

**UGANDA MARTYRS UNIVERSITY, NKOZI CAMPUS**

**FACULTY OF BUSINESS ADMINISTRATION AND  
MANAGEMENT**

**DEPARTMENT OF ACCOUNTING AND FINANCE**

**CODE: ACC1201.COURSE: FUNDAMENTAL ACCOUNTING II**

**Date: 2019**

**Time allowed: 3 hours**

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**Instructions to candidates:**

**Read the following before answering the examination questions**

- 1) Do not write anything on the question paper
  - 2) Write neatly and show all workings.
  - 3) Every question attempted should be started on a new page
  - 4) Attempt any four questions.**
  - 5) All questions carry equal marks.
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## QUESTION ONE

The following balances were extracted from the books of KAWA Ltd for the year ended 30<sup>th</sup> September 2018.

Details	Amount \$)
<b>Sales ledger:</b>	
Debit balance 1 October 2017	12,000
Credit balance 1 October 2017	80
<b>Purchases ledger:</b>	
Debit balance 1 October 2017	180
Credit balance 1 October 2017	47,496
Total sales for the period:	
Credit sales	82,976
Cash sales	68,978
Cheques received from customers	30,000
Cash received from customers	8,944
Credit notes issued to credit customers	1,600
Bad debts written off	1,224
Discounts allowed	1,390
Cash refunded to customers who had overpaid	160
Dishonored cheques from customers	2,000
Sales ledger credit balance 30 September 2018	148
Interest charged to customers with overdue debts	116
Total purchases for the period:	
Credit purchases	157,104
Cash purchases	2,888
Total cheques paid to suppliers	100,200
Total cash paid to suppliers	20,000
Credit notes received from credit suppliers	1,592
Discount received	1,920
Cash refunds from suppliers	356
Dishonoured cheques previously issued to suppliers	1,480
Balance on sales ledger set off against purchases ledger	9,600
Purchases ledger debit balance 30 September 2018	320
Interest paid to suppliers for overdue balances	192
Increase in provision for Bad debts	20

### Required

Prepare the relevant control accounts, balance them off and determine the outstanding balances for the period (25 marks)

## QUESTION TWO

- An error in accounting records is an irregularity that renders the financial statements not valid. Briefly explain the **five** accounting errors that do not affect the agreement of the trial balance. **(5 Marks)**
- The accountant of KBK Ltd prepared a trial balance for his company for the month of December 2018 but it failed to balance. The total on the debt side was more than the

total on the credit side by shs. 33,000. He opened the suspense account for the difference and proceeded to prepare the final accounts.

During the month of January 2019, he discovered the following mistakes, which had been made in December 2018.

- a) The purchase account had been undercast by Shs. 2,000
- b) Sale of goods for Shs. 600,000 on credit to Bobi was properly recorded in the sales account but was recorded by error to Babi account.
- c) The credit side of the sales account was undercast by Shs. 4,000
- d) The payment of Shs. 680,000 cash to Moses a creditor was properly recorded in Moses' account but was wrongly recorded in the cash book as Shs. 670,000
- e) Payment of Shs. 555,000 by cheque for insurance was properly recorded in the cash book but was posted to insurance account by mistake as Shs. 515,000
- f) A sales Invoice of Shs. 300,000 was not recorded in the sales day book and it was not posted to the ledger
- g) The bank column of the cash book credit side was over cast by Sh. 1,000
- h) The ledger fee of shs. 15,000 was wrongly debited to the cash book but properly recorded in the ledger fees account
- i) Discount received of Shs 6,000 was debited to Discount allowed account
- j) Motor vehicle repair of Shs. 50,000 was debited to Motor vehicle account.
- k) A credit note issued for shs. 800,000 was properly recorded in account of the customer but wrongly recorded for Shs. 820,000

### Required

- i. Make Journal entries to correct all the errors (Narratives are **NOT** required) **(15 Marks)**
- ii. A suspense account **(5 Marks)**

### QUESTION THREE

- a) On 1 March 2018 Savior acquired a machine from Plant Ltd under the following terms:

Details	Amount (\$)
List price of machine	82,000
Import duty	1,500
Delivery fees	2,050
Electrical installation costs	9,500
Pre-production testing	4,900
Purchase of a five-year maintenance contract with Plant	7,000

In addition to the above information Savior was granted a trade discount of 10% on the initial list price of the asset and a settlement discount of 5% if payment for the machine was received within one month of purchase. Savior paid for the plant on 25 March 2018.

### Required

Show the amount to be reported as the cost of the Machine in the statement of financial position of Savior (8 marks).

- b) CARE enterprises provide depreciation using straight line method & the depreciation expenses are time apportioned. The accounting period of the entity ends on 31<sup>st</sup> December and the following details are available for machinery acquired.

Machinery/ details	Cost (£)	Scrap value (£)	Useful life	Year of acquisition
Machine A	120,000	20,000	5 years	1 <sup>st</sup> April 2015
Machine B	187,000	40,000	7 years	1 <sup>st</sup> March 2017
Machine C	200,000	60,000	10 years	1 <sup>st</sup> September 2018

**Additional information:**

On 1<sup>st</sup> October 2018 machine **A** was sold for £. 40,000 cash.

**Required**

Prepare the following in respect of **four years** ending 31<sup>st</sup> December 2018.

- The yearly depreciation expense (6 marks)
- Provision for depreciation account (7 marks)
- Machinery disposal account (4 marks)

**QUESTION FOUR**

- a) Distinguish between direct costs and indirect costs in manufacturing industries (2 Marks)

b) Quality Chemical Industry Ltd is a pharmaceutical manufacturing company in Uganda which manufactures and distributes ARVs & Anti-Malaria Drugs to various governmental and private hospitals in the Country. The following trail balance was extracted from their books at 31/12/2017

	UGX	UGX
Inventory 1.1.2017: Finished goods	38,000	
Work in progress	13,000	
Raw materials	21,000	
Factory Wages:		
Direct	180,000	
Indirect	145,000	
Royalties	7,000	
Carriage inwards -raw materials	3,500	
Purchases of raw materials	370,000	
Productive machinery (cost 280,000)	230,000	
Administrative computer (cost 20,000)	12,000	
General factory expenses	30,000	
Lighting	7,500	
Factory power	13,000	
Administrative salaries	40,000	
Sales		1,050,000
Sales representative salaries	30,000	
Salaries and wages administration	41,850	
Commission on sales	11,000	
Rent	12,000	
Insurance	4,200	

Advertising	12,000	
Bad debts	5,150	
General administration expenses	13,000	
Bank charges	2,300	
Discounts allowed	4,800	
Carriage outwards	5,000	
Accounts payable and receivable	142,000	60,800
Cash	1,500	
Bank	16,000	
Drawings	50,000	
Capital Account		350,000
	<b>1,460,800</b>	<b>1,460,800</b>

#### **Additional information at 31.12.2017**

1. Inventory of raw materials Shs. 25,000; work in progress Shs. 17,000 and inventory of finished goods Shs. 40,000.
2. Lighting, rent and insurance are to be apportioned: factory 5/6, administration 1/6
3. Depreciation on factory machinery and administration computers at 10% per annum.
4. Advertising cost of shs. 1,000 are accrued

#### **Required:**

1. Quality Chemical Industry Ltd Manufacturing Account and Income Statement for the year ended 30/12/2017 **(13 Marks)**
2. The Statement of Financial Position as at that date. **(8 Marks)**

#### **QUESTION FIVE**

- a) Mention any three differences between
  - i. Profit making organizations and non-profit making organizations
  - ii. Receipts and payments account

Below is the summary of receipts and payment of BAM sports club for the year ended 31<sup>st</sup> December 2018

<b>Receipts</b>		<b>Shs</b>	<b>Payments</b>		<b>Shs</b>
Members subscription			Restaurant supplies		6,250,000
2017	185,000		Wages to restaurant		340,000
2018	3,575,000		Postage		150,000
2019	200,000	3,960,000	General expenses		1,790,000
			Furniture		710,000
Restaurant sales			Balance c/d		<u>2,630,000</u>
		<u>7,500,000</u>			
		<u>11,870,000</u>			<u>11,870,000</u>

***Additional information***

- On 31<sup>st</sup> December 2017 the club furniture was valued at Shs. 3,590,000
- The following was also available

	<b>31<sup>st</sup> Dec. 2017</b>	<b>31<sup>st</sup> Dec. 2018</b>
	Shs	Shs
Premises	4,800,000	4,800,000
Restaurant creditors	630,000	555,000
Restaurant stock	725,000	740,000
Accumulated fund	9,005,000	

- During the year 2017 the club received Shs 75,000 in respect of members' subscription for 2018
- Gross profit for the restaurant was Shs 1,000,000

**Required:**

- Subscription account for the year 2018

Income and expenditure account and the balance sheet for the year 2018

## QUESTION SIX

- a) Akankwasa, a business man in Katwe does not keep proper books of accounts. Because of the fear of over assessment of tax liability, he approached you with the following information available from his records.

1. Summary of Cash

Dr.	Cash summary.		Cr.
Receipts	Amount (\$)	Payments	Amount(\$)
Balance b/d	8,000	Cash purchases	14,000
Cash sales	40,000	Paid to creditors	20,000
Received from debtors	30,000	General expenses	6,000
		Carriage in wards	2,000
		Drawings	8,000
		Balance c/d	<u>28,000</u>
	<u>78,000</u>		<u>78,000</u>

2. Account balances provided on march 31, 2017 for the two years :

Details	March 31, 2016(\$)	March 31, 2017 (\$)
Debtors	9,000	12,000
Creditors	14,400	6,800
Stock of materials	10,000	16,000
Washing equipment	40,000	40,000
Furniture	3,000	3,000
Discount allowed during the year		1,400
Discount received during the year		1,700

3. Provide depreciation for the washing equipment at 10% on cost

**Required:**

Prepare the statement of comprehensive income for the year ended on March 31, 2017 and a statement of financial position as at that date(20Marks).

- b) Discuss at least 3 disadvantages of incomplete records (5 Marks)

