by customers had not been recorded in the books.
* A debit balance of Shs150,000 on sundry expenses had been omitted from the trial balance.
* The total of discounts received for the month of March, 2013, amounting to Shs196,000 had been debited to discounts allowed account.

**Required:**

(i) By means of journal entries and a Suspense Account, show by how much the trial balance was out of balance and which side of the trial balance was in excess. ***(13½ marks)***

1. Show the calculation of the correct net profit. ***(4½ marks)***

25. (a) Differentiate between Appreciation and Depreciation. ***(02 marks)***

(b) SIIMA ENTERPRISES acquired two identical machines on January 1st, 2010 at a cost of Shs8,000,000/= each.

On January 1st, 2011 one of the machines was sold for Shs6,528,000 and a new one acquired for Shs8,400,000.

On December 31st, 2012, the second machine which was bought in 2010 was sold for Shs 4,028,000.

It is the policy of the company to charge depreciation at 20% per annum on a declining balance basis depending on the number months the asset has been in use.

**Required:**

Prepare the relevant asset account, the provision for depreciation account, asset disposal account and balance sheet extract for the years ending 31st December 2010, 2011, 2012.  ***(18 marks)***

26. From the following transactions of Mutimba General Enterprises write up a three-column cashbook, bringing down the balances. Show how the discount accounts would appear in the general ledger.

**2015**

Jan. 1. Cash at bank Shs5,200,000.

Drew cheque for cash Shs800,000.

2. Received cheque from Wambi K Shs1,946,700 having deducted Shs53,300 cash discount.

3. Paid for postages and telegrams in cash Shs47,700.

4. Carriage paid from cash Shs71,700.

8 Paid Ojiambo by cheque Shs1,435,000 less Shs71,750 cash discount.

10. Received Musisi’s cheque Shs3,569,700.

11. Sent a cheque to Kakooza Shs1,000,000.

Paid wages from cash Shs278,800

15. Received Opoka’s cheque Shs1,504,200.

16. Donations to Red Cross – Cash Shs21,000.

18. Paid Muwonge by cheque Shs2,015,000 less Shs45,000 cash discount.

21. Received cheque from Okello Shs2,141,700 after Shs25,300 cash discount.

22. Drew cheque for Opolot K Shs1,200,000.

24. Taxi fares – Cash Shs28,800.

25. Paid wages – Cash Shs278,700.

27. Received Waiswa’s cheque Shs983,100.

28. Drew cheque for Nkonge J Shs787,500 less Sh25,500 cash discount.

30. Drew cheque for Nkonge J Shs1,350,000.

Drew cheque for for personal use Shs200,000.

31. Paid Salaries by cheque Shs600,000. ***(20 marks)***

**END**