

UGANDA MARTYRS UNIVERSITY  
FACULTY OF BUSINESS ADMINISTRATION & MANAGEMENT  
DEPARTMENT OF ACCOUNTING & FINANCE

FUNDAMENTALS OF ACCOUNTING 1

Final Examination Semester Two

2021 - 2022

YEAR ONE Nkozi, Lubaga, Masaka, Mbale students

Date: 21<sup>th</sup> July 2022

Time: 09:30am to 12:30pm

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**Instructions**

1. Show all the necessary workings.
  2. Section A is **compulsory** and carries 25 marks.
  3. Attempt **any three questions** of your choice from section B.
  4. Be neat and orderly in your presentations
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## SECTION A (COMPULSORY)

The following trial balance was extracted from the ledger of Davis Supplies Ltd for the financial year ended 30/6/2022

	(shs)	(shs)
Capital		150,000,000
Machinery (cost)	100,000,000	
Motor vehicles (cost)	80,000,000	
Land (cost)	70,000,000	
Accounts receivables	30,000,000	
Accounts payables		15,000,000
Cash Balance	5,000,000	
Bank balance	35,000,000	
Stock 1/7/2021	4,600,000	
General expenses	12,000,000	
Sales		300,000,000
Returns inwards	4,000,000	
Bad debts	2,500,000	
Purchases	160,000,000	
Discounts	500,000	1,500,000
Carriage inwards	2,500,000	
Returns outwards		3,000,000
Salaries	12,000,000	
Insurance	400,000	
Accumulated Depreciation		
- Plant and Machinery		30,000,000
- Motor vehicles		16,000,000
Provision for bad debts		3,000,000
	<b>518,500,000</b>	<b>518,500,000</b>

Additional Information is provided as follows;

- Stock at 30/6/2022 was valued at shs.8,000,000
- Depreciation on fixed assets is at a rate of 10% on cost per annum
- The provision for bad debts is to be increased to shs.4,000,000
- $\frac{1}{4}$  of the insurance paid relates to the financial year commencing on 1/7/2022
- Included among general expenses is an amount of shs 3,000,000 spent on settling the director's private bill
- Salaries of shs.2,000,000 accrued

Ltd for the

**Required:**

- i. Open up the affected accounts and post the adjusting entries (5 marks)
- ii. Prepare the Statement of Comprehensive Income for the year ended 30<sup>th</sup> June 2022.  
(10 marks)
- iii. Prepare the statement of financial position as at 30<sup>th</sup> June 2022 (10 marks)

**SECTION B (Attempt any three questions in this section)**

**QUESTION TWO**

- a) State and explain any five Accounting Principles/concepts. (5 marks)
- b) Identify some of the users of Accounting Information showing why they need that information. (10 marks)
- c) Write short notes on the following: (2 marks each)
  - (i) General Journal
  - (ii) Purchases Journal
  - (iii) Sales Ledger
  - (iv) General Ledger
  - (v) Cash Book

**QUESTION THREE**

The following transactions took place between 1 - 30 November 2020 for Mukasa:

- 1 Balances b/f:  
Cash in hand Shs 1,266,000  
Cash at bank Shs 23,904,000
- 2 Paid the following accounts by cheque less discount of 5% in each case:  
Muntu Shs 480,000  
Mukama Shs 1,560,000  
Mwalye Shs 2,640,000
- 4 Kamiti paid Mukasa a cheque of Shs 588,000.
- 6 Cash sales paid directly into the bank Shs 294,000.
- 7 Paid insurance by cash Shs 390,000.
- 9 The following trade debtors paid their account by cheque after deducting 2.5% discount:  
Abdul Shs 960,000  
Gabriel Shs 3,840,000  
Gupta Shs 3,120,000
- 12 Paid motor expenses cash Shs 600,000



Required:  
Extract a trial balance

- 18 Cash sales Shs 588,000
- 21 Paid salaries by cheque Shs 720,000
- 23 Paid rent by cash 360,000.
- 28 Received a cheque for Shs 3,000,000 being loan from Makwasi.
- 30 Paid for stationery by cheque Shs 162,000.

Required:

- i. Prepare Mukasa's Cash book and balance it off at the end of the month. (15 marks)
- ii. Post to the different ledger accounts and also close them off. (10 marks)

**QUESTION FOUR**

- (a) Why should a trial balance be prepared? (3 marks)
- (b) Explain **six** errors that do not affect the trial balance. (12 marks)
- (c) The following account balances were extracted from the books of Dorothy for the period ended 30<sup>th</sup> November 2021:

	Shs '000'
Purchases	148,000
Sales	224,000
Purchases returns	778
Sales returns	8,016
Opening inventory	35,402
Warehouse wages	1,004
Warehouse expenses	224
Discounts allowed	146
Discounts received	320
Lighting and heating	796
Travelling expenses	138
Repairs	74
Rent paid	1,800
Rent received	600
Commission received	748
Furniture and fittings	10,600
Plant and machinery	55,364
Motor vehicles	27,302
Trade receivables	2,706
Trade payables	48,532
Cash at hand	5,534
Cash at bank	18,872
Mortgage	12,000
Loan	4,000
Drawings	7,000
Capital	32,000

**Required:**

Extract a trial balance for Dorothy as at 30<sup>th</sup> November 2021. (10 marks)

**QUESTION FIVE**

- a) Describe the Accounting Cycle/Process. (10 marks)
- b) The following transactions are for ABC Ltd for the month of Oct 2013. Enter them into a general journal. (15 Marks)
- i. Oct 1. Started business with 20,000,000/= cash
  - ii. Oct 2. Purchased land for the business at 3,000,000/= cash
  - iii. Oct 4. Purchased office equipment on credit from Unique furniture Ltd at 2,000,000/=
  - iv. Oct 5. Obtained bank loan of 8,000,000/=, it was deposited into the bank a/c
  - v. Oct 15. Made part payment of 1,500,000/= to Unique Furniture Ltd by cheque
  - vi. Oct 17. Bought motor vehicle from Spear Motors at a cost of 15,000,000/=
  - vii. Made cash payment of 10,000,000/=, paid 3,000,000/= by cheque and promised to pay the balance later.
  - viii. Oct 20. Sold a portion of land that was un-utilized for 500,000/= cash
  - ix. Oct 25. Fully settled the balance of 2,000,000/= by cheque due to Spear Motors for the motor vehicle.
  - x. Oct 30. 800,000/= business cash was used to entertain relatives from upcountry.

**QUESTION SIX**

- a) Explain any five reasons as to why the cash book balance may not agree with the bank statement balance. (10 marks)
- b) Murungi's data in his cash book and bank dealings for the month of November 2021 were as follows:
- (i) Cash in bank as per bank statement on 30<sup>th</sup> November 2021 was Shs 1,271,800.
  - (ii) Cheques received and paid into the bank but not yet entered in the bank statement Shs 632,750.
  - (iii) Cheques drawn and entered in the cash book but not yet presented to the bank Shs 935,500.
  - (iv) Bank charges appear on the statement but not yet entered in the cash book Shs 77,000.
  - (v) On 30<sup>th</sup> November 2021 the bank column of the cash book showed a debit balance of Shs 1,046,050.

**Required:**

- (i) Prepare Murungi's adjusted cash book. (5 marks)
- (ii) Prepare a bank reconciliation statement as at 30<sup>th</sup> November 2021. (10 marks)

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