

UGANDA MARTYRS UNIVERSITY, NKOZI CAMPUS

**FACULTY OF BUSINESS ADMINISTRATION AND
MANAGEMENT**

DEPARTMENT OF ACCOUNTING AND FINANCE

**CODE: ACC 1201.COURSE: FUNDAMENTAL ACCOUNTING II
DAY (RUBAGA)**

Date:

Time allowed: 3 hours

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.
-

QUESTION ONE (25 Marks)

(b) The following data was obtained from the records of DON Manufacturers Ltd as at 31/12/2017

Balances for transactions between 1/1/2017 and 31/12/2017

The following additional information was also provided;

- Required:**

Prepare statement of manufacturing, and comprehensive income for the year ended 31/12/2017 clearly showing the various cost components **(20 marks)**

QUESTION TWO (25 marks)

- (a) Distinguish between a Non- profit making and profit a making business in accounting **(5 marks)**
- (b) Identify and briefly explain any three errors that do not affect and two errors that affect the agreement of a trial balance. **(5 marks)**
- (c) With illustrations explain the steps one takes in order to come up with the financial statements from incomplete records **(5 marks)**
- (d) Briefly explain five types of costs to any manufacturing firm giving examples for each **(5 marks)**
- (e) Explain the items recorded in each of the control accounts **(5 marks)**

QUESTION THREE (25 marks)

Martha a sole trader in Owino market deals in general merchandise and does not keep proper records of accounts. To expand her business, she is planning to get a loan from centenary bank and the loan officers demanded financial statements from her.

She has approached you with the following information for assistance:

1. Assets and liabilities

Details	1/8/2016 (Ushs`000)	31/7/2017 (Ushs`000)
Inventory	34,400	67,200
Accounts receivable	15,600	17,200
Accounts payable	29,600	35,600
Electricity accrued	840	640
Rent prepaid	1,200	1,680
Bank balance	9,200	6,600
Cash in hand	1,440	1,320

2. All takings have been banked after deduction of the following payments

Details	Amount (Ushs`000)
Cash drawings	32,000
Casual Labour	4,800
Goods for resale	7,200

3. Bank payments during the year have been summarized as follows

Details	Amount (Ushs`000)
Purchases	406,000
Rent	20,160
Electricity	5,560
Carriage costs to customers	12,000
Casual labour	26,480
Total payments	<u>470,200</u>

4. Gross profit 25% has been made on all goods sold and Martha has taken goods worth Ushs 2.4 million for her own use

Required position for the period

- (a) Calculate the total purchases for the year ended 31.7.2017 **(4 marks)**
(b) Prepare the statement of comprehensive income and financial position for the period **(21 marks)**

QUESTION FOUR (25 marks)

Tasty Ltd provides for depreciation on its Machinery at the rate of 20% per annum using the straight line method. It charges full years depreciation in the year of purchase and none in the year of disposal, with its financial year ending 31st December.

The following transactions for the years 2014 to 2017 relate to the company.

Asset type	Date	Amount (\$)
Purchased Machinery 1	1/1/2014	4,000
Purchased Machinery 2	1/7/2014	2,400
Purchased Machinery 3	31/3/2015	3,200
Sold Machinery 2	2/2/2017	1,200
Exchanged Machinery 3 with Machinery 4 valued at	25/10/2017	2,800

Required

Prepare the following for the years 2014 to 2017

- a) Machinery account **(7 marks)**
b) Accumulated depreciation of machinery account **(11marks)**
c) Disposal of machinery account **(7 marks)**

QUESTION FIVE (25 marks)

- (a) The trial balance of Kidega, a trader in Gulu did not balance on 31st December 2017; the difference was posted to suspense account. The statement of comprehensive income prepared showed a net profit of Ushs12.8million.

On investigation the following errors were identified.

- A loan of Ushs 2 million from Centenary Bank was entered correctly in the cash book but was not posted to the ledger
- Rent received of Ushs 0.8 million through a cheque was not entered in the books.
- The closing inventory for the period was overvalued by Ushs 0.3 million.
- Discount allowed worth Ushs 0.1 million was debited to the discount received account.
- The opening inventory for the period was under cast by Ushs 0.64 million
- Insurance prepaid worth Ushs 44,000 was included in the statement of comprehensive income.
- Goods destroyed by fire amounting to Ushs 2.4 million were written off in the statement of comprehensive income. However, these goods were insured and the insurance company when approached agreed to compensate the full amount.

Required

- a) Prepare journal entries to correct the errors **(7marks)**
- b) Suspense account duly balanced **(3marks)**
- c) Statement of corrected profit **(5marks)**

(b) The following information was extracted from the books of KAWA enterprises. From which you are required to prepare

- i. Sales ledger control account and **(5 marks)**
- ii. Purchases ledger control account **(5 marks)**

All the information relate to the month of Dec, 2016

Balances brought forward	UGX
Sales ledger balances	23,000
Purchases ledger balances	17,944
Totals for the year	
Sales from sales journal	121,700
Credit purchases	47,178
Cash received as reported in cash book from debtors	97,900
Discount allowed	5,170
Discount received	3,164
Returns from customers	9,130
Returns outwards	7,686
Bad debts w/o	1,090
Cheques paid to suppliers	40,946

QUESTION SIX (25 marks)

Below are the receipts and payments of PAM Football Club.

Dr	Receipts & Payments Account		Cr
	UGX		UGX
Cash & Bank balances b/d	115,670	Operating expenses	189,784
Member's subscriptions	300,700	Players & training costs	774,570
Match-day collections	994,500	Repairs & maintenance	382,438
Broadcasting revenue	386,133	Purchase of branded items	148,724
Sale of branded items	233,677	Administration expenses	192,790
Donations	98,000	Salaries & wages – others	355,312
Rental income	275,414	Other expenses	98,598
		Balances c/d	261,878
	2,404,094		2,404,094

The following information is also available:

PAM Football Club had the following balances on 31st Dec:

	2016	2017
	UGX	UGX
Pavilion (Cost UGX 882,250)	723,445	705,800
Furniture	350,000	312,500
Subscriptions in arrears	35,804	46,820

Subscriptions in advance	5,508	20,380
Owing to suppliers of branded items	31,948	37,456
Inventory of branded items	20,932	25,338
Outstanding administration expenses	4,652	6,426

At 31st Dec 2017, salaries & wages advances were UGX 18,324 while outstanding broadcasting revenue was UGX 21,665.

Required:

- (a) Prepare the branded items account and the member's subscriptions account **(8 marks)**
- (b) Prepare the club's Income and expenditure account **(10 marks)**
- (c) Prepare the club's statement of financial position as at 31st Dec 2017 **(7 marks)**.