

UGANDA MARTYRS UNIVERSITY
FACULTY OF BUSINESS ADMINISTRATION AND
MANAGEMENT
DEPARTMENT OF ACCOUNTING & FINANCE
SEMESTER ONE 2018/19 FINAL EXAMINATION
BAM 3 Nkozi & Lubaga Day

COURSE UNIT: Advanced & Public Sector Accounting

DATE: Monday, 10th December 2018

DURATION: Three (3) Hours

TIME ALLOWED: 09:30am – 12:30pm

Instructions to Candidates:

Read the following before answering the examination questions.

1. Do not write anything on this question paper
2. The paper has Two Sections: Section A and Section B.
3. Attempt **any four questions: at least one** from each section
4. Write neatly and show all your workings.

SECTION A

QUESTION ONE

BEEM Ltd is a company listed in Uganda's Stock Exchange. The Trial Balance of the company as at 31st December 2017 is as follows:

BEEM Ltd

Trial Balance as at 31st December 2017

Details	Dr. UGX '000'	Cr. UGX '000'
Stated Capital - Ordinary Share Capital (2 million shares)		25,000
Retained Earnings as at 1 st January 2017		2,020
13% Debentures		7,500
Property, Plant and Equipment - at cost		
Motor Vehicles	26,500	
Office Equipment	8,650	
Furniture and Fittings	3,100	
Provision for Depreciation as at 1 st January 2017		
Motor vehicles		10,600
Office equipment		6,488
Furniture & fittings		1,860
Inventories	8,800	
Trade Receivables	34,500	
Trade Payables		14,600
Bank overdraft		1,460
Cash in hand	600	
Allowance for doubtful debts		360
Cost of sales	57,443	
Sales		92,650
Investment income		1,200
Ordinary dividends paid	1,000	
Administration expenses	10,150	
Selling & Distribution expenses	9,300	
Other operational expenses	2,100	
Finance expenses	850	
Income tax paid	745	
TOTALS	163,738	163,738

The following additional information is also provided:

- During the year, the company purchased the following assets: furniture & fittings on 30th January 2017 at UGX 54,000 and office equipment on 1st November 2017 at UGX 135,000
- During the year office equipment whose cost was UGX 110,000 and accumulated depreciation of UGX 110,000 was disposed of on 30th September 2017.

3. Depreciation is calculated on the straight-line basis at cost or revalued amount. The useful life of Property, Plant and Equipment is as follows: Motor Vehicles: 5 years, Office Equipment: 10 years, Furniture & Fittings: 10 years
4. An additional provision of UGX 93,000 has to be made for the current year in relation to debtors.
5. Accrued office rent as at 31st December 2017 was: UGX 800,000
6. The debenture interest for the year has not been paid or provided for in the financial statements.
7. The company tax for the year is estimated as UGX 750,000
8. The Board of Directors of the company has decided to pay a final dividend of UGX 1 per share for the ordinary shares held on 31st December 2017.

Required:

Prepare the following, in accordance with IAS 1:

- a) Statement of Comprehensive Income for the year ended 31st December 2017.
(11 marks)
- b) Statement of Financial Position as at 31st December 2017. (14 marks)

QUESTION TWO

- a) Define the following terms as per IAS 27
 - (i) A parent (2 marks)
 - (ii) A subsidiary (2 marks)
 - (iii) Control as per IFRS 3 (2 marks)
- b) NULL Ltd acquired 80% of the ordinary share capital of MAT Ltd. on 1st January 2017. Statements of Financial Position of NULL Ltd and MAT Ltd. as at 31st December 2017 are given below:

**Statements of Financial Position
As at 31st December 2017**

ASSETS	NULL Ltd	MAT Ltd
Non-Current Assets (at written down value):		
Property, Plant and Equipment	28,600	9,550
Investment of NULL Ltd in ordinary shares of MAT Ltd	13,500	
Current Assets:		
Inventories	5,650	3,300
Trade Receivables	6,430	4,425
Cash and Cash Equivalents	1,210	525
TOTAL ASSETS	55,390	17,800

Equity and Liabilities:		
Equity:		
Ordinary Shares	41,000	13,000
General Reserve	1,100	600
Retained Earnings	4,120	1,800
	46,220	15,400
Liabilities		
Long term liabilities		
Bank Loan		860
Short term liabilities		
Trade Payables	8,500	1,350
Accrued Expenses	550	155
Income Tax Payable	120	35
	9170	2400
	55,390	17,800

Additional information

The following ledger balances appeared in the books of MAT Ltd as at 1st January 2017: General reserve UGX 400,000 and Retained earnings UGX 400,000

Required:

Prepare the Statement of Consolidated Financial Position of NULL Ltd as at 31st December 2017. **(19 marks)**

QUESTION THREE

- Explain the major and additional disclosure principles for 'Non-current Assets held for sale and discontinued operations and account for their measurement. **(5 Marks)**
- IFRS 5 sets out the requirements for classification, measurement and presentation of non-current assets held for sale. Explain the criteria for classification for an asset as held for sale as asserted by IFRS 5. **(5 Marks)**
- List and explain items that do constitute and those that do not constitute investment property under IAS 40. **(5 marks)**
- Define investment property under IAS 40 and explain why its accounting treatment is different from that of owner-occupied property. **(5 marks)**
- Give an account for the measurement and disclosure of government grants under IAS 20. **(5 marks)**

QUESTION FOUR

- A company runs a unit that suffers a massive drop in income due to the failure of its technology on 1st January 2018. The following carrying values were recorded in the books immediately prior to the impairment.

CGU	UGX
Goodwill	20,000,000
Technology	5,000,000
Brands	10,000,000
Land	50,000,000
Buildings	30,000,000
Other net assets	40,000,000

The recoverable amount of the unit is estimated at UGX 85,000,000. The technology is worthless, following its complete failure. The other net assets include inventory, receivables and payables. It is considered that the book value of other net assets is a reasonable representation of its net realizable value.

Required:

- b) Calculate the impairment loss and show its apportionment schedule as of 1 January. **(8 marks)**
- c) With illustrations, write short notes on the 'five step model' that is based on to recognise revenue from contracts with a customer. **(10 marks)**
- d) A Fashion Shop regularly sells scarves, shoes and handbags individually, thereby establishing stand-alone selling prices as illustrated below.

ITEMS	(UGX)
Scuff	40,000
Shoes.....	55,000
Hand bag.....	<u>45,000</u>
Total	140,000

In addition, the Fashion shop regularly sells shoes and handbags together for UGX 60,000. Fashion Shop enters into a contract with a customer to sell all three products in exchange for UGX 100,000. Fashion Shop will satisfy the performance obligations for each of the products at different points in time.

Required:

- i) Identify the transaction price **(1 mark)**
- ii) How many performance obligations are in the question? **(1 mark)**
- iii) How should the transaction price be allocated to the products? **(5 marks)**

SECTION B

QUESTION FIVE

- a) The following details are an extract of financial transactions of the Ministry of Finance of Uganda.
- Financial grant UGX 25 Billion from China Government for establishing a research center in Kampala.
 - A loan from World Bank worth UGX 260 Billion for road construction in the country.
 - DFID loan for budget support worth UGX 90 Billion
 - Revenue collected by URA worth UGX 280 Billion

Required:

Open and post the relevant books and record the following transactions. **(10 marks)**

- b) Discuss the payment procedure in Government. **(5 marks)**
- c) Explain the relationship between the roles of the Secretary to Treasury, the Auditor General and that of the Accountant General. **(5 marks)**
- d) Give an account of the accounting entries for salaries and emoluments in government books of accounting. **(5 marks)**

QUESTION SIX

Kakindu Primary School is a government- aided primary school situated in Mityana district. The following balances were extracted from the account of Kakindu Primary School for the year ended 31st December 2017:

CODE	DETAILS	AMOUNT UGX '000'	CODE	DETAILS	AMOUNT UGX '000'
10	Tuition fees	600,000	300	Catering expenses	82,400
20	Examination fees	200,000	301	Security	18,000
30	Lunch fees	21,500	302	Repairs & maintenance	12,340
21	Registration fees	69,300	401	Travelling & transport	5,910
40	Building fund	180,000	402	Sports activities	4,980
41	Medical fees	30,000	403	Food & beverages	199,200
42	Library fees	18,000	404	Dormitory expenses	24,310
43	Caution fees	26,300	405	Scholastic materials	9,872
50	Capital development grant	100,000	406	Postage and telephone	1,545
60	Capitation grant	45,000	500	Bursaries	18,790
70	Gov't contribution to SCH projects	10,000	600	Newspapers & periodicals	850
100	Salaries for teaching staff	265,000	661	Staff training	2,790

101	Salaries for non-teaching staff	70,000	662	Rent & rates	34,010
102	Wages	20,000	663	Bank charges	3,821
103	Printing & stationery	90,000	700	Management committee	9,800
200	Medical expenses	31,200			
220	Uniforms	59,000			

Additional information

a) Approved budget

CODE	DETAILS	AMOUNT UGX'000'	CODE	DETAILS	AMOUNT UGX '000'
10	Tuition fees	520,000	300	Catering expenses	85,400
20	Examination fees	90,000	301	Security	20,000
30	Lunch fees	122,500	302	Repairs & maintenance	10,340
21	Registration fees	70,300	401	Travelling & transport	11,510
40	Building fund	170,000	402	Sports activities	5,000
41	Medical fees	33,000	403	Food & beverages	290,500
42	Library fees	18,000	404	Dormitory expenses	25,310
43	Caution fees	26,500	405	Scholastic materials	9,540
50	Capital development grant	100,000	406	Postage and telephone	1,900
60	Capitation grant	45,000	500	Bursaries	18,900
70	Gov't contribution to SCH projects	10,000	600	Newspapers & periodicals	900
100	Salaries for teaching staff	370,000	661	Staff training	2,900
101	Salaries for non-teaching staff	103,000	662	Rent & rates	34,000
102	Wages	61,000	663	Bank charges	3,900
103	Printing & stationery	99,000	700	Management committee	10,000
200	Medical expenses	35,200			
220	Uniforms	57,000			

b) All the income was collected and all the expenditure was paid during the year.

Required:

- Prepare a statement showing the variances between budgeted and actual revenues and expenses for Kakindu Primary School. **(12 marks)**
- Use the total actual revenues as the authorized amount and draw a vote book from the above information. **(13 marks)**