

# UGANDA MARTYRS UNIVERSITY

## FACULTY OF BUSINESS ADMINISTRATION & MANAGEMENT END OF SEMESTER ONE FINAL EXAMINATION FOR MASTER OF BUSINESS ADMINISTRATION (MBA)

**COURSE : FINANCIAL ACCOUNTING & REPORTING**

**DATE & TIME : SATURDAY, 14<sup>th</sup> OCTOBER 2023 9:30AM – 12:30PM**

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### INSTRUCTIONS:

- a) Attempt any **four (4)** questions, **with question One Compulsory**
- b) All questions carry equal marks
- c) Time allowed is **3 hours**
- d) Write your answer to each question on a fresh page in your answer booklet.
- e) No mobile phones are allowed in the examination room
- f) Do not write anything on the question paper
- g) Please, read further instructions on the answer booklet, before attempting any question.

### Question 1

- a) Explain the following users of financial accounting information, clearly bringing out their information needs
- Shareholders (2 marks)
  - Financial institutions (2 marks)
- b) The trial balance below was extracted from the books of Durable Plastics Limited (DPL), makers of quality plastics for the year ended 31<sup>st</sup> December, 2022.  
DPL trial balance for the year to 31<sup>st</sup> December, 2022.

	Debit Shs '000'	Credit Shs '000'
10% Bank loan		78,000
Ordinary share capital (100,000 shares each at Shs 7,600)		760,000
Furniture & fittings (cost)	76,000	
Plant & machinery (cost)	600,000	
Computers (cost)	54,000	
Salaries & wages	132,400	
Utilities	58,600	
Account receivables	33,000	
Account payables		10,750
Purchases	560,000	
Sales		841,400
Cash & bank	43,000	
Retained profit/loss	188,350	
Accumulated depreciation as at 31 <sup>st</sup> December, 2022		
Furniture & fittings		7,600
Plant & machinery		165,600
Computers		37,000
Inventory as at 1 <sup>st</sup> January, 2022	113,000	
Other operating expenses	<u>42,000</u>	=
	<u>1,900,350</u>	<u>1,900,350</u>

#### Additional information:

- Inventory as at 31<sup>st</sup> December, 2022 cost Shs 36,000,000.
- On 31<sup>st</sup> December 2022, the company acquired additional machinery Shs 300 million and paid by cheque.
- The annual depreciation charge on non-current assets is included in "other operating expenses" and accumulated depreciation.
- The amount relating to utilities was paid for a period of up to 30<sup>th</sup> June 2023

5. Salaries and wages amounting to shs 4,000,000 was not paid by 31<sup>st</sup> December 2022

**Required:**

Prepare for DPL:

- i. Journal entries to record the adjustments in the additional information (1 – 5) above. **(8 marks)**
- ii. Statement of profit or loss for the year to 31<sup>st</sup> December, 2022. **(4 marks)**
- iii. Statement of changes in equity for the year to 31<sup>st</sup> December, 2022. **(3 marks)**
- iv. Statement of financial position as at 31<sup>st</sup> December, 2022. **(5marks)**

**Question 2**

- (a) Explain, with examples, the following concepts used in accounting:

- i) Accruals concept. **(1.5 marks)**
- ii) Going Concern. **(1.5 marks)**

- (b) The following transactions were extracted from the books of Kafeero & Sons wholesale traders for the month of January 2022.

Date	Details
1 <sup>st</sup>	Started business with Shs 54 million cash in the bank and Shs 2.4 million cash at hand.
2 <sup>nd</sup>	Paid rent equivalent to 4 months Shs 3.2 million by cheque. The rent agreement with the landlord requires rent to be paid at the start of the month.
4 <sup>th</sup>	Purchased furniture and fittings worth Shs 4.6 million by cheque.
5 <sup>th</sup>	Withdrew Shs 25 million from business' bank account and put in the business' cash box. Purchased goods Shs 24 million by cash.
8 <sup>th</sup>	Purchased additional goods from Hajji and sons Ltd Shs 8.4 million
10 <sup>th</sup>	Sold goods to Maseruka Retail Enterprises for Shs 4.5 cash
12 <sup>th</sup>	Made cash sales worth Shs 3,560,000
15 <sup>th</sup>	Settled the amount owed to Hajji and Sons Ltd in full. Maseruka Retail Enterprises also settled their obligations in full. All transactions were through the bank
22 <sup>nd</sup>	Purchased a laptop Shs 4.2 million for his son who was at the University. This amount was charged to the business' bank account.
25 <sup>th</sup>	Picked his personal cash Shs 250,000 and contributed towards his brother's traditional marriage ceremony
26 <sup>th</sup>	Kafeero paid wages to the shop keepers Shs 500,000 cash and paid himself salary Shs 1.2 million through the bank.
29 <sup>th</sup>	Made a withdrawal of Shs 40,000,000 from his bank account and added it in business

**Required:**

- i. Prepare a general journal for the above transactions – *ignore the narrations*. **(6 marks)**

- ii. Post the transactions in the respective ledger accounts including cash book and balance them off. **(12 marks)**
- iii. Prepare a trial balance from the ledgers prepared in (ii) above. **(4 marks)**

**Question 3.**

- a) By giving examples, distinguish between cash and cash equivalents as applied in IAS 7 – Statement of cash flows **(4 marks)**
- b) During the recent annual general meeting of Bukedde (U) Ltd, one of the members on the Board of Directors urged that cash flow maintenance and the preparation of statements of cash flows are a waste of company time and resources.

**Required:**

- i. Explain the need for management to prepare a cash flow statement **(15 marks)**
- ii. What are the limitations of preparing a cash flow statement **(6 marks)**

**Question 5.**

International Financial Reporting Standards (IFRSs/IASs) being the common accounting rules which define how transactions should be reported, have been embraced by the majority of company's across the globe and this has helped solve many problems in the accounting world for organizations, but this system has also been responsible for creating problematic outcomes as well.

**Required:**

- a) Explain the benefits of International Financial Reporting Standards to those companies that adopt them. **(15 marks)**
- b) What are the likely disadvantages associated with the IFRSs practice **(10 marks)**

**Question 6**

- a) Explain the reasons for the discrepancies that might exist between cash book and bank statement balances **(6 marks)**
- b) The following is cash book and bank statement for XYZ Ltd for the month of March 2022.

# Cash book

Date	Particulars	Shs.	Date	Particulars	Shs.
July 1st	Bal. b/d	6,500,000	July 2nd	Cheque No. 511 Rent	725,000
2nd	Cheque No. 270 Sales	380,000	4th	512 Paul	1,950,000
4th	Cheque No. 274 John	525,000	15th	514 Purchase	1,150,000
6th	280 Peter	1,500,000	18th	515 umeme	640,000
14th	290 Sales	1,250,000	20th	520 Insurance	2,000,000
17th	291 Sales	500,000	21st	530 Purchase	2,500,000
18th	300 Jane	2,250,000	26th	531 Gerald	510,000
20th	305 Sales	1,900,000	27th	540 Stationery	1,045,000
21st	310 James	750,000	29th	541 Daudi	3,500,000
22nd	320 Dan	600,000	30th	542 Kelly	4,000,000
25th	330 Sales	555,000			
30th	360 Mary	2,500,000			
31st	410 Sales	<u>3,500,000</u>	31st	Bal. c/d	<u>4,690,000</u>
		<u>22,710,000</u>	-	-	<u>22,710,000</u>

	Bank statement			
Date	Particulars	Dr. (Shs.)	Cr. (Shs.)	Balance
				(Shs.)
March 1st	Bal. b/d			6,500,000
2nd	Cheque No. 270		380,000	6,880,000
3rd	511	725,000		6,155,000
5th	274		525,000	6,680,000
6th	512	1,950,000		4,730,000
8th	Bank charge	10,000		4,720,000
9th	Cheque No. 280		1,500,000	6,220,000
15th	Standing order	50,000		6,170,000
16th	Cheque No. 290		2,600,000	8,770,000
18th	Cheque No. 514	1,150,000		7,620,000
19th	Cheque No. 291		500,000	8,120,000
20th	Cheque No. 515	640,000		7,480,000
21st	Cheque No. 300		2,250,000	9,730,000
21st	Credit Memo		1,000,000	10,730,000
22nd	Cheque No. 540	1,450,000		9,280,000
23rd	Cheque No. 310		750,000	10,030,000
24th	Cheque No. 520	2,000,000		8,030,000
25th	Credit memo		1,700,000	9,730,000
26th	Cheque No. 530	2,500,000		7,230,000
27th	Cheque No. 330		55,000	7,285,000
30th	Cheque No. 531	600,000		6,685,000
31st	Interest		250,000	6,935,000

In case of conflict in figures, the bank records should be taken to be more accurate than the cashbook records.

**Required:**

- i. Prepare an adjusted cash book (bank column) for XYZ Ltd company for the period ended March 2022 **(10 marks)**
- ii. Prepare a bank reconciliation statement **(9 marks)**

**THE END**