

**UGANDA MARTYRS UNIVERSITY  
NKOZI/LUBAGA CAMPUS**

FACULTY OF BUSINESS ADMINISTRATION AND MANAGEMENT

DEPARTMENT OF ACCOUNTING AND FINANCE

BAM I, ACC & FIN I, BMF I & BPSM I

SEMESTER TWO - 2018/19

COURSE UNIT: FUNDAMENTAL ACCOUNTING II

**DATE:** 30<sup>th</sup> April 2019

**Time allowed:** 3 Hours

**Instructions to Candidates:**

Read the following before answering the examination questions.

- 1) Do not write anything on this question paper.
- 2) Write neatly and show all workings clearly.
- 3) Start every question on a new page
- 4) Clearly state the question number & sections attempted
- 5) Answer **any four** questions, all questions carry equal marks

## 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

- a) 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)**
- b) 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 (12 Marks)
  - 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

| Receipts             |           | Shs               | Payments            |  | Shs               |
|----------------------|-----------|-------------------|---------------------|--|-------------------|
| 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     |           | <u>7,500,000</u>  | Balance c/d         |  | <u>2,630,000</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

|                      | 31 <sup>st</sup> Dec. 2017 | 31 <sup>st</sup> Dec. 2018 |
|----------------------|----------------------------|----------------------------|
|                      | 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:**

- i. Subscription account for the year 2018 (3 Marks)
- ii. Income and expenditure account and the balance sheet for the year 2018 (10 Marks)

## 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)

