UGANDA MARTYRS UNIVERSITY, RUBAGA CAMPUS
SUPPLEMENTARY /SPECIAL Examination, BAM II –DAY

FACULTY OF BUSINESS ADMINISTRATION AND MANAGEMENT

CODE: ACC2103 COURSE: INTERMEDIATE ACCOUNTING 1

Date: 5th August 2015

Time allowed: 3 hours

Instructions to candidates:

Read the following before answering the examination questions

- Do not write anything on the question paper
- Write neatly and show all workings.

- Answer any four questions, all questions carry equal marks

QUESTION 1

- Edgar, a business man in Katwe was approached by Dina who proposed that they undertake a joint venture, which according to her was a lucrative business; but Edgar failed to understand what Dina was up to. To avoid misdirecting his resources, Edgar has come to you for advice. Explain for him:

    - The meaning of joint venture (4 marks)
    - The different types of joint venture as par IAS 31 and the position of IAS 31 with issue of IFRS 11 (15 marks)

- Paul and Dora are joint venturers with a warehouse in Nateete. They leased a warehouse for two years and started operations on 30/06/2013. Transactions for the first year of the joint venture are summarized below:

Details	Paul (shs'000)	Dora (shs'000)
Purchases	18,500	35,000
Sales	38,000	75,000
General expenses	4,500	8,000
Delivery charge	6,000	-
Advertising expenses	-	7,500

Required

Prepare the memorandum joint venture account (6 marks)

QUESTION 2

Peace and Queen have been in partnership sharing profits and losses in the ratio of 3:2. On achievement of the purpose of the partnership, they decided to dissolve the partnership on 31st December 2012; the statement of financial position at that time was as follows.

Peace and Queen

Statement of financial position

As at31st December 2012

	£	£
Non-current assets		560,000
Plant and equipment		240,000
Motor vehicles		60,000
Furniture and fitting		860,000
Current Assets	240,000	
Inventory	50,000	
Accounts receivable	30,000	
Bank	320,000	
Less current liabilities	90,000	230,000
Accounts payable		1,090,000
Net Assets		
Financed by:		
Capital:	400,000	
Peace	300,000	700,000
Queen		
Current accounts:	120,000	
Peace	(30,000)	90,000
Queen		
Non-Current asset		300,000
Loan-Lucky		1,090,000

Additional information

- Peace agreed to take the furniture and fittings at the value of £.50,000 and to settle the loan of Lucky
- Other assets were realised as follows

Details	Amount (£)
Motor vehicles	260,000
Plant and equipment	520,000
Inventory	250,000
Accounts receivable	44,000

- Realisation expenses amounted to £ 4,000
- The creditors agreed to accept £ 84,000

Required:

Prepare the accounts necessary to close the books of the partnership, showing the results of the realization and of the disposal of the cash. (25 marks)

QUESTION 3

Success enterprise is a business that operates in two departments: Leisure and Salon

The following trial balances was obtained from the books of the business on 31st December, 2010

Details	Debit ($)	Credit ($)
Opening Inventory: Leisure	167,000	
Salon	91,000	
Sales: Leisure		800,000
Salon		600,000
Purchases: Leisure	500,000	
Salon	400,000	
Plant and equipment	153,000	
Accounts receivable and accounts payable	80,000	20,000
Cash at hand	28,000	
Bank		54,000
General expenses	42,000	
Delivery expenses	21,000	
Sales man commission	49,000	
Insurance	68,000	
Discount received		18,000
Salaries and wages	30,000	
Advertisement	20,000	
Cleaning expenses	15,000	
Repairs to premises	45,000	
Carriage inwards	63,000	
Carriage outwards	20,000	
Capital		300,000
	1,792,000	1,792,000

Additional information

- Closing Inventory was : Leisure $ 433,000 and Salon $ 309,000
- Advertisement paid in advance amounted to $ 8,000 and delivery expenses due amounted to $ 14,000.
- Provide depreciation for plant and equipment at $ 10,000
- Area occupied by each department: Leisure 200sq.m and Salon 400sq.m
- All expenses are to be apportioned equally between the two departments except the following
    - Delivery expenses proportionate to sales
    - Insurance proportionate to average inventory

- Cleaning expenses and repair to premises proportionate to floor area occupied
- Sales commission proportionate to sales
- Discount received and carriage inwards proportionate to purchases.

Required

Prepare the departmental statement of comprehensive income for the year ended 31/12/2010 and a statement of financial position as on that date. (25 marks)

QUESTION 4

- Briefly explain the difference between joint venture and consignment arrangements (10 marks)
- Winnie, a business woman in South Africa consigned 10 boxes of Wine costing Shs.300,000 per box to Dumba in Kampala on 1st March 2014; and her financial year ends on 31st August.

Winnie paid Shs. 250,000 for carriage and insurance for the whole consignment on 1/03/2014.

Winnie received account sales with bank draft from Dumba on 28th August 2014. The following was the content of the account sales

- 8 boxes of Wine sold for Shs. 500,000 each
- Shs. 150,000 paid for import duties on receipt of the whole consignment
- Selling costs paid in respect of 8 boxes sold amounted to Shs.160,000
- 10% commission for 8 boxes sold was deducted
- A bank draft value for the amount due to Winnie

Required

Prepare the necessary ledger accounts in the books of the consignor (15 marks)

QUESTION 5

Judith and Kojoki are partners sharing profits and losses in the ratio 3:2 respectively. The statement of financial position of the partnership as at 31 December 2012 was as follows.

Judith and Kojoki
Statement of financial position
As at 31 December 2012

Non-current Assets	Shs'000	Shs'000
Land and building		250,000
Plant and machinery		350,000
Furniture and fitting		15,000
		615,000
Current Assets		
Inventory	90,000	
Accounts receivable	70,000	

Bank	50,000	
	210,000	
Less Current Liabilities		
Accounts payable	75,000	135,000
		750,000
Financed by:		
Capitals		
Judith	300,000	
Kojoki	300,000	600,000
Retained profit		150,000
		750,000

Additional information

- On 1st January 2013, they admitted Namubiru as their partner with the following terms
- Namubiru was to bring in shs. 200 million as capital
- Goodwill was valued at shs. 50 million immediately before Namubiru`s admission.
- It was agreed that the following assets be revalued before admitting Namubiru.

Item	Amount (shs' 000)
Land and building	300,000
Plant and machinery	325,000
Furniture and fitting	20,000
Inventory	80,000

- The profit sharing ratio of Judith, Kojoki and Namubiru was agreed to be 2:2:1
- After making the above adjustments, the capital accounts of the new partners was to be adjusted according to the new profit sharing ratio
- 5% Provision for bad debts was made of accounts receivable.

Required

- Show the ledger accounts necessary to incorporate the above adjustments (15 marks)
- Prepare the statement of financial position after the adjustments (10 marks)

QUESTION 6

- Discuss the provisions of partnership Act that applies in the absence of partnership agreement (10 marks)
- Write short notes on the following
  - Consignment account (5 marks)
  - Advantages of partnership-give at least 5 points (10 marks)