**810/1 PRINCIPLES OF ACCOUNTS**

**SECTION A**

**Each correct answer carries 1 mark**

**1. C**

**2. D**

**3. C**

**4. A**

**5. D**

**6. A**

**7. A**

**8. D**

**9. C**

**10. D**

**11. A**

**12. D**

**13. C**

**14. B**

**15. D**

**16. B**

**17. A**

**18. C**

**19. B**

**20. D**

**SECTION B**

21(a) **Give four advantages of maintaining a petty cash book**

* Relieves the main cash book from being over crowded
* Reduces movement to bank as small expenses covered.
* Work is delegated by chief cashier to the junior cashier.
* Only totals are transferred to the general ledger.
* Accountability is easy the junior cahier does it over small expenses.

(b) The petty cashier of **SPEDAG INTERFREIGHT LTD** uses a cash float of shs 70,000 every month. At the end of March 2014, he had a balance of shs 17,000. During the month of March, the following transactions took place;

2014 march

1st received cash re-imbursement from the main cashier

3rd Paid for postage shs 3,000

5th Bought newspapers shs 1,000

5th Bought sugar for staff shs 2,000

7th Paid cleaners shs 1,500

8th Bought cleaning detergents shs 3,500

8th Paid for staff tea shs 1,500

15th Bought paper clips for shs 500

17th Paid tax fare shs 3,000

21st Paid postage envelopes shs 1,000

21st Paid for fax to Juba shs 1,500

26th paid for Bus fare to kasese shs 7,000

28th Bought for Newspapers shs 1,000

31st Bought writing pads shs 2,500

**Required,**

Prepare a petty cash book for **SPEDAG INTERFREIGHT LTD** under analysis columns: stationery, cleaning, postage, travelling and office expenses, (16 marks)

**SPEDAG INTERFREIGHT**

**PETTY CASH BOOK**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **RECEIPT** | **DATE** | **DETAILS** | **VOUCHER** | **AMOUNT** | **STATIONARY** | **CLEANING** | **POSTAGE** | **TRAVELLING** | **OFFICES** |
| 17000 | 1st /3/14 | Balance b/f |  |  |  |  |  |  |  |
| 53000 | 1/3/14 | Cash |  |  |  |  |  |  |  |
|  | 3/3 | Postage | 01 | 3000 |  |  | 3000 |  |  |
|  | 5/3 | News papers | 02 | 1000 |  |  |  |  | 1000 |
|  | 5/3 | Sugar for staff | 03 | 2000 |  |  |  |  | 2000 |
|  | 7/3 | Cleaners | 04 | 1500 |  | 1500 |  |  |  |
|  | 8/3 | Cleaning detergents | 05 | 3500 |  | 3500 |  |  |  |
|  |  | Staff team | 06 | 1500 |  |  |  |  | 1500 |
|  |  | Paper clips | 07 | 500 | 500 |  |  |  |  |
|  | 17/3 | Taxi fare | 08 | 3000 |  |  |  | 3000 |  |
|  | 21/3 | Envelopes | 09 | 1000 |  |  | 1000 |  |  |
|  | 21/3 | Fax | 10 | 1500 |  |  | 1500 |  |  |
|  | 26/3 | Bus fare | 11 | 7000 |  |  |  | 7000 |  |
|  | 28/3 | News papers | 12 | 1000 |  |  |  |  | 1000 |
|  | 31/3 | Writing pads | 13 | 2500 | 2500 |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  | 29000 | 3000 | 5000 | 4500 | 10000 | 5500 |
|  |  | Balance c/d |  | 41000 |  |  |  |  |  |
| 70,000 |  |  |  | **70,000** |  |  |  |  |  |
| 41000 |  | Balance b/d |  |  |  |  |  |  |  |

22(a) **Give two advantages of preparing control accounts**

* Calculates the total credit sales and total credit purchases.
* Corrects errors

b) The following information was extracted from the books of Damco LTD.

Balances as at 1st July 2010

Sales ledger 2,516,000 (Dr) 35,000(Cr)

Purchases ledger 11,000 (Dr) 1,636,000 (Cr)

Details of transactions during the period

Payments to suppliers 11,968,000

Receipts from customers 25,639,000

Credit purchase 12,630,000

Refunds of over payment to customers 31,000

Discount received 196,000

Discount allowed 232,000

Returns out wards 357,000

Bad debts written off 210,000

Debit balance on purchases ledger transferred to sales ledger 85000

**Required prepare**

1. Sales ledger control account (10 marks)
2. Purchases ledger control account (8 marks)

**Solution:**

**SALES LEDGER CONTROL ACCOUNT**

|  |  |
| --- | --- |
| Balance b/f 2516,000  Credit sales 27,928,000  Debit transfer 85,000  Refund 31000    30,529,000  Balance b/f 2953000 | Balance b/f 35,000  Receipts 25,639,000  Discount allowed 232,000  Returns in wards 1460,000  Bad debts written off 210,000  Balance c/d 2,953,000  30,529,000 |

**PURCHASE LEDGER CONTROL ACCOUNT.**

|  |  |
| --- | --- |
| Balance b/f 11000  Payments 11,968,000  Discount received 196,000  Returns outwards 357,000  Balance c/d 1,819,000  14,351,008 | Balance b/f 1,636,000  Credit purchases 12,630,000  Debit balance transfer 85,000  14,351,000    1,788,000 |

**23(a) Give the difference between a bank statement and bank reconciliation statement?**

A bank statement is a document sent by the bank to its customer showing the financial position of a customer to its bank where as a bank reconciliation is a statement prepared to reconcile between the bank statement and the customer’s cash book.

(b) Nalumansi Lydia received a bank statement from housing finance bank for the month of July 2013: After a close examination of the statement and the cash book the following differences were discovered.

(i) Balance as per bank statement as at 31st July 2013 was 21,960,000 and as per cash book was 23,812,000.

(ii) A late deposit on July 31st did not appear in the bank statement totaled to 4,968,000

(iii) cheques issued to customers but do not appear in the bank statement totaled to 5,700,000

(iv) A treasury bill of shs 3,000,000 was collected by the bank and credited to the company’s account. The bank charged 8000 as collection charges

(v) It was discovered that a cheque in the amount shs 468,000 received had been recorded as shs 684000 in the cash book.

(vi) Accrued interest credited by the bank on the firms account of shs 20,000 had not been notified to her.

(vii) A cheque belonging to Kabanda Lydia had been wrongly credited to Nalumansi Lydia by the bank worth shs 1,000,000.

(viii) A cheque worth shs 120,000 received from Joseph and banked was returned by the bank marked NSFRD.

(ix) A postdated cheque of shs 6,060,000 issued by Nalumansi Lydia was finally presented after maturity date and paid by the bank. This cheque had been credited to the suspense account pending transfer to the cash book.

(x) A cheque from a customer in settlement of his account was recorded as 848,000 instead of 648,000

**Required to prepare**

1. Adjusted cash book. (12 marks)
2. Bank reconciliation statement. (6 marks)

(b) **Amended cash book**

|  |  |
| --- | --- |
| balance b/f 23,812,000  Treasury bills 3,000,000  Accrued interest 20,000  Error 1,000,000  **27,832,000**  Balanceb/d 21,228,000 | Bank charges 8,000  Error 216,000  Error 200,000  dishonoured cheque 120,000  Postdated cheque paid 6,060,000  Balance c/d 21,228,000  **27,832,000** |

**Bank reconciliation statement.**

Balance as per Amended cash book 21,228.000

Add un presented cheques 5,700,000

26,928,000

**Less** uncredited cheques 4968,000

Balance as per bank statement. 21,960,000

**24(a) State the purpose of a suspense account**

The purpose of a suspense account is to accommodate vague and doubtful situations until they are sorted out

**(b) A trial balance extracted from the books of rose Sebuliba on 31/12/2013 had the following totals;**

Debit side shs 700,500

Credit side shs 151,500

Later the following errors were discovered;

* Petty cash shs 126,000 was omitted from the trial balance.
* Rent shs 300,000 was not recorded on the rent account
* Goods sold to Thomas was recorded correctly in the sales day book as shs 1,200,000 but was debited to his account as shs 120,000
* Sale of machinery of shs 1,900,000 was credited to sales account.
* Sales of shs 197,000 to Kojo were recorded in the sales account but no record was made in the personal account.
* Purchases from Abola for shs 1,200, 000 had been credited to Aboda.
* Sales day book was under cast by shs 2,000,000

**Required: prepare**

1. Journal entries to correct the above errors (narrations are not necessary)

(12 marks)

1. A suspense account. (6 marks)

Journal entries

|  |  |  |
| --- | --- | --- |
|  | Dr(shs) | Cr(shs) |
| Dr suspense A/c  Cr petty cash A/C | 126,000 | 126,000 |
| Dr Rent A/C  Cr suspense A/c | 300,000 | 300,000 |
| Dr Thomas A/c  Cr suspence A/c | 1,080,000 | 1,080,000 |
| Dr sales A/c  Cr machinery A/c | 1,900,000 | 1,900,000 |
| Dr kojo A/c  Cr suspense A/c | 197000 | 197000 |
| Dr Abola A/c  Cr abola A/c | 1,200,000 | 1,200,000 |
| Dr suspense A/C | 2,000,000 | 2,000,000 |

Suspense A/C

|  |  |
| --- | --- |
| Petty 126,000  Sales 2,000,000  **2,126,000** | Diff in books 549,000  Rent 300,000  Thomas 1,080,000  Kojo 197,000    **2,126,000** |

1. Kimbowa and Zziwa are in partnership sharing profits and losses in the ratio 3:2 respectively. Their trial balance as at 31st /12/2013 was as below.

|  |  |  |
| --- | --- | --- |
|  | Dr (shs) | Cr (shs) |
| Gross profits  Creditors  Debtors  Capital accounts  Kimbowa  Zziwa  Current accounts  Kimbowa  Zziwa  Drawings: Kimbowa  Zziwa  Provision for bad debs  Bank  Discounts  Stock  Buildings  Insurance  Van running expenses  Motor van  Furniture  Salaries | 120,000  50,000  80,000  80,100  24,400  248,000  670,000  25,000  25,000  150,000  100,000  135,000 | 160,000  76,500  700,000  500,000  122,000  132,000  8,500  8,500 |
| **1,707,500** | **1,707,500** |

Additional information

1. Interest on capital and drawings to be charged at 5% and 8% respectively
2. Provision for bad debts to be adjusted to 5% of debtors
3. Depreciate motor van at 10% and furniture at 15% per annum respectively
4. Van running expenses included prepaid spares of 3,000
5. Insurance shs 5,000 is prepaid

**Required: prepare partners:**

1. Profit, loss and appropriation Account for the period ended 31st December 2013

(12 marks)

Current Accounts. (8 marks)

**Solution:**

Kimbowa and ziwa

Partnership profit loss appropriation account for the year ended 31/12/2013

|  |  |
| --- | --- |
| Discount Allowed 24,400  Insurance 25,000  Less prepaid 5000 20,000  Van running Exps.  25,000  Less prepaid 3,000 22,000  Salaries 135,000  Depreciation  Motor van 15,000  Furniture 15,000  **231,400**  Net loss b/d 60,400  Interest on capital  Kimbowa 35,000  Zziwa 25,000  **121,400** | Gross profit b/d 160,000  Discount received 8,500  Decrease in provision 2500  Net loss c/d 60400    **231,400**    Interest on drawings:  Kimbowa 4000  Zziwa 6400  Share of losses  Kimbowa 66000  Zziwa 44000  **157,400** |

**Kimbowa and Zziwa**

**Current partnership Account**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Details | Kimbowa | Zziwa | Details | Kimbowa | Zziwa |
| Drawings  Interest on Drawings  Share of losses  Balance c/d | 50,000  4000  66600  36400 | 80,000  6400  44400  26200 | Balance B/f  Interest on capital | 122,000  35,000 | 132,000  25,000 |
|  | **157000** | **157000** | Bal b/d | **157000**  36400 | **157000**  26200 |

1. The following transactions appeared in the books of Ssebbanja for the month of March 2012.

2012 March.

1st started business cash at hand shs 10,980,000

2nd bought goods from Sharifa for shs 400,000 on credit

3rd paid for electricity by cash shs 90,000

6th Cash sales shs 340,000

13th Bought goods by cash shs 180,000

13th Paid insurance by cash shs 220,000

15th paid Sharifa by cash shs 250,000

17th bought equipment by cash shs 260,000

21st Sold goods to Alex on credit shs 530,000

26th Received cash from Alex shs 530,000

**Required prepare**

1. SSebbanja’s ledger accounts for the above transactions. (15 marks)
2. Trial Balance as at 31st March 2012. (05 marks)

**Solution:**

**Ledger Accounts**

**Capital Account**

|  |  |
| --- | --- |
| Bal c/d 10980,000 | Cash 1,0980,00  Bal b/f 10980,000 |

**Purchases Account**

|  |  |
| --- | --- |
| Sharifah 400,000  Cash 180,000  580,000  Bal b/d 580,000 | Bal c/d 580,000  580,000 |

**Electricity Account**

|  |  |
| --- | --- |
| Cash 90,000  Bal b/d 90,000 | Bal c/d 90,000 |

**Insurance Account**

|  |  |
| --- | --- |
| Cash 220,000  Bal b/d 220,000 | Bal c/d 220,000 |

**Equipment Account**

|  |  |
| --- | --- |
| Cash 260,000  Bal b/d 260,000 | Bal c/d 260,000 |

**Alex Account**

|  |  |
| --- | --- |
| Sales 530,000 | Cash 530,000 |

**Cash Account**

|  |  |
| --- | --- |
| Capital 10,980,000  Sales 340,000  Alex 530,000 | Electricity 90,000  Purchases 180,000  Insurance 220,000  Sharifah 250,000  Equipment 260,000  Bal c/d 10,850,000 |
| 11,850,000  Bal b/d 10,850,000 | 11,850,000 |

**Sharifah,s Account**

|  |  |
| --- | --- |
| Cash 250,000  Bal c/d 150,000 | Purchases 400,000 |
| 400,000 | 400,000  Bal b/d 150,000 |

**Sales account**

|  |  |
| --- | --- |
| Bal c/d 870,000 | Cash 340,000  Alex 530,000 |
| 870,000 | 870,000  Bal b/d 870,000 |

**Ssebbanja’s Trial balance as at 31/Dec/2013**

|  |  |  |
| --- | --- | --- |
| Capital  Cash  Purchases  Sharifah  Electricity  Insurance  Equipment  Sales | Dr (shs)  10,850,000  580,000  90,000  220,000  260,000 | Cr(shs)  10,980,000  150,000    870,000 |
|  | **12,000,000** | **12,000,000** |

**END**