

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

**FUNDAMENTAL ACCOUNTING I**  
**Examination**

**2013 - 2014**

**BAM I – NKOZI Campus**

**Date:**

**Time:**

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**Instructions**

1. Do not write anything on the question paper
  2. Show all the necessary workings.
  3. Section A is **compulsory** and carries 40 marks. Attempt **any three questions** of your choice from section B.
  4. Be neat and orderly in your presentations
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### SECTION A

The following trial balance was extracted from the ledger of Tasha Ltd for the financial year ended 31 December 2012

PARTICULARS	DR (shs)	CR (shs)
Capital		50,000,000
Land at cost	24,000,000	
Motor vehicle at cost	14,800,000	
Furniture at cost	5,600,000	
Accounts Receivables and Payables	32,800,000	17,000,000
Bank balance	15,800,000	
Inventory at 1st Jan 2013	17,160,000	
20% Bank loan		25,000,000
Purchases and Sales	96,000,000	131,600,000
Returns	1,200,000	5,400,000
Salaries	17,160,000	
General expenses	7,000,000	
Bad debts	1,200,000	
Provision for bad debts		4,200,000
Commission received		13,600,000
Discounts	2,400,000	5,000,000
Accumulated depreciation		
- Furniture		360,000
- Motor Vehicle		440,000
Rent	10,000,000	
Electricity	7,480,000	
	252,600,000	252,600,000

#### Additional information

1. Inventory at 31<sup>st</sup> December 2013 was valued at 29,400,000/=
2. Bad debts of 800,000/= are to be written off
3. Provide for bad debts at a rate of 10% of the Accounts Receivables
4. The company charges depreciation on cost, at a rate of 10% on furniture and 20% on motor vehicles
5. Salaries to the tune of 2,400,000/= have not been paid
6. 20% of the rent paid relates the next financial year
7. The 20% interest on the Bank loan has not been paid.

#### Required:

- a) Journalize the adjustments (8marks)
- b) Open up the T accounts affected and post the adjusting entries (10 marks)
- c) Prepare the company's Statement of Comprehensive Income for the year ending 31 December 2013 (12 marks)

- d) Prepare the company's Statement of Financial Position as at 31 December 2013. (10 marks)

## **SECTION B**

### **Question Two**

- Define the elements that constitute the accounting equation clearly giving examples in each case (6 marks)
- Who are the different users of accounting information and what information would they be interested in obtaining from the financial statements? (8 marks)
- Explain the qualitative characteristics of financial statements. (6 marks)

### **Question Three**

- Explain your understanding of Prime books of entry. (2 marks)
- Highlight any five types of journals explaining the purpose of each. (5 marks)
- Robert Sempala, a business man in Kisekka Market had the following transactions during the month of November 2013.

Nov 01 Started business with 25,000,000/= cash at hand and 35,000,000/= cash at bank

Nov 02 Bought goods worth 8,000,000/= from Juma on credit

Nov 04 Sold goods to Maria for 2,000,000/= on credit

Nov 06 Returned goods worth 100,000/= to Juma

Nov 08 Maria rejected and returned goods worth 200,000/=

Nov 11 Received cash 1,500,000/= from Maria

Nov 13 Paid Juma 5,000,000/= by cheque

Nov 16 Sold goods worth 5,000,000/= receiving cash from Shadia

Nov 18 Paid rent 500,000/= by cash and 700,000/= by cheque

Nov 20 Contributed a personal pick-up truck valued at 6,000,000/= to the business

Nov 22 Purchased goods worth 5,000,000/= from James on credit

Nov 24 Sold goods worth 4,000,000/= to Betty on credit

Nov 25 Betty returned goods worth 500,000/= and Robert also returned goods worth 300,000/= to James

Nov 27 Received cash 1,000,000/= and a cheque 800,000/= from Betty

Nov 28 Paid James 2,000,000/= by cheque

Nov 29 Paid salaries 4,000,000/= by cheque and 1,000,000/= by cash

Nov 30 Drew out cash 1,000,000/= for personal use.

#### **Required**

Record these transactions into the relevant journals. (13 marks)

### **Question Four**

- Distinguish between the following terminologies as used in accounting:  
- Trade Discount and Cash discount (2 marks)

- Discount allowed and Discount Received (2 marks)

b) On 1<sup>st</sup> May 2013, Masumbukano's cash book had the following balances: Cash Shs 2,514,000 and Bank Shs 22,110,000

The transactions for the month were as follows:

03 May Received a cheque from Malo Shs 1,776,000.  
07 May Paid wages in cash Shs 612,000.  
08 May Paid Musani by cheque Shs 1,266,000 in full settlement of his account of Shs 1,344,000.  
10 May Received Shs 876,000 cash for sale of damaged inventory. Paid Owino Shs 6,138,000 by cheque in full settlement of his account of the Shs 6,306,000.  
12 May Paid Mukasa, the shopkeeper Shs 624,000 as wages in cash.  
15 May Received a cheque of Shs 3,000,000 from KAGS Ltd.  
18 May Paid Shs 126,000 cash to purchase postage stamps  
19 May Paid wages of Shs 612,000 in cash.  
21 May Withdrew Shs 1,200,000 from bank for office use.  
24 May Paid Mundu Shs 2,574,000 by cheque.  
25 May Paid wages of Shs 630,000 in cash.  
26 May Received Shs 1,902,000 from Tina in full settlement of her account of the Shs 1,950,000, and paid it into bank on the same day.  
31 May Paid Shs 1,560,000 into bank.

Required:

- Prepare Masumbukano's cash book as at 31 May 2013. Balance off the cashbook at the end of the month (12 marks)
- Show the discount allowed and discount received accounts in the general ledger. (4 marks)

### Question Five

Odongo retired from government service and started business on 1<sup>st</sup> March 2012. The following transactions are for the month of April 2012.

April 1 Deposited his retirement cheque of Shs 15,000,000 on the business account.  
April 2 Brought in furniture from his house for business use valued at Shs 200,000.  
April 3 Paid Shs 200,000 by cheque for fixtures and fittings of the shop  
April 4 Withdrew cash of Shs 5,000,000 from the bank and purchased goods for resale  
April 6 Sold goods for cash of Shs 2,000,000 and deposited the amount immediately into the bank account.  
April 7 Purchased goods for Shs 4,500,000 on credit from Kato Mukasa, Shs 2,500,000 from Mwamba and Shs 1,000,000 from Kentunda.  
April 9 Purchased second hand equipment for Shs 1,500,000 by cheque.  
April 12 Goods returned to kato Mukasa for Shs 500,000.

- April 13 Sold goods on credit for Shs 500,000 to Papa, Shs 600,000 to John and Shs 900,000 to Akello.
- April 16 Paid Mwambu Shs 1,000,000, Kentunda Shs 400,000 and Kato Mukasa Shs 3,000,000 by cheques
- April 31 Acquired equipment valued at Shs 6,000,000 from House & Equipment Ltd, paid by cheque Shs 3,000,000 and agreed to pay the balance in June 2003.

Required:

- (a) Prepare ledger accounts (T-accounts) to record the above transactions in the books of Odongo for the month of April 2012. (12 marks)
- (b) Balance off the accounts and extract a trial balance as 30 April 2012. (8 marks)

**Question Six**

The summary of the bank column in the cash book of Ssebagala Ltd for the year ending 30 November 2012 is as follows:

	Shs '000'
Opening balance	1,654
Receipts	<u>332,478</u>
	334,132
Payments	(316,735)
Closing balance	17,397

Your investigation of the accounting records for this period revealed the following information:

- Cheques paid to suppliers of Shs. 1,435,000= have not yet been presented to the bank, and cheques paid into the bank of Shs. 1,620,000= on 30 November 2012 have not yet been credited to the company's bank account.
- Standing orders entered into the bank statement have been omitted from the cash book in respect of lease payments on company car for 12 months at Shs. 96,000= per month and annual insurance of Shs. 150,000=.
- Bank charges of Shs. 452,000= shown in the bank statement have not been entered in the cashbook.
- A cheque drawn for Shs. 127,000= has been entered in the cashbook as Shs. 172,000= and a cashbook page on the receipts side has been under added by Shs. 200,000=.
- A cheque for Shs. 238,000 has been debited to the company's bank account in error by the bank.
- The bank statement shows a favorable balance as at 30 November 2012 of Shs. 15,465,000=.

Required:

- Prepare a bank reconciliation statement as at 30 November 2012 together with a corrected cash book position. (15 marks)
- What are the major uses of Bank Reconciliation Statements? (5 marks)