

Prepared

**UGANDA MARTYRS UNIVERSITY
FACULTY OF BUSINESS ADMINISTRATION AND
MANAGEMENT**

**BSC. ACC & FIN I, BAM I, MICRO FINANCE FT I
NKOZI/RUBAGA**

COURSE: FUNDAMENTAL ACCOUNTING 1

DATE: Wednesday, 7th December 2016

Time allowed: 9:30 am – 12:30 pm

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 four questions in all, **question one is compulsory.**

QUESTION ONE (COMPULSARY)

The following trial balance was prepared by the book keeper of Nasitanzia, a progressive sole trader at KosoKoso market as on 30th June 2014.

Details	Debit (Shs)	Credit (Shs)
✓ Inventory – on 1 st July 2013	7,827,000	
✓ Discount allowed	1,153,000	
✓ Discount received		875,000
✓ Returns outwards		6,703,500
✓ Returns inwards	2,812,000	
✓ Accounts payable		9,920,000
✓ Accounts receivable	12,250,000	
✓ Sales		129,935,000
✓ Purchases	67,840,000	
✓ Capital		41,943,500
✓ Provision for doubtful debts		256,000
✓ Carriage outwards	2,281,000	
✓ Drawings	9,220,000	
✓ Carriage inwards	5,915,000	
✓ Heating and lighting	5,505,000	
✓ Bad debts	1,004,000	
✓ Rent, rates and insurance	12,986,500	
✓ Postage, stationery and telephone	1,205,000	
✓ Salaries and wages	19,260,500	
✓ Advertising	2,990,000	
✓ Cash at hand	267,000	
✓ Cash at bank	2,220,000	
✓ Fixtures and fittings	60,370,000	
✓ Provision for depreciation on fixtures and fitting.		25,473,000
	215,106,000	215,106,000

Additional information

- Inventory at the close of the business was valued at Shs. 8,875,000.
- Provide 10% depreciation for Fixtures and fittings on cost.
- Prepaid insurance on 30th June 2014 was Shs. 2,717,500.
- Expenses Accrued as on 30th June 2014 were: heating and lighting Shs. 680,000 and rates Shs.560,000.
- The provision for doubtful debts is to be adjusted to 3% of accounts receivable

256,000

111,500

367,500

52,762,000

42,842,000

Required:

- (a) Prepare a journal to incorporate the above adjustments in the records. (8marks)
- (b) Prepare the relevant "T" accounts to record the adjustment. (10 marks)
- (c) Prepare the statement of comprehensive income for the year ended 30th June 2014 and a statement of financial position as at that date (22 marks)

QUESTION TWO

- A. Danton has been in business for one year. To improve management of cash in the business he employed Jordan as a book keeper. The cash book balance reflected in the cashbook prepared by Jordan and the balance on the bank statement collected from the bank on 30th June 2016 did not agree. Danton became angry, accused Jordan for being dishonest and planned to fire him. Explain to Danton the main causes of disagreement between the balances reported by the cash book and the bank statement. (7 marks)
- B. On viewing the cash book and the bank statement of Danton, you were able to extract the following information:
- 1. The cash book had a debit balance of \$ 1,500 and the bank statement showed a credit balance of \$ 2,950 as on 30th June 2016
 - 2. On investigation, it was discovered that the following had not been entered in the cash book
 - i. Dividends of \$ 240 had been paid directly to the bank
 - ii. A credit transfer-Customs and exercise VAT refund of \$260- had been collected by the bank
 - iii. Bank charges of \$ 30 for the month
 - iv. A direct debit of \$ 70 for the UMU FC subscription had been paid by the bank.
 - v. A standing order of \$ 200 for Reagan's loan repayment had been paid by the bank.
 - vi. Danton's deposit account balance of \$1,400 was transferred into his bank current account.
 - 3. A further check revealed the following items:
 - i. Two cheques drawn in favour of Timothy \$250 and Patricia \$290 had been entered in the cash book but was not presented for payment
 - ii. Cash and cheques amounting to \$ 690 had been paid into the bank on 30th June,2016 but was not credited by the bank until 2nd July 2016

Required

- a) Write the cash book up to date and show the balance to be carried forward. (8 marks)
- b) Prepare a bank reconciliation statement as at 30th June 2016. (5 marks)

QUESTION THREE

- a) Mention and explain any
i) Two types of ledgers (4 Marks)
ii) Two subsidiary books (4 Marks)
- b) On 1st January 2014, Musisi's cash book had the following balances:

Cash Shs 2,510,000

Bank Shs 22,100,000

The following transactions took place during the month:

January 2016

- 03 Received a cheque from Pasha Shs 1,780,000.
07 Paid salaries in cash Shs 610,000.
08 Paid Lawrence by cheque Shs 1,270,000.
10 Received Shs 880,000 cash for goods sold and paid Tracy Shs 6,140,000 by cheque.
12 Paid Kiyimba, the shopkeeper Shs 620,000 as wages in cash.
15 Received a cheque of Shs 3,000,000 from Lucy.
18 Paid Shs 130,000 cash to purchase Stationery
19 Paid wages of Shs 612,000 in cash.
21 Withdrew Shs 1,200,000 from bank for office use.
24 Paid Festo Shs 2,570,000 by cheque.
25 Paid wages of Shs 630,000 in cash.
26 Received Shs 1,920,000 cash from Scholastica and paid it into bank on the same day.
31 Paid Shs 1,560,000 into bank.

Required:

Prepare Musisi's cash book as at 31st January. Balance off the cashbook at the end of the month (12 marks)

QUESTION FOUR

- a) What is Trial balance? clearly explain the advantages and disadvantages of trial balance (10 marks)
- b) You are employed as an accounts assistant by Madam Ketura, a sole trader. In her records she has accounts of debtors who have not paid for more than 4 years. You wish to avoid charging loss of one period to another and wish to introduce provision for bad debts.
- i. Explain to her the meaning of doubtful debts. (2 marks)
- ii. You have extracted the value of debtors for four successive years as follows.

Year to 31 st December	Debtors at year end (shs)
2012	12,000,000
2013	14,000,000
2014	15,500,000
2015	13,000,000

You wish to set a precedent of providing for losses in the year they occur by creating and maintaining 3% provision on all outstanding debtors at the end of every financial year, which is 31st December.

Required:

Calculate the yearly provision for doubtful debts to be charged to the statement of comprehensive income and the amount to be reported in the statement of financial position for the four years. (8marks)

QUESTION FIVE

- Define the three components of the accounting equation clearly giving examples in each case (6 marks) *A = Equity + Liabilities*
- Who are the different users of accounting information and what information would they be interested in obtaining from the financial statements? (8 marks) *Employees, Suppliers, Creditors, Government, Investors*
- Explain the qualitative characteristics of financial statements. (6 marks) *↓*

QUESTION SIX

- Briefly explain the following concepts as used in accounting (2 marks each)

- Money measurement concept
- Historical cost concept
- Accrual Concept
- Consistency
- Business Entity Concept

- The following account balances were extracted from the books of Tony for the period ended 31st august 2014

Capital	50,000,000	- C
Land at cost	24,000,000	D
Motor vehicle at cost	14,800,000	D
Furniture at cost	5,600,000	D
Accounts Receivables and	32,800,000	D
Payables	17,000,000	C
Bank balance	15,800,000	D

Inventory at 1st Jan 2013	17,160,000	D
20% Bank loan	25,000,000	C
Purchases	96,000,000	P
Sales	131,600,000	C
Sales Return	1,200,000	D
Purchases Returns	5,400,000	C
Salaries	17,160,000	D
General expenses	7,000,000	D
Bad debts	1,200,000	P
Provision for bad debts	4,200,000	C
Commission received	13,600,000	C
Discount Allowed	2,400,000	P
Discount Received	5,000,000	C
Accumulated depreciation - Furniture	360,000	C
Accumulated depreciation - Motor Vehicle	440,000	C
Rent	10,000,000	D
Electricity	7,480,000	D

2526

Required:

Extract a trial balance for Tony as at 31st August 2014 (10 marks)

✓ *set one*
QUESTION 1 (COMPULSARY)

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Accounts payable		9,920,000
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Sales & Purchases		129,935,000
Purchases	67,840,000	
Capital		41,943,500
Provision for doubtful debts		256,000
Carriage outwards	2,281,000	
Drawings	9,220,000	
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Rent, rates and insurance	12,986,500	
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Additional information

- Inventory at the close of the business was valued at Shs.8,875,000.
- Provide 10% depreciation for Fixtures and fittings on cost.
- Prepaid insurance on 30th June 2014 was Shs. 2,717,500.
- Expenses Accrued as on 30th June 2014 were: heating and lighting Shs.680,000 and rates Shs.560,000.
- The provision for doubtful debts is to be adjusted to 3% of accounts receivable

Required:

- Prepare a journal to incorporate the above adjustments in the records (8marks).
- Prepare the relevant "T" accounts to record the adjustment (10 marks).
- Prepare the statement of comprehensive income for the year ended 30th June 2014 and a statement of financial position as at that date (22 marks)

Set one
QUESTION 2

- A. Danton has been in business for one year. To improve management of cash in the business he employed Jordan as a book keeper. The cash book balance reflected in the cashbook prepared by Jordan and the balance on the bank statement collected from the bank on 30th June 2016 did not agree. Danton became angry, accused Jordan for being dishonest and planned to fire him. Explain to Danton the main causes of disagreement between the balances reported by the cash book and the bank statement. (7 marks)
- B. On viewing the cash book and the bank statement of Danton, you were able to extract the following information:
1. The cash book had a debit balance of \$ 1,500 and the bank statement showed a credit balance of \$ 2,950 as on 30th June 2016
 2. On investigation, it was discovered that the following had not been entered in the cash book
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 - ii. A credit transfer-Customs and exercise VAT refund of \$260- had been collected by the bank
 - iii. Bank charges of \$ 30 for the month
 - iv. A direct debit of \$ 70 for the UMU FC subscription had been paid by the bank.
 - v. A standing order of \$ 200 for Reagan's loan repayment had been paid by the bank.
 - vi. Danton's deposit account balance of \$1,400 was transferred into his bank current account.
 3. A further check revealed the following items:
 - i. Two cheques drawn in favour of Timothy \$250 and Patricia \$290 had been entered in the cash book but was not presented for payment
 - ii. Cash and cheques amounting to \$ 690 had been paid into the bank on 30th June, 2016 but was not credited by the bank until 2nd July 2016

Required

- a) Write the cash book up to date and show the balance to be carried forward. (8 marks)
- b) Prepare a bank reconciliation statement as at 30th June 2016. (5 marks)

QUESTION 3

Olivia, a progressive business woman at Rubaga keeps her petty cash book on the imprest system; the cash float is £ 300,000. Her petty cash transactions for the month of January 2014 were as follows.

Jan.1 petty cash balance £ 56,000

- " 2 The petty cashier gave accountability to the cashier and the imprest was replenished
- " 2 Bought postage stamps £ 18,000
- " 3 Paid bus fares to staffs £12,000
- " 4 Bought cleaning materials £ 15,000
- " 7 Bought petrol for delivery van £ 22,000
- " 8 Paid travelling expenses £ 25,000

- " 9 Bought stationery £ 17,000
- " 10 Paid Mr. Alex a cleaner £ 18,000
- " 12 Bought envelopes and postage stamps £ 5,000
- " 14 Paid C. Brown, a creditor £ 10,000
- " 15 Paid for travelling expenses £ 8,000
- " 18 Paid for stationery £ 9,000
- " 18 Bought brush and brooms for cleaning £ 23,000
- " 20 Paid for letters send through speedy post £ 13,000
- " 22 Received cash for personal telephone call £ 6,000
- " 24 Paid for servicing the delivery van £ 43,000
- " 26 Bought petrol for the van £ 18,000
- " 27 Paid the cleaner Mr. Alex £ 21,000
- " 29 Bought envelopes and postage stamps £ 5,000
- " 30 Bought petrol £ 14,000

Required

- i. Enter the above transactions in a suitably ruled petty cash book and balance the book on 31st January, and bring down the balance on 1st February. (Hint. Not less than 6 expense columns two of which are postages and stationery) (14 marks)
- ii. The imprest was restored on 1st February; enter this transaction in the petty cash book (2 marks)
- iii. Complete the double entry for the transactions posted in the petty cash book. (4 marks)

QUESTION 4

After semester 1 you have been offered a part time job as accounts assistant, seeing the difficulty in payment of tuition fee, you accepted the offer on condition that it will not interfere with your studies. On the first day of assumption of duty, the following raw data was given to you.

Transactions for the month of October 2016

- Oct. 1. Credit purchases were from the following: R. Bernice \$ 5,000; C. Moses \$ 2,900; M. Allen \$7,100.
- " 5. Credit sales were made to the following: S. Derrick \$ 8,100; T. Wynand \$ 6,800; R. Bafumba \$5,400.
- " 7. Credit purchases from: A. Taaka \$ 2,940; R. Bernice \$ 2,000; C. Moses \$ 3,800.
- " 9. Goods were returned to the following: R. Bernice \$ 700; C. Moses \$ 1,000.
- " 10. The following customers returned goods: T. Wynand \$ 500; R. Bafumba \$600.
- " 12. More credit purchases were from the following: A. Taaka \$ 3,720; R. Bernice \$ 5,000; C. Moses \$ 1,600.
- " 15. Credit sales to: T. Wynand \$ 3,000; S. Derrick \$ 4,400
- " 18. Goods were returned to the following suppliers: A. Taaka \$ 400; C. Moses \$ 200.
- " 25. Goods were returned by T. Wynand \$ 360.

Required

- a) Enter the above transactions in the relevant books of prime entry (10 marks)
- b) Post the individual items to the relevant accounts in the appropriate ledgers (10 marks)

QUESTION 5

set one

- a) What is Trial balance? clearly explain the advantages and disadvantages of trial balance (10 marks)
- b) You are employed as an accounts assistant by Madam Ketura, a sole trader. In her records she has accounts of debtors who have not paid for more than 4 years. You wish to avoid charging loss of one period to another and wish to introduce provision for bad debts.
 - i. Explain to her the meaning of doubtful debts.(2 marks)
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You wish to set a precedent of providing for losses in the year they occur by creating and maintaining 3% provision on all outstanding debtors at the end of every financial year, which is 31st December.

Required

Calculate the yearly provision for doubtful debts to be charged to the statement of comprehensive income and the amount to be reported in the statement of financial position for the four years. (8marks)

QUESTION 6

Write short notes on the following as used in accounting.

- i. Prudence concept (5 marks)
- ii. Consistency concept (5 marks)
- iii. Imprest system (5 marks)
- iv. Discount (5 marks)