

**UGANDA MARTYRS UNIVERSITY, LUBAGA CAMPUS**

**FACULTY OF BUSINESS ADMINISTRATION AND  
MANAGEMENT**

**DEPARTMENT OF ACCOUNTING & FINANCE**

**BAM I , MF I SEMESTER TWO 2017/18**

**COURSE UNIT: FUNDAMENTAL ACCOUNTING II  
EVENING (RUBAGA)**

**DATE: Tuesday, 8<sup>th</sup> May 2018**

**Time allowed: 4:00pm- 7:00pm**

**Instructions to Candidates:**

Read the following before answering the examination questions.

- 1) Do not write anything on this question paper.
- 2) Write neatly and show all workings clearly.
- 3) Start every question on a new page
- 4) Clearly state the question number & sections attempted
- 5) Answer **any four** questions, all questions carry equal marks

### **QUESTION ONE**

The following trial balance was extracted from the books of Alberto as on 31/12/2016 which failed to balance and the difference put on suspense account.

Details	Debit (\$)	Debit (\$)
Capital		21,675
Sales		23,850
Purchases	12,900	
Wages	951	
General expenses	210	
Fixtures	30,500	
Accounts receivable/payable	6,680	10,910
Cash at hand	20	
Cash at bank	1,510	
Drawings	700	
suspense account	2,964	
	<b><u>56,435</u></b>	<b><u>56,435</u></b>

#### **On investigation, the following errors were discovered**

1. Purchases account in the general ledger was under-cast by \$ 1,000
2. Wages expense balance of \$ 915 was extracted in the trial balance as \$ 951
3. Sales to Macklin of \$ 1,500 was correctly recorded in the sales journal but posted to her account in the sales ledger as \$ 2,500
4. Purchases of \$2,000 from John Bosco was recorded in the purchases journal but not posted to his account in the purchases ledger
5. The opening balance of \$ 25,000 in the fixtures account was brought forward as \$ 20,000.

#### **Required**

Prepare the journal entries to correct the above errors, post to the ledgers and re-extract the corrected Trial Balance (25 marks)

### **QUESTION TWO**

On 1 January 2017, the accounting records of MAMA Mulungi Enterprises included the following balances.

S/No	Details	Amount (Ushs`000)
1	Sales ledger control account balance	100,000
2	Provision for doubtful debts balance	4,000
Individual debtors balance		
3	Agnes	20,000
4	Brian	40,000
5	Charity	16,000
6	Denis	18,000
7	Elizabeth	12,000
8	Felipe	(4,000)
9	Grace	(2,000)

The following information is provided for the year 2017 (all in Ushs`000)

- a) Credit sales and receipts from debtors

Customer	Sales journal	Cash book receipts	
	Credit sales Amounts	Amount received	Discount allowed
Agnes	60,000	70,000	4,000
Brian	70,000	60,000	-
Charity	-	10,000	-
Denis	36,000	40,000	-
Elizabeth	18,000	24,000	-
Felipe	16,000	10,000	2,000
Grace	14,000	8,000	-

b) Returns, bad debts w/o and contra settlements

Customer	Returns inwards	Bad debts w/o	Contra settlements
Agnes	4,000	-	-
Charity	-	4,000	-
Elizabeth	-	-	4,000
Felipe	6,000	-	-
Grace	-	-	8,000

c) Adjust the provision for doubtful debt to 4% of the total debtors.

### Required

Prepare the Sales ledger control account, each customer's account in the sales ledger and provision for doubtful debt account (25 marks)

### QUESTION THREE

- What is the difference between Capital receipts and revenue receipts, give at least 2 points. (4 marks)
- Explain how gross profit will be affected if:
  - A revenue receipt is treated as a capital receipt (2 marks)
  - A capital receipt is treated as a revenue receipt (2 marks)
- The following details relate to Machines purchased for production of goods by Quality enterprises. The policy of the enterprises is to provide full depreciation expense in the year of purchase using straight line method, & none in the year of sale. The accounting period of the entity ends on 31<sup>st</sup> December.
  - On 1<sup>st</sup> March 2014 Machine **AA** was purchased for £. 120,000. The estimated working life of the machine is five years and the scrap value £. 20,000
  - Machine **AB** was purchased on 1<sup>st</sup> January 2016 for £.180,000 and on the same date it was installed at a cost of £.7,000. The estimated working life of this machine is seven years and the scrap value is £.40,000.
  - On 1<sup>st</sup> September 2017 machine **AA** was given in part exchange for machine **AC**, the allowance given was £. 40,000. Machine **AC** costs £. 200,000; had an estimated working life of ten years and a scrap value of £. 60,000.

### Required

Prepare the following in respect of **four years** ending 31<sup>st</sup> December 2017. (17marks)

- i. The yearly depreciation expense
- ii. Machinery account
- iii. Machinery disposal account

#### **QUESTION FOUR**

The following balances were extracted from the books of Suzan who manufactures and sells crafts. The information relates to the year ended 31<sup>st</sup> December 2017

	(Ushs `millions)
Capital	488
Plant and Machinery (Cost)	240
Motor Vans at Cost	120
Other tools	36
Bank	34
Raw materials purchased	172
Direct factory wages	156
Light and power	20
Administrative staff salaries	124
Administrative expenses	36
Indirect Factory wages	32
Rent and insurance	46.4
Sales	680
Sales and distribution staff salaries	52
Drawings	24
Repairs to machinery	6.4
Motor vans running expenses	48
Accounts receivable	66
Accounts payable	44.8

#### **Additional information**

- i. Inventory was valued at:
  - Raw materials Ushs 128 million
  - Work in progress Ushs 49.2 million
  - Finished goods Ushs 40 million
- ii. Depreciation on plant and machinery is 10% per annum on straight line method, motor van 25% on straight line
- iii. Light and power outstanding was Ushs 4 million and insurance prepaid Ushs 2.4 million
- iv. Costs to be allocated as follows:
  - Light and power, and rent and insurance;  $\frac{2}{3}$  factory costs and  $\frac{1}{3}$  to office administration expenses.
  - Motor van costs: 50% factory and 50% office administration
- v. Goods manufactured are transferred to the trading section of the statement of comprehensive at Ushs 380 million
- vi. Other tools were valued at Ushs 20 million on 31/12/2017

**Required**

- a) Prepare the statement of comprehensive income showing clearly the various cost components( show clearly the manufacturing and trading results) (22 marks)
- b) Comment on results in (a) above. (3 marks)

**QUESTION FIVE**

- a) Explain the main characteristics of Nonprofit oriented organizations (5 marks)
- b) Discuss the distinction between receipt and payment account, and income and expenditure account (10 marks)
- c) The following Receipt and Payment Account was extracted from the records of Kelele superb Club for the year ended 31<sup>st</sup> March, 2015.

Dr. Receipt and Payment Account Cr.			
Receipts	Amount (\$.)	Payments	Amount (\$.)
Balance b/d Bank	25,000	Purchase of furniture (1.7.14)	5,000
Subscriptions		Salaries	2,000
2014 1,500		Telephone expenses	300
2015 10,000		Electricity charges	600
2016 500	12,000	Postage and Stationery	150
Donation	2,000	Purchase of books	2,500
Hall rent	300	Entertainment expenses	900
Interest on bank deposits	450	Purchase of 5% government papers (1.7.14)	8,000
Entrance fees	1,000	Miscellaneous expenses	600
		Balance c/d	
		Cash in hand	300
		Cash at bank	20,400
	<b>40,750</b>		<b>40,750</b>

**Additional information**

- (i) Salaries owing – \$. 1,500;
- (ii) Entertainment expenses accrued – \$. 500;
- (iii) Bank interest receivable – \$. 150;
- (iv) Subscriptions outstanding – \$. 400;
- (v) 50 per cent of entrance fees is to be capitalized;
- (vi) Furniture is to be depreciated at 10 per cent per annum.

**Required**

Prepare Income and Expenditure Account for the period ended 31<sup>st</sup> March, 2015 (10 marks)

### **QUESTION SIX**

- a) Explain the meaning of Incomplete Records (5 marks)
- b) Discuss the disadvantages of incomplete records ( 10 marks)
- c) The following information is available for Fatina, a sole trader who does not keep full accounting records:

	£
Stock 1 <sup>st</sup> July 2014	138,600
“ 30 <sup>th</sup> June 2015	149,100
Purchases for year ended 30 <sup>th</sup> June 2015	716,100

Fatina makes a standard gross profit of 30 percent on sales.

Determine Fatina `s sales figure for the year ended 30<sup>th</sup> June 2015 (5 marks)

- d) Derrick does not keep proper accounting records but has kept notes of some transactions in an exercise book. The following details of his assets and liabilities were found in the book as on 31 December 2016 and 31 December 2017:

Details	2016 (£)	2017 (£)
Motor vehicle (NBV)	4,000	3,200
Furniture (NBV)	2,800	2,520
Inventory	3,400	3,960
Accounts receivable	3,800	5,760
Cash at Bank	4,400	6,800
Cash in hand	400	800
Accounts payable	800	1,200
Centenary bank Loan	2,400	1,600
Drawings		3,600

**Required:** Determine the profit earned for 2017 (5 marks)