

UGANDA MARTYRS UNIVERSITY

FACULTY OF BUSINESS ADMINISTRATION AND MANAGEMENT

END OF SEMESTER ONE EXAMINATION FOR BACHELOR OF BUSINESS ADMINISTRATION AND MANAGEMENT

COURSE NAME : INTERMEIATE ACCOUNTING 1
COURSE CODE : ACC 2104
DATE & TIME : 13th DECEMBER 2023; 9:30 – 12:30PM

INSTRUCTIONS:

- a) Attempt any **Four** Questions.
- b) Be neat & Show all your workings where nccessary.
- c) Start answering each question on a fresh page
- d) Do not write on this question paper.
- e) **MOBILE PHONES ARE NOT ALLOWED IN THE EXAM ROOM.**



QUESTION ONE

- a) Define a joint venture and clearly point out the characteristics of a joint venture (4 marks)
- b) Johnson and Joy were partners in a joint venture sharing profits and losses in the proportion of 4:1 respectively. Johnson supplies goods to the value of shs 50,000 and incurs expenses amounting to shs 5,400. Joy supplies goods to the value of shs 14,000 and his expenses amount to shs 800. Joy sells goods on behalf of the joint venture and realises shs 92,000. Joy is entitled to a commission of 5 per cent on sales. Joy settles his account by bank draft.

Required:

- i. Prepare Accounts that would appear in the books of Johnson and Joy respectively to record the joint venture transactions (13 marks)
- ii. A memorandum joint venture account (8 marks)

QUESTION TWO

- (a) What is the meaning of 'short working' and why the landlord set a minimum rent every year? (6 marks)

- (b) Prentice Hall made an agreement with Jane L, an author for reference book named "Company Accounts", to sell every book printed.

The following is the agreement between both of the parties until year 2022:

- (i) Royalty will be paid at Shs 50,000 for each book sold.
- (ii) Minimum rent of Shs 50,000,000 will be charged annually.
- (iii) Any short workings are recoupable only in 3 years following the year in which they occurred.
- (iv) The calculation of royalty made at the end of every year will be paid on 1st February the following year.
- (v) Sales are as follows:

Year	2017	2018	2019	2020	2021	2022
Sales (units)	900	800	1,100	1,500	500	1,400

Required:

- (i) Draw a royalty analysis table (4 marks)
- Use the table to prepare the following accounts as they appear in the books of Jane L.
- (ii) Royalty Payable Account (6 marks)
- (iii) Owner Account (6 marks)
- (iv) Short Workings Account (3 marks)

QUESTION THREE

- (a) Clearly distinguish between branch and departmental accounts (5 marks)
- (b) Rob and Co. of Kampala, dealers in suitcases has a branch in Jinja. Goods are invoiced to the branch at cost plus 25%. The branch does not maintain accounting books and all reimbursements come from the head office.

The following relate to the branch's balances and transactions for the six months ending 30th September 2022

Particulars	Shs'000
Stock on 1 st April 2022 (at cost to head office)	68,750
Debtors on 1 st April 2022	15,000
Cash on 1 st April 2022	500
Transactions for six months:	
Goods sent to the branch (at invoice price)	225,000
Cash sales	195,000
Credit sales	80,000
Goods returned to head office (at invoice price)	12,750
Normal loss (at invoice value)	1,000
Sales returns by customers to branch	500
Cash received from debtors	50,000
Bad debts	400
Goods stolen at branch (at invoice value)	1,500
Cash sent to branch for expenses:	
Salaries and wages	10,000
Electricity	500
Cash discount allowed to credit customers	800
Balances on 30.9.2022:	
Stock (at invoice value)	5,600

Required:

Prepare branch ledger accounts as they would appear in the books of head office for six months ending 30 September, 2022 using;

- Memorandum approach. (14 marks)
- Inventory adjustment approach (6 marks)

QUESTION FOUR

- Differentiate between the financial statements prepared by partnership businesses and those prepared by other business entities (4 marks)
- Explain the application of Garner vs. Murray in the dissolution of partnerships (3 marks)
- Nana and Arushi were partners sharing profits and losses equally. Their Statement of financial position as on March 31, 2022 was as follows:

Statement of financial position of Nana and Arushi as at March, 2022

ASSETS	Shs'000	Shs'000
Non – current assets:		
Machinery (at NBV)		60,000
Furniture (at NBV)		40,000
		100,000
Current assets:		
Inventory	35,000	
Debtors	25,000	
Bank	30,000	90,000
Total assets		190,000
CAPITAL & LIABILITIES		
Capital accounts:		
Nana	100,000	

Arushi	50,000	150,000
Current accounts:		
Nana	(10,000)	
Arushi	10,000	0
Liabilities:		
Current liabilities:		
Creditors		40,000
Total capital & liabilities		190,000

Additional information:

- The firm was dissolved on March 31, 2022
- Nana took over stock valued at Shs 40,000,000. Furniture and Machinery realized for Shs.30,000,000 and Shs.50,000,000 respectively;
- Debtors realized Shs 20,000,000 and Shs 1,200,000 was incurred as dissolution expenses.
- Creditors were all paid cash

Required:

Prepare the following ledger accounts for the dissolution of Nana and Arushi's partnership

- Realization account (9 marks)
- Partner's capital accounts (2 marks)
- Current accounts (5 marks)
- Bank account (2 marks)

QUESTION FIVE

- Distinguish between a consignment and a sale (6 marks)
- Karim is a business man in Dubai who deals in Kumar, his agent in Kampala. During the year ended 31st December 2022, Karim sent goods to Kumar on a consignment basis. Details of the transactions are as follows:

- 2nd January 2022 Karim sent 100 cartons to Kumar in Kampala. These cartons cost Karim \$ 8,000 each
- 10th March 2022 Karim paid \$ 80,000 for freight and insurance costs of the consignment
- 30th June 2022 Karim also incurred \$ 88,000 in taxes.
- 6th Dec 2022 Karim received the following statement from Kumar:

	\$	\$
Sales: 80 Cartons at \$ 12,000@		960,000
Charges:		
Distribution expenses (\$ 800 per carton)	64,000	
Import duties (\$ 400 per carton)	32,000	
Commission (5%*960,000)	48,000	(144,000)
Net proceeds realized		816,000

Signed by: Kumar

Both Karim and Kumar's accounting year ends on 31st December.

Required:

Prepare the following ledger accounts for the year ended 31st December 2022::

In the books of Karim:

- (i) Goods sent account(2 marks)
- (ii) Consignment account(6 marks)
- (iii)Consignee (Kumar) account(4 marks)

In the books of Kumar

- (i) Consignor (Karim) account (4 marks)
- (ii) Commission account(1 mark)
- (iii)Bank account (2 marks)

QUESTION SIX

John Dobson is a proprietor of a retail business which has two main departments which sell respectively hardware & electrical goods. He had previously prepared his annual accounts in such a way that the relative profitability of the two departments was not ascertainable but now he wishes to attempt to identify the profit attributable to each in order that he may pay a bonus to the more successful departmental manager. At 31st Dec 2022, the balances in the books of the business were as follows;

	DR: Shs'000	CR: Shs'000
Capital:		
Hardware		71,000
Electrical		59,000
Purchases:		
Hardware	20,000	
Electrical	10,000	
Sales:		
Hardware		59,000
Electrical		29,500
Stock 1.1.2022:		
Hardware	2,320	
Electrical	2,316	
Salaries:		
Hardware	20,560	
Electrical	15,440	
Advertising	615	
Discount Allowed:		
Hardware	400	
Electrical	200	
Drawings	3,000	
Premises at cost	43,000	
Shop fittings & Equipment at cost:		
Hardware	18,000	
Electrical	7,000	
Debtors	10,200	
Bank	5,600	
Rent & rates	1,580	

Canteen Charges	875	
Heating & Lighting	880	
Insurance of stock	999	
General administration expenses	55,515	
TOTAL	218,500	218,500

Additional Information;

1. At 31st December 2022, the following amounts were owing;

Salaries:	Hardware	Shs 250,000
	Electrical	Shs 170,000
	Heating & Lighting	Shs 20,000

2. Stock as at 31st Dec 2022 were;

	Hardware	Shs 2,800,000
	Electrical	Shs 2,450,000

3. Depreciation is to be provided for on fixed assets at 10% on cost

4. In apportioning the various expenses between the two departments due regard is to be made to the following information

	Hardware	Electrical
No of workers	9	6
Average stock levels	Shs 2,500,000	Shs 2,200,000
Floor area (Sq meters)	4,000	2,000

5. The general administration expenses are primarily incurred in relation to the processing of purchase and sales Invoices.

Required

- Prepare a schedule showing the basis on which you have apportioned various expenses between the two departments. (5 marks)
- Prepare the departmental and total departmental trading, profit & loss accounts for the year ended 31st December 2022 (20 marks)

END OF THE PAPER, GOODLUCK

