

**Uganda Martyrs University**  
**Faculty of Business Administration and Management**  
**INTERMEDIATE ACCOUNTING 1**  
**BAM II**  
**End of Semester One Final Examination**  
**Academic Year 2012-2013**

**Friday: 14<sup>th</sup> December 2012**

**Time 9.00am- 12.00pm**

**Instructions**

**Do not write anything on the question paper**

**Attempt only four (4) questions.**

**Question 1**

- (a) Explain five reasons and circumstances that lead to the ascertainment of Goodwill (5 marks)
- (b) Describe the different methods of valuing goodwill in partnership business (5marks)
- (c) Explain and differentiate between joint venture and consignment Accounting (5 marks)
- (d) Explain five conditions which may lead to partnership dissolution(5 marks)
- e) Distinguish between receipts & payments account and Income & expenditure Account (5marks)

**Question 2**

Claire, Daniel and Jane are in partnership sharing profit and losses in the ratios of 2:1:1. They agree that on retirement or admission of new partner goodwill will be valued at 2 times the average of the proceeding year's profits which were Shs. 28 million, 40 million and 52 million. At 31 December 2010 their balance sheet was as follows.

<b>Assets</b>	
Freehold premises	40,000,000
Delivery vans	20,000,000
Inventory	25,000,000
Accounts receivable	15,000,000
Bank	10,000,000
<b>Capital and liabilities</b>	
Claire	25,000,000
Daniel	20,000,000
Jane	20,000,000
<b>Current Accounts</b>	
Claire	10,000,000
Daniel	10,000,000
Jane	10,000,000
Accounts payable	15,000,000

Additional Information

At 31<sup>st</sup> December 2010, Claire decided to retire and Olivia is admitted to the partnership. Claire goes with one of the delivery vans valued at shs.8,000,000/= and decide to leave Shs. 20 million to the partnership. The assets were revalued as follows

Freehold premises	50,000,000
Delivery vans	17,000,000
Inventory	8,000,000

Olivia is required to bring his capital contribution of 7 million and new sharing ratios will be 2:2:1.

Required.

- (a) Prepare necessary ledgers accounts to reflect the transactions of the partnership business
  - (i) Good will account (5 marks)
  - (ii) Revaluation account (5marks)
  - (iii) Capital account (5 marks)
- (b) Prepare the statement of financial position (balance sheet) (10 marks)

### Question 3

- (a) Explain the rationale for preparing departmental accounts and show various methods that are used to allocate joint costs.
- (b) Mafabi is a proprietor of a shop selling paintings and ornaments. For purposes of his financial statements he wishes the business to be divided into two departments.

Department A - for Paintings

Department B - for Ornaments

	Dr	Cr
Sales	Shs "000"	Shs. "000"
Dept A		75,000
Dept B		50,000
<b>Inventory (1/09/2011)</b>		
Dept A	1,250	
Dept B	1,000	
Purchases		
Dept A	51,000	
Dept B*	38,020	
Wages of sales men		
Dept A	7,200	
Dept B	6,800	
Picture framing costs	300	
General office salaries	13,200	
Fire insurance	360	
Lighting and heating	620	
Repairs to premises	175	
Telephone	30	
Cleaning	180	
accountancy charges	1,490	
General office expenses	510	

**Additional information**

Inventory at 31/August /2012 was valued at

Shs. "000"

Department A - 1,410

Department B - 912

The proportion of the total floor area occupied by each department was

Department A two-fifths

Department B three – fifths

Note: the apportionment should be made by using the methods as shown below:

**Floor Area:-** fire insurance, lighting and heating, repairs, telephone, and cleaning

**Turnover:-** General expenses, office salaries, Accountancy, General office expenses

**Required:**

Prepare an income statement for the year ended 31/12/2012 in respect of the business. Show the departmental profits and losses.

**Question 4**

- (a) What are joint ventures and in what respect are they different from partnership (5marks)  
(b) Betty, Cate and Francis entered into a joint venture for dealing in fruit juices. The transactions connected with this venture were:

2009

May 1<sup>st</sup> Betty rented land for two months for 600,000/=

2<sup>nd</sup> Cate supplied plants cost 510,000/-

3<sup>rd</sup> Betty employed labour for planting 260,000/=

16<sup>th</sup> Cate charged motor expenses 49,000/=

19<sup>th</sup> Betty employed labour for fertilizing 180,000/=

29<sup>th</sup> Betty paid the following expenses sundries 19,000/=, labour 210,000/=, fertilizers 74,000/-

June 11<sup>th</sup> Francis employed labour for lighting fruit juice 416,000/=

24<sup>th</sup> sale expenses paid by Francis 318,000/=

26<sup>th</sup> Francis received cash from sale proceeds 2,916,000/=

### Required

Show the joint venture accounts in the three books of Betty, Cate, and Francis. Also show in full the method of arriving at the profit on the venture which is to be apportioned: Betty four-sevenths, Cate two-sevenths, Francis one-seventh. (20 marks)

NOTE: any outstanding balances between the parties are settled by cheque on 31<sup>st</sup> July 2009.

### Question 5

1. Owino, the owner of a small kiosk does not keep proper books of accounts. The following is a summary of his bank account for the year ended 31<sup>st</sup>.12.1999.

Details	Amount	Details	Amount
Amount credited to bank	320,910	balance b/d	8,920
		paid to suppliers	273,800
		Rent	4750
		Equipment	1,000
		Electricity	2,100
		Sundry expenses	8,000
		Drawing	12,000
		balance c/d	10,300
	<b>320,910</b>		<b>320,910</b>

### Additional information

1. Collection from customers of 300,000/= have been deposited to bank intact. During the year Owino had paid out of cash sales. Wages of 27,140/=, sundry expenses 1,400/= and retained shs. 300 per week for his pocket money. The balance of 20,910/= of the cash sales was deposited into the bank.
2. Discount allowed by suppliers amounted to 4,800/= and allowed to customers was 5,200/=
3. Year ended balances were:

	1-Jan-12	31st Dec-2012
Equipment	28,000	25400
Inventory	45000	58000
Trade Receivables	45000	58000
Advance rent	400	500
Trade payables	18,000	23,000
Sundry expenses accrued	3,200	1,700

4. Trade accounts receivable at 31<sup>st</sup> Dec 2012 included 2,000/= to be written off as bad. Owino normally provides 5% for bad and doubtful debts.

### Required

Prepare an income statement for the year ended 31<sup>st</sup> Dec 2012 and balance sheet as at that date



**Question 6**

Adam, Betty and Charles are partnership sharing profits and losses in the ratio of 3:2:1 The following was their Balance sheet as at 31<sup>st</sup> Dec. 2004.

<b>Fixed Assets</b>	<b>\$ "000"</b>	<b>\$"000"</b>
Premises	15,000	
Motor vehicles	3,800	
Furniture & fittings	<u>1,200</u>	20,000
<b>Current Assets:</b>		
Stock	5,500	
Debtors	3,700	
Bank	1,400	
	<u>10,600</u>	
<b>Less current liabilities:</b>		
Creditors	<u>5,600</u>	<u>5,000</u>
		<u>25,000</u>
<b>Financial by:</b>		
Capital accounts:		
Adam	12,000	
Betty	8,000	
Charles	<u>4,000</u>	24,000
<b>Current accounts:</b>		
Adam	2,000	
Betty	1,800	
Charles	<u>(2,800)</u>	<u>1,000</u>
		<u>25,000</u>

**Partners decide to:**

Dissolve the partnership as at 1<sup>st</sup> January, 2005. The premises and stocks sold for \$13,000. The debtors realized \$ 3,000. Motor vehicles and furniture and fittings were sold for \$ 2,500 and 1,100, respectively.

Charles is declared **insolvent**. Show how the above transactions will be treated in realization, bank and capital accounts.

**Question 7**

The Receipts and Payments Account of the Tideswell Sports Club for the year ended 31 December 2004 was as follows:

**RECEIPTS**

Balance 1 January 2004 b/f	720
Subscription	2660
2003 subscription arrears	50
2,500	
Gift (for proposed purchase of sports ground)	5 000
Bank loan	1500
Sales of refreshments	1800

---

11730
**PAYMENTS**

Sundry expenses	620
Repairs to equipment	370
Purchase of equipment	
Loan interest	150
Bank loan repayments	500
Cost of refreshments	850
Refund of members' over paid 2004 subscriptions	60
Transfer to bank deposit account	6000
Balance c/d	<u>680</u>

---

11730
**Additional information:**

	1 Jan 2004	31 Dec. 2004
Stock of refreshments	130	160
Owing to suppliers for refreshments	70	100
Equipment at valuation	1200	3000
Subscriptions in arrears	50	180
Subscriptions in advance		80

**Required:**

- The Refreshments Trading Account for the year ended 31 December 2004.
- The Income and Expenditure Account for the year ended 31 December 2004.
- The Balance Sheet as at 31 December 2004.

**END!!! Merry Xmas and a Happy New Year 2013**